Annual Report

2019

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 (43.7% stake) and BTG Pactual (29.0%).

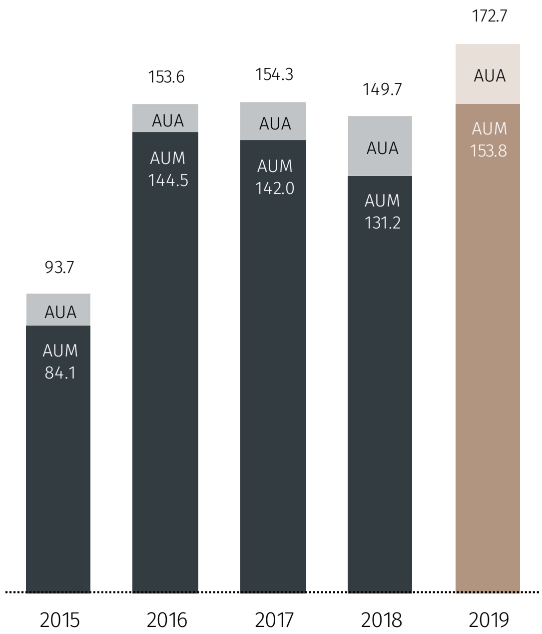
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide,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

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

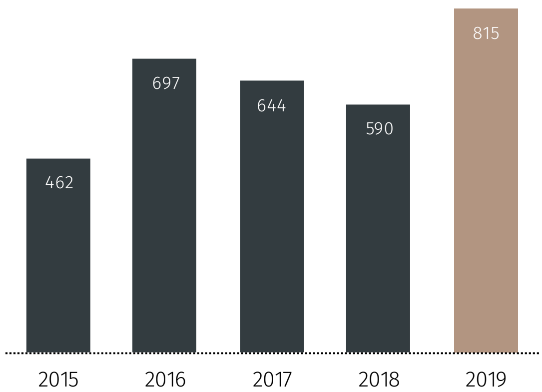
EFG International Performance Evolution

AUM and AUA

in CHF billions

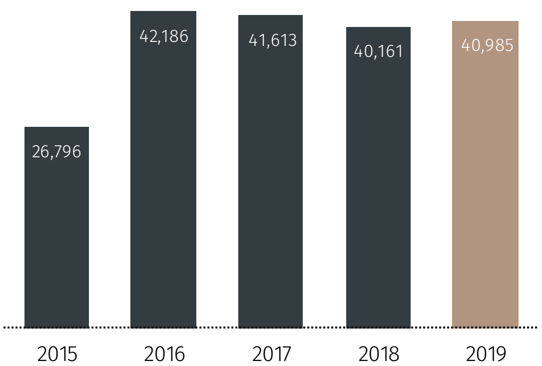


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



EFG International Financial Highlights

in CHF millions	31 December 2019
Income	
IFRS net profit attributable to equity holders	100.3
IFRS net profit attributable to ordinary shareholders	94.2
Underlying recurring net profit*	108.7
Operating income	1,170.9
Cost/income ratio*	85.2
Balance sheet	
Total assets	40,985
Shareholders' equity	1,781
Market capitalisation	
Share price (in CHF)	6.39
Market capitalisation (ordinary shares)	1,860
Regulatory capital	
Total Regulatory Capital	2,039.1
Total Capital Ratio (in %) (Swiss GAAP Basel III, fully applied)	20.1

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

Personnel	
Total number of CROs	815
Total number of employees (FTE's)**	3,151

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* Excluding impact of non-recurring items.

** Excluding FTE's on notice period or in social plan (as of 31 December 2019).

Entrepreneurial thinking.
Private banking.

Contents

Editorial Chair and CEO

John A. Williamson, Giorgio Pradelli

Dear shareholders, clients and colleagues,

The financial year 2019 was a period of global uncertainty. The world was faced with growing trade tensions – not only between the US and China but also Europe – and central banks partially reversed the previous monetary policy, once again moving towards more expansionary measures, to counter fears of a global recession and continued deflationary forces. At the same time, markets were impacted by the ongoing uncertainty surrounding Brexit as well as the growing unrest in Hong Kong and Latin America. These various factors weighed heavily on investor sentiment.

Against this challenging backdrop, we successfully refocused our business on profitable growth and continued to concentrate on further developing our core business. EFG remains committed to providing clients with private banking services of the highest quality, based on our client-centric value proposition.

Our 2022 strategic plan: Achieving profitable growth

We have a clear strategy and value proposition: We want to be a leading Swiss private bank that is renowned for its distinctive client approach. Our CRO model sets us apart in the market and enables us to offer truly client-centric service.

On 13 March 2019, we announced a new strategic plan for the period from 2019 to 2022. This plan is designed to increase momentum across our organisation to allow us to realise our true potential following the BSI integration. We are building on our significantly strengthened market position as one of the ten largest Swiss private banks. While our previous strategy for end-2019 centred around the successful execution of the integration process and the realisation of synergies, our new strategic plan for 2022 targets profitable and sustainable growth.

In particular, we want to further develop our presence and share of wallet in our Swiss domestic market, capturing the potential of this traditional private banking market, while also benefitting from our presence in key growth markets such as Asia Pacific, Latin America, Continental Europe and the Middle East, which offer significant opportunities for EFG. In addition to implementing regional initiatives, we want to drive growth on a global scale by hiring experienced CRO teams and increasing the efficiency of our current teams – leveraging our enhanced Investment Solutions products, services and expertise.

While our primary focus is on achieving organic growth in our core business, we will also continue to consider selected acquisitions if they represent a good strategic fit for EFG.

Based on these growth ambitions, we have defined the following financial targets for 2022:
- Average net new asset growth of 4-6%
- Revenue margin of at least 85 basis points
- Cost/income ratio of 72-75%
- Return on tangible equity in excess of 15%

In view of our strong capital position, we also aim to return 50% of our underlying capital generation to shareholders, while maintaining a CET1 capital ratio of at least 14%.

Ordinary dividend

In line with this and unchanged to last year, EFG proposes an ordinary dividend of CHF 0.30 per share (exempt from Swiss withholding tax) to the Annual General Meeting of 29 April 2020.

Substantial progress on strategic initiatives

With the announcement of our new strategic plan for 2022, we have successfully changed tack and shifted our focus from integration and optimisation to driving profitable and sustainable growth and delivering a first-class client experience – supported by our distinctive client service model and compelling value proposition.

In 2019, we made important progress in executing our strategic initiatives.

As announced on 13 March 2019 – together with our 2022 strategic plan – we have significantly expanded our coverage of the Asia Pacific region through the acquisition of a majority stake in the Australian financial services provider Shaw and Partners. With this transaction, which closed on 30 April 2019, we not only gained immediate access to the Australian market – one of the most attractive and fastest growing wealth management markets worldwide – but also have the opportunity to strengthen our presence in the attractive Chinese HNWI market.

As part of our focus on capturing significant growth opportunities in selected markets, we relaunched our domestic Italian business from our Milan branch in March 2019 and expanded our international presence with a new advisory branch in Lisbon. In view of the strategic importance of Southern Europe for our bank, we intend to further develop and expand our presence in Portugal in the future to further strengthen our footprint in this key region.

Within our Continental Europe & Middle East Region, we established a new presence in the Dubai International Finance Centre and officially commenced operations on 11 December 2019. We are confident that our new presence in the Middle East, which is already an important market for EFG, will enhance our ability to directly offer advisory services to the region's HNWI client segment, as well as capturing compelling market opportunities.

As mentioned above, we also increased our focus on hiring CRO teams as important drivers for growth, while enhancing the productivity of our existing teams. We made considerable progress in this area in 2019, hiring, approving or signing a total of 181 new CROs – exceeding our initial guidance of 70-100 new CRO hires per annum. Our success in hiring new talents reflects our improved position in the market and confirms that our CRO model is attractive. In addition, we further enhanced the productivity of our existing CROs, increasing the average portfolio size per existing CRO and applying stricter performance measures.

In parallel to these efforts, we leveraged more effectively our Investment Solutions capabilities – successfully increasing our mandate penetration to 47%. This represents a substantial improvement from 40% at end-2018.

2019: Successfully refocused on growth

Despite the challenging conditions facing the entire industry in 2019, we successfully refocused our business on profitable growth. These efforts translated into a significant increase in net new asset[1] inflows, substantially higher Assets under Management, and a 34.0% rise in IFRS net profit to CHF 94.2 million.

In particular, we saw a significant turn-around and accelerating positive trend in net new asset development in 2019 compared to the previous years, which were affected by the integration process. On a full-year basis, EFG generated CHF 5.2 billion of net new assets, corresponding to an annual growth rate of 4.0%, in line with our target range of 4-6%. In the second half of the year, net inflows further improved with all regions registering positive net asset inflows and an annualised net asset growth rate of 6.6%. The UK and Continental Europe & Middle East Regions had consistently strong inflows during the year, with net new asset growth rates of 8.9% and 5.0%, respectively. In the second half of the year, our Switzerland & Italy Region also significantly rebounded and Latin America returned to positive net asset inflows. On a global level, net new asset developments reflected a balanced contribution from new CROs as well as existing CROs, and EFG's new locations.

Throughout the year, revenue-generating Assets under Management also grew significantly. At the end of 2019, Assets under Management reached CHF 153.8 billion, a 17.2% increase from CHF 131.2 billion at end-2018. This significant growth was driven by the acquisition of the majority stake in Shaw and Partners, with Assets under Management of approximately CHF 11.6 billion, as well as market effects and positive net asset inflows.

These positive developments were also reflected by the performance of the business, which generated significantly improved profitability with an IFRS net profit of CHF 94.2 million, reflecting an increase of 34.0% from CHF 70.3 million in 2018. This increase was primarily driven by higher revenues, which included a positive contribution from Shaw and Partners and the life insurance portfolio, as well as a further reduction in operating expenses, reflecting the absence of integration costs. These positive impacts were partly offset by a normalisation in net provisions and tax expenses. In terms of IFRS operating profit, we more than doubled our performance from CHF 81.3 million in 2018 to CHF 172.6 million in 2019 – reflecting an increase of 112.3%.

On an underlying basis – excluding the impact of non-underlying items such as the life insurance portfolio, intangible amortisation and legal costs and provisions relating to previously disclosed legacy matters – our results for the year reflected the challenging market environment and our investments in growth initiatives, including the consolidation of Shaw and Partners.

For the full year, we generated an underlying operating income of CHF 1,142.8 million, compared to CHF 1,165.1 million in the previous year, reflecting the continued downward trend in interest rates. In view of this, net interest income was CHF 336.4 million, down from CHF 372.7 million in the previous year and net other income also decreased from CHF 227.8 million in 2018 to CHF 213.4 million in 2019. This was, however, partially offset by an increase in net commissions from CHF 564.6 million in 2018 to CHF 593.0 million in 2019, with a positive trend in the second half of the year. Operating income in 2019 also included an improving contribution from Global Markets and strong results from Treasury as well as a pre-tax one-off gain of CHF 15 million from the SIX participation in the first half of the year. In addition, Shaw and Partners contributed CHF 30.5 million of operating income, demonstrating its good strategic fit with EFG. Affected by the low interest rate environment – in particular the reduction in US interest rates – our underlying revenue margin decreased to 79 basis points, including Shaw and Partners, and to 82 basis points when excluding Shaw and Partners.

On the expense side, we continued to rigorously execute our cost reduction measures and to realise synergies, while investing in targeted growth initiatives. As a result we realised our targeted cumulative pre-tax cost synergies of CHF 240 million by end-2019. However, due to costs relating to the acquisition of Shaw and Partners and our strategic CRO hiring efforts, we reported higher underlying operating expenses of CHF 975.9 million in 2019, compared to CHF 966.5 million in 2018. Nevertheless, when we exclude the operating expenses of Shaw and Partners, we continued to lower our costs with underlying operating expenses of CHF 950.6 million. For 2019, our underlying cost/income ratio was 82.9%.

Strong capital and liquidity position

At the end of 2019, EFG's Swiss GAAP Common Equity Tier 1 (CET1) Ratio was 16.2%, compared to 17.6% at end-2018, reflecting amongst other items the impact of our organic capital generation of 140 basis points, the proposed dividend payment, and some exceptional items relating to legacy positions. The Total Capital Ratio was 20.1% at the end of 2019, compared to 21.6% at end-2018. EFG has a strong, stable and liquid balance sheet, with a Liquidity Coverage Ratio of 182% and a Loan/Deposit Ratio of 53% at the end of 2019.

Outlook & 2022 strategic plan

In 2019, we announced our new 2022 strategic plan and successfully refocused our business on achieving profitable growth. In 2020 and going forward, we will concentrate on maintaining and accelerating this momentum by systematically executing our growth plan and strategic initiatives.

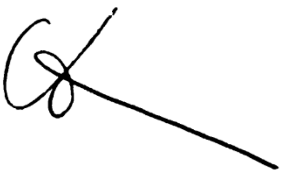
In view of the challenging market environment, we will maintain our strict cost discipline and strive to enhance our operational efficiency. As part of these efforts and in order to support our strategic growth initiatives, we plan to execute further cost management actions, streamline our processes and reduce general and administrative expenses.

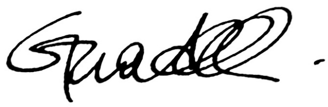
In addition, we aim to rationalise our international booking centre footprint, by exiting or reducing our presence in locations that display limited or no growth, with low returns on Assets under Management and high cost/income ratios. In addition, we will further optimise the operational set-up of our eight main offshore centres, eliminating duplications and streamlining the processes in order to make them more efficient. These efforts are designed to support our strategic growth initiatives and to help us achieve our end-2022 cost/income ratio target of 72-75%. Several of these actions have already been initiated and are expected to benefit our overall operational efficiency throughout the year.

Editorial Chair and CEO

In 2019, we have successfully advanced our strategic initiatives and delivered our distinctive value proposition to clients. Going forward, we will continue to build on these strong foundations and further reinforce our market position. We have a very attractive platform – both for clients and employees – and we are convinced that our CRO model continues to provide significant advantages for clients and investors alike, setting us apart in the market and confirming our position as a trusted, independent provider of first-class financial advice.

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

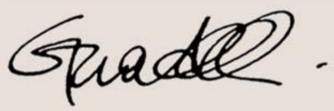




John A. Williamson,
Chair of the Board

Giorgio Pradelli,
Chief Executive Officer

Thank you, John Williamson
As communicated in November 2019, John Williamson has decided not to stand for re-election as Chair of the Board of Directors at the forthcoming Annual General Meeting on 29 April 2020. In his 18 years at EFG, John Williamson has significantly shaped and influenced our bank. Throughout his exceptional career at EFG, he has not only headed EFG's operations in the United Kingdom from 2002 to 2011 and held the role of CEO of EFG International from 2011 to 2015, but also served as both the Vice-Chair and from 2015 as Chair of the Board. John Williamson has worked relentlessly to support our bank's growth whilst at the same time preserving its founding entrepreneurial culture and singular client focus. I look forward to working with him in his new role as a strategic advisor to EFG. On behalf of the Board of Directors, the Global Business Committee and all our employees, I want to thank John for his outstanding commitment and contribution over many years.



Giorgio Pradelli,
Chief Executive Officer

1 This section contains certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS, such as "net new assets", "Assets under Management", "operating profit", "cumulative cost synergies", "underlying results", "cost/income ratio", "revenue margin", "Liquidity Coverage Ratio" and "Loan/Deposit Ratio". These alternative performance measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer to the section headed "Alternative Performance Measures" of this Annual Report.

International Presence

Proximity to clients

EFG combines a global focus with a strong local presence.

Closer to you around the globe
We are there for you wherever you need us – in selected locations around the world and with experienced experts that know and lead local businesses. This proximity to our clients allows us to provide you with comprehensive advice that takes into account local conditions.

- EFG serves clients all over the world, with around 40 different locations spanning every time zone.
- Our global network stretches across Europe to Asia Pacific, Americas and the Middle East.
- We are based in Switzerland, one of the most stable and competitive economies in the world, with a leading international financial centre. We have strong roots here, with important sites from which the bank is managed in Zurich, Geneva and Lugano.

Americas

Bahamas	Nassau
Bermuda	Hamilton
Cayman Islands	George Town
Chile	Santiago
Colombia	Bogotá
Peru	Lima
Uruguay	Montevideo Punta del Este
USA	Miami

Europe

Channel Island	Guernsey Jersey
Cyprus	Nicosia/Limassol
France	Paris
Greece	Athens
Italy	Milan
Liechtenstein	Vaduz
Luxembourg	Luxembourg
Monaco	Monte Carlo
Portugal	Lisbon
Spain	Madrid
Switzerland	Zurich Geneva Lausanne Martigny Locarno Lugano Chiasso
United Kingdom	London Birmingham Shrewsbury Worcestershire/ Ombersley

Middle East

Bahrain	Manama
UAE	Dubai

Asia Pacific

China	Shanghai Hong Kong
Singapore	Singapore
Australia	Sydney Adelaide Brisbane Canberra Melbourne Perth

Financial Review

In 2019, EFG successfully refocused its business on profitable growth, returning to sustainable net asset inflows, significantly increasing Assets under Management and improving IFRS net profitability. In addition, EFG continued to realise its targeted cost synergies, reaching its cumulative end-2019 target of CHF 240 million.

Against the backdrop of a challenging operating environment, with further decreases in interest rates and continued margin pressure – particularly in the private banking industry – EFG executed on its 2022 strategic plan and increased its IFRS net profit by 34.0% to CHF 94.2 million in 2019, on the back of higher revenues and lower operating expenses, reflecting the absence of the previous year's integration costs. On an underlying basis, EFG's net profit of CHF 108.7 million reflected the challenging interest rate environment, normalised provisions and tax expenses as well as significant investments in growth initiatives.

Detailed financials

In 2019, EFG successfully emerged from the previous years' integration process, executing its strategic initiatives and achieving profitable growth.

On a reported basis, EFG significantly improved its profitability with an IFRS net profit attributable to equity holders of CHF 94.2 million. This reflects an increase of 34.0% compared to CHF 70.3 million in 2018, mainly reflecting the absence of integration costs and higher revenues, including a positive revenue contribution from Shaw and Partners and the life insurance portfolio. These positive impacts were partially offset by a normalisation in tax expenses and net provisions.

On an underlying basis – excluding the impact of non-underlying items such as the life insurance portfolio, intangible amortisation and legal costs and provisions relating to previously disclosed legacy matters – EFG's underlying performance reflected a sharp decrease in interest rates and substantial investments in growth initiatives, resulting in an operating profit of CHF 166.9 million for the full year, which compares to CHF 198.7 million in 2018. In addition, EFG's underlying net profit of CHF 108.7 million in 2019 – compared to CHF 191.8 million in 2018 – was impacted by a normalisation in provisions and tax expenses. In 2019, EFG recorded provisions of CHF 18.4 million, which included CHF 10.5 million staff restructuring provisions and compares to a release of provisions of CHF 18.7 million in 2018. Likewise, tax expenses normalised from CHF 8.6 million in 2018 to CHF 25.0 million in 2019.

Operating income

For the full year 2019, EFG generated an underlying operating income of CHF 1,142.8 million, compared to CHF 1,165.1 million for 2018, reflecting the continued downward trend in interest rates. Net interest income decreased from CHF 372.7 million in 2018 to CHF 336.4 million and net other income was down from CHF 227.8 million to CHF 213.4 million in 2019. This was, however, partially offset by an increase in net commissions from CHF 564.6 million in 2018 to CHF 593.0 million in 2019, with an upward trend in the second half of the year. Underlying operating income in 2019 also included an improving contribution from Global Markets and strong results from Treasury as well as a pre-tax one-off gain of CHF 15 million from the SIX participation in the first half of the year.

Affected by the low interest rate environment and in particular the reduction in US interest rates, EFG's underlying revenue margin decreased to 79 basis points for the full-year 2019. When excluding Shaw and Partners, the underlying revenue margin was 82 basis points.

On a reported basis, EFG's operating income improved from CHF 1,145.6 million in 2018 to CHF 1,170.9 million in 2019. This reflects a contribution from Shaw and Partners and from the life insurance portfolio, as positive impacts in the second half of the year more than offset negative effects in the first six months.

Operating expenses

In 2019 and in line with its 2022 strategic plan, EFG continued to exercise strict cost discipline and improve its operational efficiency, while also investing in growth. EFG has frontloaded a substantial part of its investments in growth initiatives with the acquisition of Shaw and Partners, significant CRO hiring and the launch of its new offices in Milan, Lisbon and Dubai. EFG reported higher underlying operating expenses of CHF 975.9 million in 2019, compared to CHF 966.5 million in 2018. Both underlying personnel and other expenses were up slightly compared to 2018 to CHF 696.9 million and CHF 279.0 million, respectively. However, on a like-for-like basis, (excluding the operating expenses of Shaw and Partners), EFG lowered its underlying costs to CHF 950.6 million. For 2019, EFG's cost/income ratio was 85.2%.

EFG also continued to realise its targeted cost synergies, achieving CHF 55 million of pre-tax synergies in 2019, reaching a total of cumulative cost synergies of CHF 242 million, in line with its target of CHF 240 million by end-2019.

On a reported basis, operating expenses for 2019 decreased compared to 2018, primarily reflecting the absence of the previous years' integration costs. In 2019, operating expenses were CHF 998.3 million, reflecting a 6% decrease from CHF 1,064.3 million in 2018.

At end-2019, the number of employees was at 3,151[1] (full-time equivalents). On a like-for-like basis, excluding Shaw and Partners, the number of employees was 3,041[1] (full-time equivalents) at the end of 2019, down from 3,153 at end-2018.

Net new assets & Assets under Management

In 2019, EFG successfully rebounded from the previous years' integration-related AuM attrition outflows, registering strong net asset inflows at an accelerating pace towards the end of the year. On a full-year basis, EFG generated CHF 5.2 billion of net new assets, which corresponds to an annual growth rate of 4.0% and is in line with its target range of 4-6%. In the second half of the year, inflows further improved, achieving an annualised net asset growth rate of 6.6% – exceeding the target range. In regards to the regions, in particular the UK and Continental Europe & Middle East Regions had consistently strong inflows during the year, with net asset growth rates of 8.9% and 5.0%, respectively. In the second half of the year, EFG's Switzerland & Italy Region also significantly rebounded – offsetting the slow start to the year – and achieving total net new assets of CHF 1.0 billion for the full-year 2019, corresponding to a growth rate of 2.4%. In line with this accelerating trend, all of EFG's regions achieved positive net asset inflows in the second of the year.

Revenue-generating Assets under Management also improved significantly throughout the year. By the end of 2019, Assets under Management were CHF 153.8 billion, reflecting a 17.2% increase from CHF 131.2 billion at end-2018. This significant increase during the year incorporates the acquisition of the majority stake in Shaw and Partners, with Assets under Management of approximately CHF 11.6 billion, as well as market effects and the strong net asset inflows.

Life insurance portfolio

In 2019, EFG's IFRS net profit included a positive contribution of CHF 11.7 million from the life insurance portfolio, with CHF 38.2 million of gains in the second half of the year more than offsetting a loss of CHF 27.7 million in the first six months. This compares to an overall negative impact of CHF 26.9 million in 2018.

In December 2019, EFG restructured its indirect exposure in to life insurance positions in 2019 as it foreclosed on loans with life insurance policies as collateral. Going forward, the indirect exposure will be replaced by a direct one. This restructuring did not alter EFG's overall economic exposure to life insurance and the impact on EFG's financial results was marginal.

CRO development & productivity

As mentioned earlier, in 2019, EFG refocused its business on profitable growth and executed its strategic growth plan. As part of this, hiring experienced CRO teams was a key priority. In line with this, a record 181 new CROs were hired, signed or approved by in 2019, exceeding EFG's original guidance of 70-100 gross new CRO hires per annum. As of end-2019, EFG reported a total of 815 CROs. Excluding the CROs of Shaw and Partners, EFG had 629 CROs at end-2019, which compares to 590 at the end of 2018 and reflects the ongoing performance management measures.

EFG also further improved the productivity of its CROs, increasing the average portfolio size per existing CRO (excluding Shaw and Partners and the new hires in 2019) to CHF 295 million, compared to CHF 222 million by end-2018, and applying stricter performance management measures. In addition, EFG increased its advisory and discretionary mandate penetration to 47%, including Shaw and Partners, at the end of 2019, offering its clients expert advice and tailored services.

Balance sheet

At the end of 2019, the balance sheet total stood at CHF 41.0 billion.

Customer deposits increased by CHF 0.6 billion to CHF 30.7 billion, increasing the overall liquidity of the balance sheet, as loans only increased by CHF 0.2 billion to CHF 19.0 billion. The Group maintains a high level of liquidity, ending the year with over CHF 8.4 billion cash balances with central banks and a liquidity coverage ratio of 182%. The majority of tangible assets remain callable or disposable within 3 months, with the exception of life insurance policies of CHF 1.0 billion and CHF 6.1 billion of mortgages.

Shareholders' equity totalled CHF 1.78 billion, compared to CHF 1.66 billion as reported at end-2018. This increase mainly related to CHF 100.3 million of net profit for the year (including non-controlling interests).

1 Excluding FTE's on notice period or in social plan as at 31 December 2019.

At the end of 2019, EFG's Swiss GAAP Common Equity Ratio (CET1) was 16.2% compared to 17.6% at end-2018, reflecting amongst other items EFG's organic capital generation of 140 basis points, stable risk-weighted assets, the proposed dividend payment and some exceptional items relating to legacy positions. In line with this, the Total Capital Ratio also decreased from 21.6% at end-2018 to 20.1% by end-2019. EFG continues to have a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 182% and a Loan/Deposit Ratio of 53% at the end of 2019.

Risk-weighted assets were flat at CHF 10.1 billion as of 31 December 2019, while AUM was up 17.2%, as risk-weighted asset optimisation continues to ensure that overall growth is achieved with limited growtg in risk-weighted assets.

Ordinary dividend

The payment of an ordinary dividend of CHF 0.30 per share (exempt from Swiss withholding tax) will be proposed to the Annual General Meeting of 29 April 2020. This is unchanged from the dividend distributed in the previous year and in line with EFG's long-term strategy of returning excess capital to its shareholders.

2022 strategic plan & financial targets

On 13 March 2019, EFG announced its new strategic plan for the period from 2019 to 2022. This plan is designed to increase momentum across the organisation to allow EFG to realise its true potential. While EFG's previous strategy for end-2019 centred around the successful execution of the integration process and the realisation of synergies, its new strategic plan for 2022 targets profitable and sustainable growth.

Based on these growth ambitions, EFG defined the following financial targets for 2022:
- Average net new asset growth of 4-6%
- Revenue margin of at least 85 basis points
- Cost/income ratio of 72-75%
- Return on tangible equity in excess of 15%

In view of EFG's strong capital position, it also aims to return 50% of its underlying capital generation to shareholders, while maintaining a CET1 capital ratio of at least 14%.

Ratings

EFG International and EFG Bank are rated by the Fitch and Moody's rating agencies.

The current ratings are:

EFG International

Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1 (outlook stable)

Moody's: Long-Term issuer rating of A3 (outlook stable)

EFG Bank

Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1 (outlook stable)

Moody's: Long-Term Bank Deposit rating of A1 and the Short-Term Bank Deposit rating of P1 (outlook stable)

Note: This section contains certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS, such as "net new assets", "Assets under Management", "operating profit", "cumulative cost synergies", "underlying results", "cost/income ratio", "revenue margin", "Liquidity Coverage Ratio" and "Loan/Deposit Ratio". These alternative performance measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer to section headed "Alternative Performance Measures" of this Annual Report.

Beyond Banking

Life beyond banking

EFG offers clients comprehensive private banking – and because life is multi-faceted, our commitments also go beyond banking.

Shared interests and values
Music, art, sport and social commitments: We consider many facets of life and society to be both fascinating and important. EFG supports a variety of partners who share our values and passion for life.
We believe that by aligning our interests and values and identifying what is important to you, our clients, we can foster a more beneficial mutual understanding.

Jazz
EFG has been celebrating jazz for over a decade, aspiring to share its distinctive qualities such as collaboration, innovation and creativity. Supporting both established artists and emerging talents, our jazz partnerships include the EFG London Jazz Festival, the UK's major annual jazz event; EFG Lugano Estival Jazz, a programme of free open air concerts; Jazz Roots, a concert series at the Adrienne Arsht Center for the Performing Arts in Miami and EFG ambassador Jeremy Monteiro, Singapore's renowned jazz pianist and composer.

Classic Cars
Classic car races attract an enthusiastic and committed audience of collectors, drivers and fans. EFG shares this passion and, since 2008, has been a main sponsor of Le Mans Classic, one of the world's leading classic car events. We also support a selection of classic car events across Europe including Spa Classic, Dix Mille Tours du Castellet and Monza Historic.

Béjart Ballet Lausanne
EFG became the Swiss national partner of the Béjart Ballet Lausanne (BBL) in 2018 as EFG and BBL share the same values and drive to succeed. BBL was founded in 1987 by Maurice Béjart, who wanted to bring the world of ballet to a wider audience. Today, BBL is one of the most famous ballet companies in the world and regarded as a symbol of Swiss excellence. Artistic Director Gil Roman and his 40 dancers continue to embody Béjart's passion for dance and perform all over the world.

© PEGGY GUGGENHEIM COLLECTION, VENICE. PH. MATTEO DE FINA

Peggy Guggenheim Collection
Featuring contemporary art from the 20th century, the Peggy Guggenheim Collection – located next to the Grand Canal in Venice – is a unique source of fascination for art enthusiasts. We have supported its development and exhibitions for many years and look forward to continuing our collaboration with the Peggy Guggenheim Collection in the future, which includes restoration projects that will conserve artworks for future generations.


© SMASH PIXEL STUDIO

EFG Latin American Art Award and Pinta Miami
EFG is the title sponsor of the annual EFG Latin American Art Award, in partnership with Art Nexus, which was created to support emerging Latin American artists. The award aims to both promote Latin American visual art and to raise the profile of regional art fairs. The winner is announced at Pinta Miami, the internationally renowned contemporary art fair in Miami, that attracts galleries from around the world.


© TIFFANY CHAN, EFG GLOBAL SPORT AMBASSADOR

EFG Hong Kong Ladies Open
EFG is a long-term supporter of golf in Asia. We were also the first title sponsor of the EFG Hong Kong Ladies Open, which is now firmly established as one of the key highlights in the Hong Kong golfing calendar. As part of our on-going effort to support aspiring and young talents, we are proud to partner with Tiffany Chan, one of Hong Kong's promising golfing stars.


© SOUTHBANK SINFONIA

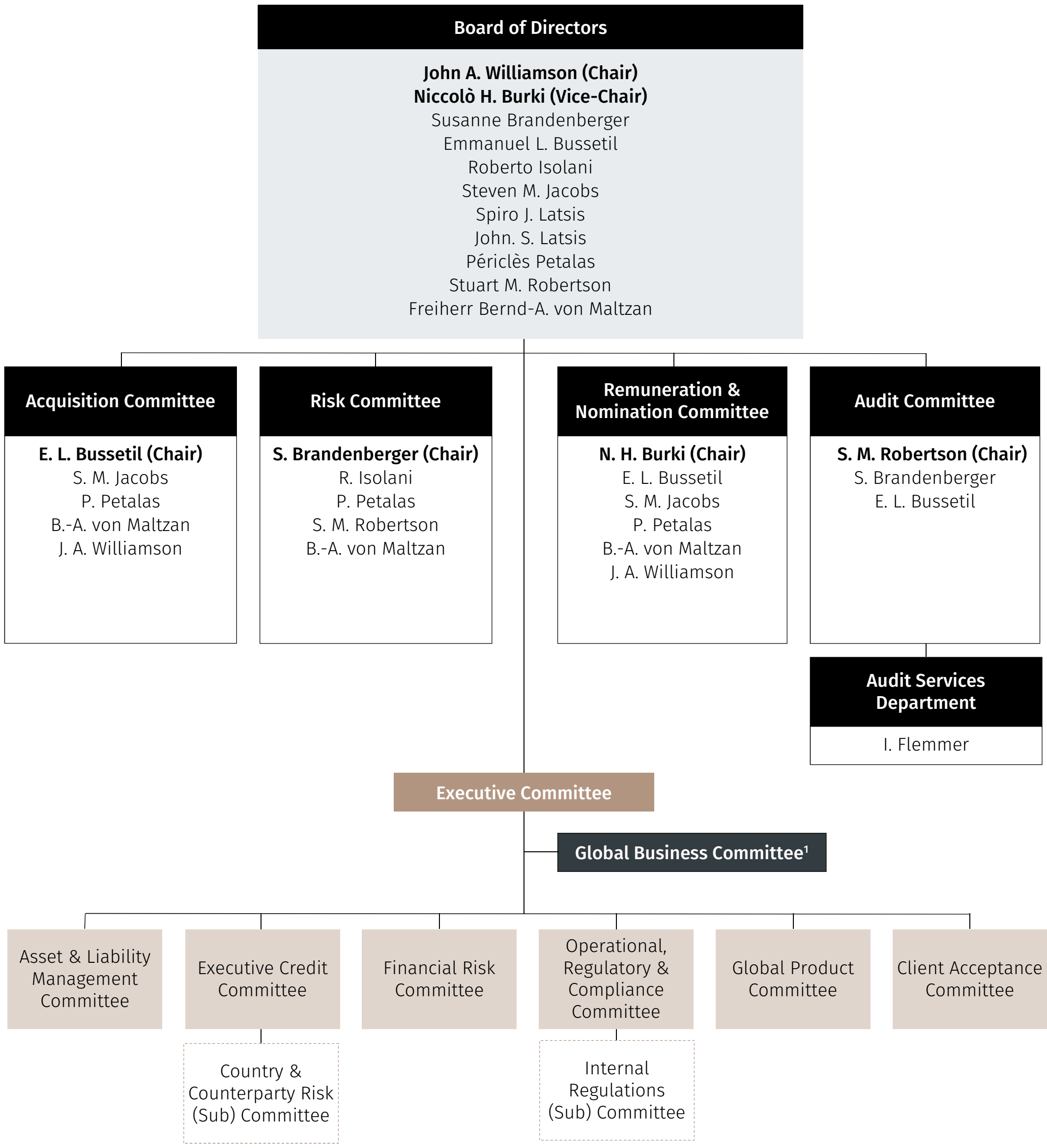
Southbank Sinfonia
EFG has been the principal partner of the Southbank Sinfonia since 2009. This unique orchestra provides young musicians with a springboard into the orchestral profession. Each year, 33 of the world's most promising graduate musicians are given a fellowship which allows them to develop their musical talents, gain valuable experience and make lasting professional contacts.


© PHOTOGRAPY BY JAMES MACDONALD

Right To Play
EFG provides financial support for projects run by Right To Play. This international organisation is active in 15 countries and uses different forms of play to promote the holistic development of children facing adversity. Right To Play has pioneered a unique play-based approach to learning and development, focusing on quality education, gender equality, child protection, peaceful communities and health and well-being.

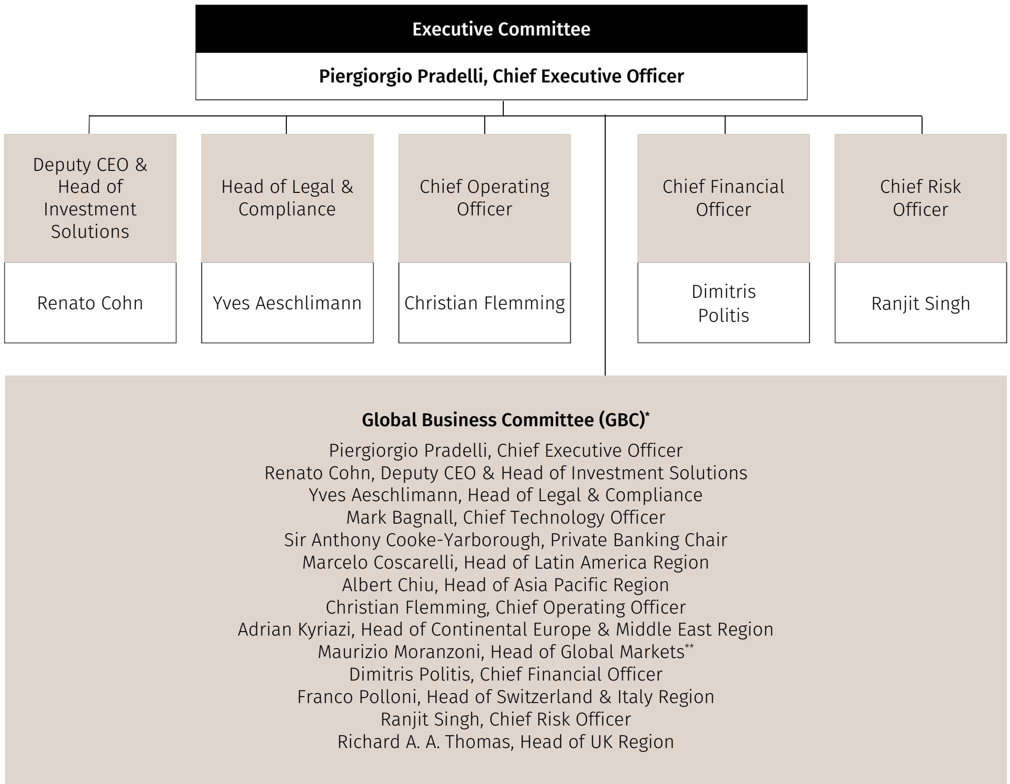
Corporate Governance

Board of Directors & Board Delegated Committees as at 31 December 2019



1 Advisory role to the Executive Committee

Executive Committee as at 31 December 2019



* Advisory role to the Executive Committee

** Effective as of 01 January 2020, Kurt Haueter is the Head of the newly combined Global Markets & Treasury division.

Good corporate governance is about ensuring that a company is managed efficiently and effectively in the interests of all stakeholders. It pursues a balanced relationship between leadership, control and transparency. EFG International always aims to achieve good corporate governance based on leading national and international standards whilst always respecting the rights of shareholders to the highest degree. EFG International ensures transparency by properly disclosing company information. This part of the annual report provides key information with regard to corporate governance practices within EFG International.

EFG International operates under clear separation of responsibilities between the Board of Directors and the Executive Committee in full compliance with Swiss banking law. The responsibilities of both bodies are clearly defined in the Articles of Association and the Organisational and Management Regulations of EFG International AG (these documents are available on EFG International's website: www.efginternational.com/articlesofassociation and www.efginternational.com/internalregulations).

Based on recommendations by the Chief Executive Officer of EFG International AG, the Board of Directors decides on EFG International's strategy whilst also assuming the responsibility of supervising and monitoring the businesses. The day-to-day management operations are delegated by the Board of Directors to the Executive Committee.

As a publicly listed Swiss company, EFG International AG is subject to and complies with the Corporate Governance Directive and its annex and commentary, issued by SIX Swiss Exchange AG (SIX). The information provided in this section adheres to the Corporate Governance Directive (revised on 20 March 2018, and in force since 1 May 2019), the SIX guidelines revised on 10 April 2017 and the recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss Business Federation, economiesuisse, as amended in 2014 and in 2016, as well as its appendix 1, 'Recommendations on compensation for Board of Directors and Executive Board', which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Committee.

Furthermore, EFG International AG complies with the Swiss Ordinance against Excessive Compensation in Listed Companies (Ordinance) entered into force on 01 January 2014 and the FINMA Circular 2017/1 Corporate Governance – Banks entered into force in July 2018.

The following information corresponds to the situation as at 31 December 2019, unless indicated otherwise.

If information required by the Corporate Governance Directive is published in the notes to the financial statements or in the Compensation Report, a reference indicating the corresponding section of the notes or page number is given.

1. Group structure and shareholders

1.1 Operational structure of EFG International

EFG International AG is a holding company domiciled in Zurich, organised under the laws of Switzerland in accordance with Art. 620 et seq. of the Swiss Code of Obligations. It manages a global private banking group offering private banking and asset management services. EFG International's group of private banking businesses operates in around 40 locations worldwide. EFG International is organised in the following business segments: Switzerland & Italy, Continental Europe, Asia Pacific, United Kingdom, Americas, Investment Solutions, and Global Markets & Treasury. Further information can be found in note 24 'Segmental Reporting' to the consolidated financial statements. The functional organisation of EFG International AG is outlined on pages 21 f.

1.2 Group entities

The main consolidated entities are listed in note 44. Within the EFG private banking group, only EFG International AG is a listed company.

The registered shares of EFG International AG are traded on the main standard of SIX in Zurich (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 1.860 billion (excluding shares held by EFG International) on 31 December 2019.

1.3 Significant shareholders

1,880 shareholders were recorded in EFG International's share register as at 31 December 2019 (i.e. shareholders with voting rights) representing 82.23% (previous year: 85.62%) of the total share capital issued. The shares of unrecorded shareholders (dispo) amounted to 17.79% (previous year: 14.21%).

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

As at 31 December 2019	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA, Geneva[1, 5]	129,922, 888	43.71%
BTGP-BSI Limited, London[2, 3, 4, 5]	86,178,609	29.00%
Other shareholders[6]	81,097,006	27.29%
Total [7]	**297,198,503**	**100.00%**

1 EFG Bank European Financial Group SA is controlled by the Latsis Family Interests through several intermediate parent companies. For details of the shareholder's ownership structure, please refer to the shareholding disclosure notification cited in note 5 below.
2 BTGP-BSI Limited is a wholly owned subsidiary of Banco BTG Pactual SA, Rio de Janeiro, a bank listed on the B3 São Paulo Stock Exchange in Brazil. For details of the the shareholder's ownership structure, please refer to the shareholding disclosure notification cited in note 5 below.
3 Including 12.86% of the EFG International registered shares that were transferred to an Escrow Agent based on an escrow agreement between EFG International, BTGP-BSI Limited and Bratschi AG (Escrow Agent).
4 The equity interest of Banco BTG Pactual SA in EFG International AG disclosed above comprises a Total Return Swap representing 6,800,000 shares issued by EFG International AG, equivalent to shareholding interest of 2.29% in EFG International AG and an equity-linked note for 71,495, 656 shares issued by EFG International AG, equivalent to a shareholding interest of 24.06% in EFG International AG.
5 By virtue of an agreement dated 31 October 2016 among EFG Bank European Financial Group SA, BTGP-BSI Limited and Banco BTG Pactual SA., the Latsis Family Interests and the beneficial owners of the shares of BTGP-BSI Limited form a group of shareholders within the meaning of article 120 et seq. of the Financial Market Infrastructure Act (FMIA). This agreement contains, among others, a right of first offer in case of a private sale of EFG International registered shares held by BTG Pactual, and an undertaking of EFG Bank European Financial Group SA to vote its shares in EFG International in favour of two board candidates nominated by BTG Pactual SA. (or one board candidate in case the total shareholding in EFG International controlled by BTG Pactual S.A. represents less than 25% of EFG International's issued share capital at the time). For further details on the agreement, the members of the shareholder group and the reported sale and purchase positions pursuant to article 120 FMIA and its implementing ordinances, please refer to the most recent shareholding disclosure notification published on 20 November 2019 at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: EFG International).
6 Including shares held by EFG International. For details on treasury shares, see note 54. Except for the group of shareholders cietd in note 5 above, there are no other shareholders who have notified a shareholding of 3% or more of the voting rights of EFG International pursuant to article 120 FMIA.
7 The details of capital movements in 2019 are described in section 2.3 below.

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50% and 66.66% of voting rights. The legal basis for the disclosure of shareholdings is, in particular, set out in the Financial Market Infrastructure Act (Art. 120 ff. FMIA) and in its implementing provisions, the Financial Market Infrastructure Ordinance-FINMA (Art. 10 ff. FMIO-FINMA) and the Financial Market Infrastructure Ordinance (FMIO). The Rules for the SIX Disclosure Office include organisational and procedural provisions on proceedings before the SIX Disclosure Office.

All notifications received by EFG International AG in 2019 and published on the SIX Disclosure Office's electronic publication platform can be found under www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: EFG International).

1.4 Cross-shareholdings

EFG International has not entered into any cross-shareholdings that exceed 5% of the capital shareholdings or voting rights on either side.

2. Capital structure

2.1 Capital

2.1.1 Share capital

The outstanding share capital amounts to CHF 148,599,251.50, consisting of 297,198,503 registered shares with a par value of CHF 0.50 each; the shares are fully paid-in (for details please refer to the table in section 2.3.2). In context of the equity incentive plan for employees (Employee Equity Incentive Plan) of EFG International (see also section 6.2 of the Compensation Report, page 58), EFG International AG has started in 2013 issuing its conditional share capital to provide registered shares for exercised options and Restricted Stock Units to employees.

The authorised capital amounted to CHF 23,937,711.50 and the remaining conditional share capital amounted to CHF 12,752,829 as at 31 December 2019 (more information can be found in section 2.2.1 and 2.2.2 below).

Further information on the share capital can be found in note 54 to the consolidated financial statements.

2.1.2 Participation capital

The outstanding participation capital of EFG International AG amounts to CHF 200,730 consisting of 13,382 non-voting preference 'Class B Bons de Participation' with a nominal value of CHF 15 each. These 'Bons de Participation' have been issued to Banque de Luxembourg as fiduciary in connection with the initial issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005 (for details of the reduction in participation capital in 2012 and 2013, see EFG International's Annual Report 2013 (page 49) and Annual Report 2014 (page 50)*.

The EFG Fiduciary Certificates are listed at the Luxembourg Stock Exchange (ISIN: XS0204324890). The preference rights attached to the 'Class B Bons de Participation' consist of preferential dividend and liquidation rights, as mainly set out in Art. 13 of the Articles of Association**. The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting of shareholders.

2.2 Authorised and conditional capital in particular

2.2.1 Authorised capital

The Board of Directors is authorised, at any time until 27 April 2020, to increase the share capital by no more than CHF 23,937,711.50 by issuing no more than 47,875,423 fully paid-in registered shares with a par value of CHF 0.50 each. Partial increases are permissible. The Board of Directors is empowered to determine the issue price, the starting date of the dividend entitlement and the type of contribution for any shares issued out of authorised share capital.

In addition, the Board of Directors is authorised to exclude the preferred subscription rights of the shareholders and the participants in favour of third parties for the financing of the acquisition of or participations in companies, or for the financing or refinancing of the acquisition of or participations in companies. The issue price of the newly issued registered shares, the date for entitlement for dividends and the type of contribution (including contribution in kind) are to be determined by the Board of Directors.

2.2.2 Conditional capital

As at 31 December 2019, the share capital may be increased by no more than CHF 2,752,829 by issuing no more than 5,505,658 fully paid-in registered shares with a par value of CHF 0.50 each through the exercise of options (including existing or future Restricted Stock Units) granted to employees at all levels of EFG International. The pre-emptive rights and the advance subscription rights of the shareholders and the participants are excluded in favour of the holders of the Restricted Stock Units. The conditions for the allocation and the exercise of the option rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price.

In 2019, EFG International AG issued a total of 999,335 registered shares with a par value of CHF 0.50 at a total nominal amount of CHF 499,667.50 for Restricted Stock Units exercised by employees of EFG International. Therefore, the remaining approved conditional capital for Restricted Stock Units to employees amounts to CHF 2,752,829 or 5,505,658 shares with a par value of CHF 0.50 each.

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

The movements (creation of additional conditional capital and exercise of conditional capital in 2019) are summarised in the table below:

	Number of shares	CHF
Conditional capital as at 31 December 2018	6,504,993	3,252,496.50
Additional conditional capital created in 2019		
Less: shares issued during 2019 via conditional capital (RSUs exercise)	999,335	499,667.50
Remaining conditional capital as at 31 December 2019	**5,505,658**	**2,752,829.00**

The share capital may be increased by no more than CHF 10,000,000 by issuing no more than 20,000,000 fully paid-in registered shares with a par value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures, debentures with option rights or other financing instruments by EFG International AG or one of its subsidiaries. The preferential subscription rights of the shareholders and the participants are excluded in favour of the holders of conversion and/or option rights.

The Board of Directors may limit or withdraw the right of the shareholders and the participants to subscribe in priority to convertible debentures, debentures with option rights or similar financing instruments when they are issued, if any of the following applies:

- An issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue
- The financing instruments with conversion and/or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the Company

If advance subscription rights are denied by the Board of Directors, the following applies:

- Conversion rights may be exercised only for up to seven years and option rights only for up to four years from the date of the respective issuance
- The respective financing instruments must be issued at the relevant market conditions

2.3 Changes in capital structure

Until 2012, there have been no changes in the capital structure of EFG International AG since the initial public offering which took place in October 2005. For changes in the share capital and participation capital between 2012 and 2015, please see section 2.3 of the Corporate Governance chapter in the EFG International Annual Report 2015 (pages 48/49), EFG International Annual Report 2014 (pages 50/51) and the EFG International Annual Report 2013 (pages 49/50)*.

2.3.1 Share capital increase by use of conditional capital

For 2019, please see section 2.2.2 above.

In 2018, EFG International AG issued a total of 4,357,323 registered shares with a par value of CHF 0.50 at a total nominal amount of CHF 2,178,661.50 for Restricted Stock Units exercised by employees of EFG International.

In 2017, EFG International AG issued for the same purpose another 2,360,607 registered shares with a par value of CHF 0.50 at a total amount of CHF 1,180,303.50 for Restricted Stock Units exercised by employees of EFG International.

In 2016, EFG International AG issued a total of 1,094,335 registered shares with a par value of CHF 0.50 at a total amount of CHF 547,167.50 for Restricted Stock Units exercised by employees of EFG International.

2.3.2 Ordinary share capital increase and increase by use of authorised capital

On 13 March 2019, EFG International announced the acquisition of a majority participation of 51% in Shaw and Partners Ltd, an Australian financial service provider.

* See www.efginternational.com/financial-reporting

The consideration consists of a cash payment and up to 2,124,577 newly issued registered shares of EFG International AG with a nominal value of CHF 0.50 each, paid in tranches subject to contractually agreed lock-up undertakings and possible downward revision. The new shares were sourced from authorised capital. Further details are disclosed in note 43 to the financial statements.

The details of the movements in share capital (conditional and authorised capital) during 2019 are as follows:

Share capital (registered shares EFG International)	Number of shares	CHF
Shares issued as at 31 December 2018	294,074,591	147,037,295.50
Shares issued via authorised capital on 26 April 2019	2,124,577	1,062,288.50
Shares issued during 2019 via conditional capital (Restricted Stock Units exercise)	999,335	499,667.50
Total shares issued as at 31 December 2019	**297,198,503**	**148,599,251.50**

EFG International announced on 22 February 2016 the acquisition of BSI SA from Banco BTG Pactual SA.
The funding of the transaction was ensured via a variety of measures, including an increase of share capital by ordinary capital increase and the use of authorised capital that was approved by shareholders at general meetings on 29 April and 26 July 2016.

The details of the movements (share capital and authorised capital) during 2017 can be found in the EFG International Annual Report 2017 (page 16)*.

2.4 Shares and participation certificates

Shares	Number of shares
As at 31 December 2019:	
Registered shares of CHF 0.50 par value	297,198,503

All registered shares are fully paid-in and entitled to dividends. Each share carries one vote. There are no preferential rights or similar rights attached to the shares.

Participation certificates	Number of participation certificates
As at 31 December 2019:	
Preference Class B Bons de Participation of CHF 15 par value	13,382

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see section 2.1.2 above).
They do not confer voting rights.

2.5 Profit-sharing certificates

There are no profit-sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

EFG International AG's shares are freely transferable, without any limitation, provided that the buyers expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the FMIA. Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is affected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder

* See www.efginternational.com/financial-reporting

and notification of such assignment to the Company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the Company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any general meeting but may still receive dividends and other rights with financial value.

The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the Company needs to be notified. According to the Articles of Association*, a person having acquired shares will be recorded in the Company's share register as a shareholder with voting rights upon request.

Persons not expressly declaring themselves to be holding shares for their own account in their application for entry in the share register (nominees) shall be entered in the share register with voting rights without further inquiry up to a maximum of 2% of the outstanding share capital available at the time (see Art. 6 of the Articles of Association*). Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question discloses the names, addresses and shareholdings of the persons for whose account he is holding 0.5% or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated by FMIA are respected.
Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to evade the entry restriction are considered as one shareholder or nominee. The Board of Directors is authorised to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

Apart from the amounts disclosed in note 62 to the consolidated financial statements, EFG International has not issued any option or conversion rights.

3. Board of Directors

3.1 Members of the Board of Directors

The Board of Directors currently comprises 11 members, all of whom are non-executive directors. The Board of Directors of EFG Bank AG (EFG Bank) is composed of the same members as the Board of Directors of EFG International AG.

No member of the Board held a management position in EFG International over the last three years. Mr Roberto Isolani was appointed Group Chief Executive Officer of BSI SA in May 2016, a role he relinquished in October 2016 upon the closing of the BSI SA acquisition by EFG International.

No member of the Board of Directors (neither as individual nor as representative of a third party) has any significant business connection with EFG International or any of its subsidiaries.

John Alexander Williamson is a British citizen and was born in 1962. He was appointed Chair of the Board of Directors of EFG International and EFG Bank, effective as of 29 April 2016, after having served as Vice-Chair since 24 April 2015. Formerly, Mr Williamson was the Chief Executive Officer of EFG International AG, effective as of June 2011 and, since April 2013, he was also Chief Executive Officer of EFG Bank AG. He is a member of the Board of Directors of the EFG International's subsidiaries EFG Bank von Ernst AG, Vaduz (Liechtenstein), EFG Investment and Wealth Solutions Holding AG, Zurich, and is a member of EFG's Regional Advisory Board for Latin America. Moreover, Mr Williamson is a member of the EFG International's Board-delegated Acquisition, and Remuneration & Nomination Committees.

He was formerly the Chief Executive Officer of EFG Private Bank Ltd, London, EFG International's UK and Channel Islands business, from 2002 to 2011. During this time, he transformed the business into one of the most significant contributors to EFG International performance, and oversaw the merger of EFG Private Bank Ltd with EFG International, ahead of the latter going public.

John Williamson has spent the whole of his career in private banking. Before EFG Private Bank Ltd, he spent over 16 years with Coutts in a variety of senior roles, ending up as COO for Coutts Group. From 1997 to 1999, he worked in the USA, as director and COO, first in New York then in Miami. In other roles, he was responsible for strategy, performance and planning, and also had experience of marketing and credit.

* See www.efginternational.com/articlesofassociation

For two years, he was a Client Relationship Officer, serving French and Belgian clients.

Mr Williamson is a Trustee of the Serious Trust, a UK registered charity and is President of the Jazzaar Association, a non-profit voluntary association.

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

Mr Williamson decided not to stand for re-election at the Annual General Meeting that will be held on 29 April 2020.

Niccolò Herbert Burki is a Swiss citizen and was born in 1950. He was appointed a member of the Board of Directors of EFG International on 26 April 2013, and Vice-Chair, effective as of 29 April 2016, after having served as Chair since April 2015. Dr Burki acts also as Vice-Chair of the Board of Directors of EFG Bank and is Chair of EFG International's Board-delegated Remuneration & Nomination Committee.

Before establishing Burki Attorneys-at-Law in 1997, Dr Burki was an attorney at Bar & Karrer in Zurich (1985–1997), where he became a partner as of 1989. Previously, he was a tax lawyer with Arthur Andersen in Zurich (1980–1985). He holds various memberships including the Swiss Bar Association, International Bar Association and International Fiscal Association.

Dr Burki is a member of the Board of Directors of Orga Suisse GmbH, Allegion International AG, Allegion Investments AG (Switzerland) and sits on the Board of Directors of Trane SA, Ingersoll-Rand SA and Ingersoll-Rand Technical and Services Sàrl. Moreover, he is a non-executive Director at Tortuca AG, Gryphon Invest AG and is a member of the Board of Directors of Alceva Foundation, Liechtenstein.

Dr Burki graduated in economics and business administration from the University of St. Gallen (1974) and holds a doctorate in law from the University of Basel (1984). He is a certified Swiss tax expert (1984) and a Trust and Estate Practitioner. He was admitted to the Zurich Bar in 1979.

Susanne Brandenberger is a Swiss citizen and was born in 1967. She was appointed a member of the Board of Directors of EFG International at the Extraordinary General Meeting held on 07 October 2015 and has been a member of the Board of Directors of EFG Bank since October 2015. In addition, she is Chair of EFG International's Board-delegated Risk Committee and is a member of EFG International's Board-delegated Audit Committee.

Mrs Brandenberger was with Vontobel Group between 1999 and 2015 acting as Head of Risk since 2004. She began her career at the Swiss Financial Market Supervisory Authority (FINMA), formerly the Swiss Federal Banking Commission where, from 1994 to 1999, she was responsible for building up and heading the Risk Management Unit.

Mrs Brandenberger has been a member of the Board of Directors and Chair of the Risk and Audit Committee of Thurgauer Kantonalbank since 2016. She has also held a membership position in the Board of Directors of Stoxx Limited, a global index provider located in Switzerland since January 2019.

Mrs Brandenberger holds a PhD from the Swiss Institute for Banking and Finance of the University of St Gallen and a master's degree in banking and finance from the University of St Gallen.

Emmanuel Leonard Bussetil is a British citizen and was born in 1951. He was appointed a member of the Board of Directors of EFG International, effective as of 08 September 2005, and has been a member of the Board of Directors of EFG Bank since 2001. Mr Bussetil is a member of EFG International's Board-delegated Audit, Remuneration & Nomination Committees and is Chair of the Acquisition Committee.

Mr Bussetil is a member of the Board of Directors of EFG International's subsidiary EFG Bank (Monaco) SAM. He sits on the Board of Directors of European Financial Group EFG (Luxembourg) SA, SETE Holdings Sarl, Hellenikon Global SA, and Gestron Asset Management SA. In addition, he is a non-executive Director of Paneuropean Oil and Industrial Holdings SA, Luxembourg, of Consolidated Lamda Holdings SA, Luxembourg, and of other principal commercial holding and operating companies controlled by Latsis Family Interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that, he was an Audit Manager at Pricewaterhouse in the United Kingdom, where he was employed from 1976 to 1982.

Mr Bussetil is a member of the Board of Directors of John S. Latsis Public Benefit Foundations.

Mr Bussetil received his GCSE A-Levels in mathematics and physics in 1970. He attended the Thames Polytechnic London, UK, and obtained his Higher National diploma in mathematics, statistics & computing in 1972. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972/1973), and at Morland and

Partners, Liverpool (1974/1976). He is a fellow of the Institute of Chartered Accountants of England and Wales.

Roberto Isolani is an Italian citizen and was born in 1964. He was appointed a member of the Board of Directors of EFG International and EFG Bank, effective as of 31 October 2016. Mr Isolani is also a member of EFG's Regional Advisory Board for the Asia Pacific Region and is a member of EFG International's Board-delegated Risk Committee.

Mr Isolani is a Managing Partner and a member of the International Partnership Committee of BTG Pactual. He is also a member of the Board of Directors of BTG Pactual (UK) Ltd.

Before joining BTG Pactual in April 2010, Mr Isolani worked for 17 years at UBS where he last held the position of Joint Head of Global Capital Markets and had joint responsibility for the Client Services Group, the Fixed Income and FX global salesforces at UBS. He jointly headed a marketing team of over 1,000 staff. Mr Isolani was also a member of UBS Investment Bank's Board.

Mr Isolani joined UBS (formerly SBC) in 1992 and spent ten years in Fixed Income, in Derivatives Marketing and DCM before being promoted to Head of European DCM in 2000. He transferred to IBD in 2002, moving to Italy as Co-Head of Italian Investment Banking. He moved back to London in 2007 to become Global Head of DCM, before assuming his latest responsibilities at the beginning of 2009.

Mr Isolani held the following executive and Board roles in regulated and unregulated Italian UBS entities: from 2002 to 2009 Board Member and Chief Executive Officer (from 2003) of UBS Securities Italia Finanziaria S.p.A.; from 1998 to 2009 Board Member and Chief Executive Officer (from 2003) of UBS Corporate Finance Italia S.p.A.; from 2005 to 2009 Board Member of UBS Italia SIM S.p.A.

In 2014, Mr Isolani was appointed a member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (BMPS) and subsequently appointed Deputy Chair in 2015, remaining in office until December 2017.

Mr Isolani graduated from the University of Rome, La Sapienza, cum laude in 1989 and was a lecturer at the university before going on to work at IMI and Cofiri and then joining UBS.

Steven Michael Jacobs is a British citizen and was born in 1969. He was appointed a member of the Board of Directors of EFG International and EFG Bank, effective as of 31 October 2016. He is a member of the Board of Directors of EFG International's subsidiary EFG Investment and Wealth Solutions Holding AG and Chair of the Board of Directors of EFG International's subsidiary Shaw and Partners in Australia since April 2019. In addition, Mr Jacobs is a member of the EFG International's Board-delegated Acquisition and Remuneration & Nomination Committees.

Mr Jacobs is a Managing Partner of BTG Pactual and Executive Chair of the Asset Management division of BTG Pactual, based in London. He joined BTG Pactual on 01 January 2010. Prior to that, he was a Managing Director at UBS, where over ten years he held various roles including Head of Group Strategy for UBS Group, based in Zurich, Head of Private Equity & Infrastructure and member of UBS Global Asset Management Executive Committee, based in London. From 1990 to 1999, Mr Jacobs worked for Ernst & Young in London and Sydney, focusing on providing corporate finance services to financial services clients across the world.

Mr Jacobs is a member of the Board of Directors of Vesuvium Limited, BTGP – BSI Limited, BTG Pactual UK Holdco Ltd, and BTG Pactual (UK) Limited. Mr Jacobs is also a member of the Board of Directors of Lutece Holdings Ltd (Bermuda) and Engelhart CTP Group Limited (UK). Moreover, he is a member of the Board of the Tick Tock Club, a UK charity foundation.

Mr Jacobs holds a bachelor's degree (Hons) in finance, accounting and law from Brighton University, UK, and an Executive Master in international strategy and diplomacy from the London School of Economics. He is a qualified Chartered Accountant and fellow of the Institute of Chartered Accountants of England and Wales.

Spiro J. Latsis is a Greek citizen and was born in 1946. He was appointed a member of the Board of Directors of EFG International, effective as of 08 September 2005. He has been a non-executive member of the Board of Directors of EFG Bank since 1997.

Dr Latsis is member of the Board of Directors of the EFG International's subsidiary EFG Bank (Monaco) SAM. Dr Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chair since 1997. Dr Latsis is a non-executive director of European Financial Group EFG (Luxembourg) SA (since 2009; as Chair) and is Chair of Paneuropean Oil and Industrial Holdings SA, Luxembourg, and of Private Financial Holdings Ltd. Dr Latsis is also a non-executive Director of Consolidated Lamda Holdings SA, Luxembourg, and of SGI Group Holdings SA, Luxembourg.

He is a member of the Supervisory Board of John S. Latsis Public Benefit Foundation and an honorary fellow and emeritus member of the Court of Governors of the London School of Economics. He is also an emeritus member of the Board of Trustees of the Institute for Advanced Study, Princeton.

Dr Latsis obtained his bachelor's degree in economics in 1968, a master's degree in logic and scientific method in 1970 and a doctorate in philosophy in 1974, all from the London School of Economics.

John S. Latsis is a Greek and British citizen and was born in 1977. He was appointed a member of the Board of Directors of EFG International AG and EFG Bank AG, effective as of 27 April 2018.

Dr Latsis is the Managing Director of Gestron Services SA and is Chair of Gestron Asset Management. He is also an active member of a number of committees and Boards of Directors. Amongst others, Dr Latsis has been a member of the Board of Directors of EFG European Financial Group since 2016 and sits on the Board of Directors at La Tour Holding SA, effective as of 2018. He is also a member of the Council and of the Finance Committee of the International Latsis Foundation and is the Chair of the Foundation Board and the Investment Committee of the Independent Social Research Foundation.

Dr Latsis has extensive academic experience. He holds a bachelor's degree from the University of Oxford, a master's degree from the London School of Economics, a PhD from the University of Cambridge and is a member of the Higher Education Academy of the United Kingdom. He held academic positions at the Universities of Reading, Oxford and Harvard during a thirteen-year academic career.

Dr Latsis has published more than 25 articles, chapters and edited books and remains an active research scholar.

Périclès Petalas is a Swiss citizen and was born in 1943. He was appointed a member of the Board of Directors of EFG International, effective as of 08 September 2005 and has been a member of the Board of Directors of EFG Bank AG since 1997. Dr Petalas is also a member of the EFG International's Board-delegated Acquisition, Risk, and Remuneration & Nomination Committees.

Since 1997, Dr Petalas is the Chief Executive Officer of EFG Bank European Financial Group SA, Geneva. He is also a non-executive director of European Financial Group EFG (Luxembourg) SA. Prior to his position at EFG Bank European Financial Group SA, Geneva, he was Senior Vice President and General Secretary of Banque de Dépôts, Geneva. Previously, he worked for Union Bank of Switzerland in Zurich (1978–1980) and Petrola International, Athens (1977–1978).

Dr Petalas obtained a diploma (1968) and a doctorate (1971) in theoretical physics at the Swiss Federal Institute of Technology in Zurich. He also received a post-graduate degree in industrial and management engineering from the same institute in 1977.

Stuart M. Robertson is a Swiss and British citizen and was born in 1955. He was appointed a member of the Board of Directors of EFG International and of EFG Bank AG, effective as of 01 October 2018. Mr Robertson is also a member of the Board of Directors of EFG International's subsidiary EFG Private Bank Limited (UK), effective as of May 2019. Moreover, he is Chair of the EFG International's Board-delegated Audit Committee and is a member of EFG International's Board-delegated Risk Committee.

Mr Robertson has over 30 years of experience in the Swiss financial services sector in both audit and consulting and has a profound understanding of the Swiss and international regulatory and accounting landscape. Throughout his career, Mr Robertson has advised and audited many global institutions and managed numerous complex projects in the areas of growth, M&A, strategy and transformation, performance, as well as risk and regulatory topics. Since 1999, Mr Robertson has worked at KPMG, where he has held various leadership positions and managed teams of up to 200 people. Laterally, he was a member of the Board of Directors. In addition, he held the role of Global Lead Partner serving a large financial institution.

Mr Robertson is a member of the Institute of Chartered Accountants of Scotland and of the Swiss Institute of Certified Accountants and Tax Consultants and is a member of the Board of Overseers of Reinet Investments S.C.A., Luxembourg.

He holds a Master of Arts (Hons) degree from the University of St Andrews and a diploma in accounting from Heriot-Watt University.

Freiherr Bernd-Albrecht von Maltzan is a German citizen and was born in 1949. He was appointed a member of the Board of Directors of EFG International, effective as of 26 April 2013. He is also a member of the Board of Directors of EFG Bank since 2013. Mr von Maltzan has been a member of the Board of Directors of EFG International's subsidiaries EFG

Investment (Luxembourg) SA and EFG Bank (Luxembourg) SA since December 2015, before becoming their Chair in April 2016. He is also a member of the Board of Directors of Asesores y Gestores Financieros SA, effective as of June 2019. Moreover, he is a member of EFG International's Board-delegated Risk, Acquisition and Remuneration & Nomination Committees.

Throughout his career at Deutsche Bank, he held a variety of senior positions, including Global Head Trading & Sales DB Group in Frankfurt (1993–1995), Divisional Board Member and Global Head Private Banking in Frankfurt (1996–2002), followed by Divisional Board Member and Vice-Chair Private Wealth Management in Frankfurt, from where he retired in 2012.

Mr von Maltzan is Chair of the Board of Trustees of Niagara Stiftung (Foundation) in Munich, Germany.

Mr von Maltzan studied economics at the universities in Munich and Bonn and holds a doctorate in business administration (1978) from the University of Bonn.

Members of the Board of Directors who did not stand for re-election at the Annual General Meeting in 2019

Michael N. Higgin is a British citizen and was born in 1949. He was a member of the Board of Directors of EFG International and EFG Bank from April 2012 to 26 April 2019, when he decided not to seek re-election for another term of office.

Mr Higgin joined Coopers & Lybrand from university in 1972, qualifying as a Chartered Accountant in 1975. He worked as a partner and Head of Business Unit (banking audit/assurance) with Coopers & Lybrand – subsequently PricewaterhouseCoopers – in Switzerland and London until his retirement in December 2009.

Mr Higgin obtained a Bachelor of Arts from Cambridge University in England in 1972 and attended the senior executive programme at Stanford University in 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Fong Seng Tee is a Singaporean citizen and was born in 1954. He was a member of the Board of Directors of EFG International and of EFG Bank from 27 April 2018 until 26 April 2019, when he decided not to seek re-election for another term of office.

Mr Tee joined EFG in 2018 from Credit Suisse, where he served in various senior management positions in the bank's Private Banking division in the Asia Pacific region since 2009. In his most recent role, he was Vice-Chair Private Banking in the Asia Pacific region. From 2013 to 2016, Mr Tee served as Chief Executive of Credit Suisse's Hong Kong Branch and Head of Market Greater China. Prior to that, he was Head of Market Southeast Asia. Before joining Credit Suisse, he held various management positions at UBS, including the role of Deputy Branch Manager in Singapore from 2007 to 2009.

From 2007 to 2013, Mr Tee chaired the Wealth Management Steering Committee at the Institute of Banking and Finance Singapore (IBF) and from 2008 to 2013, he served as the Chair of the Private Banking Industry Group Competency and Manpower Committee.

Fong Seng Tee is a Chartered Management Accountant (ACMA, London) and holds a Bachelor of Business Administration from the National University of Singapore.

Daniel Zuberbühler is a Swiss citizen and was born in 1948. He was a member of the Board of Directors of EFG International and EFG Bank from April 2014 to 26 April 2019, when he decided not to seek re-election for another term of office.

Mr Zuberbühler formerly worked as Senior Financial Consultant, Director, Audit Financial Services, KPMG Zurich (2012–2013). Previously, he was Vice-Chair of the Board of Directors of FINMA, the Swiss Financial Market Supervisory Authority from 2009 to 2011.

Prior to this, he held a variety of senior roles in a long career with the Swiss Federal Banking Commission, including as Chief Executive Officer (1996–2008). He has been a member of numerous international committees, including the Basel Committee on Banking Supervision, the Financial Stability Board, Standing Committee on Supervisory and Regulatory Cooperation, International Organisation of Securities Commissions, Technical Committee, and the Financial Action Task Force on Money Laundering.

Mr Zuberbühler studied law at the University of Berne and business at the City of London Polytechnic. He is a qualified Berne attorney.

Proposed new members of the Board of Directors for election at the Annual General Meeting in April 2020

Peter Fanconi is a Swiss citizen and was born in 1967. He will be proposed for election as the new Chair of the Board of Directors of EFG International and EFG Bank at the upcoming Annual General Meeting in April 2020.

Mr Fanconi is a proven specialist and entrepreneur in the field of financial services. He has extensive industry experience, having worked for renowned organisations in numerous executive positions for more than 20 years. Before working at BlueOrchard Finance from 2013 to 2015, where he served as Chief Executive Officer, Mr Fanconi was Chief Executive Officer of the Private Banking division at Bank Vontobel from 2009 to 2012.

From 2003 to 2009, he was with Harcourt Investment Consulting, acting first as Managing Partner and later as Chief Executive Officer. Prior to this, he was Managing Partner within the Corporate Finance division of PricewaterhouseCoopers, after founding MAP Group in 1997 and merging it into PricewaterhouseCoopers.

Mr Fanconi has held a number of Board positions with global industry players throughout his distinguished career. Currently, he serves as Chair of the Supervisory Board of BlueOrchard Finance and Graubündner Kantonalbank. He is also a member of the Executive MBA Advisory Committee for Brown University, USA, and until October 2019 served as a member of the Board of Deutsche Bank (Switzerland) AG.

Mr Fanconi holds a master's degree in law from the University of Zurich.

In the last years, he has co-authored several books, amongst others the best seller 'Small money – big impact'.

Amy Yip is a Chinese citizen and was born in 1951. She will be proposed for election as a new member of the Board of Directors of EFG International and EFG Bank at the upcoming Annual General Meeting in April 2020. Since August 2019, Amy Yip already chairs the Asia Pacific Advisory Board of EFG International.

Ms Yip has a deep understanding of the Asian private banking industry, having worked for more than 40 years in various leadership and managerial roles for global players in the region. Since 2011, she is a founding partner of RAYS Capital Partners, an investment management company specialising in Asian capital markets. Prior to this, Ms Yip worked at DBS Bank in Hong Kong, where she served as Chief Executive Officer from 2006 to 2010. Before joining DBS Bank, Amy Yip held various senior roles within the Hong Kong Monetary Authority, where she worked between 1996 and 2006. Since starting her career in 1975 at American Express in Hong Kong, Amy Yip has worked for a number of leading global financial institutions such as J.P. Morgan, Citibank and Rothschild Asset Management.

In addition, Ms Yip has held a number of Board and advisory roles during her distinguished career. She is currently a member of the Board of Directors of Fidelity International, Deutsche Börse, Temenos and Prudential plc.

Ms Yip holds an MBA from Harvard Business School and a Bachelor of Arts in Asian History from Brown University, USA.

3.2 External mandates and vested interests

Please refer to the information provided in the biographies of each member of the Board of Directors in section 3.1 above, where the significant activities in governing and supervising bodies of important organisations, institutions and foundations are mentioned.

3.3 Provisions on the number of permitted external mandates in the Articles of Association

In accordance with Art. 12 para. 1 point 1 of the Ordinance, the number of permitted external mandates of the members of the Board of Directors is outlined in Art. 37 of the Articles of Association*. The members of the Board of Directors may each have up to 20 mandates, of which a maximum of five may be in listed companies. Additionally, a member of the Board of Directors may perform up to ten mandates in associations, charitable institutions as well as welfare and pension institutions.
Each of these mandates is subject to Remuneration & Nomination Committee's approval.

3.4 Elections and terms of office

According to Art. 26 of the Articles of Association*, the Board of Directors consists of at least five members, who are individually elected by the general meeting of shareholders for one-year terms with the possibility of being re-elected. Furthermore, there is no limit to the numbers of terms and the term of office ends at the closure of the next Annual General Meeting. Please refer to the biographies of the members of the Board of Directors in section 3.1 above for each initial date of election. The tenure of all the current members of the Board of Directors will expire at the closure of the upcoming Annual General Meeting in April 2020, at which time the members of the Board of Directors will be subject to re-election by the shareholders.

* See www.efginternational.com/articlesofassociation

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

3.5 Internal organisational structure

The internal organisational structure is laid down in the Organisational and Management Regulations**. The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend Board of Directors' meetings. In order to make a binding decision, at least 50% of the members of the Board of Directors must be present. The Board of Directors takes decisions by a majority of the members present. In the event of a tie, the Chair does not have a casting vote. The composition of the Board of Directors and its committees is disclosed in the organisational chart on page 21 (Board of Directors and Board-delegated Committees).

The Board of Directors met ten times in 2019. Ordinary meetings typically last six to seven hours. See the details in the table below:

2019	24.01.[b]	08.02.[b]	01.03.[b]	11.03. 12.03.[a]	25.04. 26.04.[a]	22.05. 23.05.[b]	22.07. 23.07.[a]	25.09.[b]	10.10. 11.10.[a]	02.12. 03.12.[a]
J. A. Williamson* (Chair)	X	E	X	X	X	X	X	X	X	X
N. H. Burki* (Vice-Chair)	X	E	X	X	X	X	X	X	X	X
S. Brandenberger*	X	X	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X	X	X
M. N. Higgin*1	X	X	X	X	X	-	-	-	-	-
R. Isolani	X	X	X	X	X	X	X	E	X	X
S. M. Jacobs	X	X	X	X	X	X	X	E	X	X
S. J. Latsis	X	X	X	X	X	X	E	X	X	E
J. S. Latsis	X	X	X	X	E	X	X	X	X	X
P. Petalas	X	E	X	X	X	X	X	X	X	X
S. M. Robertson*	X	X	X	X	X	X	X	X	X	X
F.S Tee*1	X	X	X	E	E	-	-	-	-	-
B.-A. von Maltzan*	X	E	X	X	X	X	X	X	E	X
D. Zuberbühler*1	X	X	X	X	X	-	-	-	-	-

'X' – in attendance
'E' – excused from attending
* Independent Director
1 Decided not to stand for re-election at the Annual General Meeting on 26 April 2019.
a Ordinary Meeting
b Topical Meeting

* See www.efginternational.com/articlesofassociation
** See www.efginternational.com/internalregulations

The Board of Directors comprised the following independent members as per the definition of the FINMA Circular 17/01 (Corporate Governance– Banks):

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

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

Audit Committee
The Audit Committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities of EFG International with regard to:
- The financial and business reporting processes, including the selection and application of appropriate accounting policies
- The integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting
- EFG International's tax risks
- The internal and external audit processes

The Audit Committee shall consist of at least three members of the Board of Directors. In 2019, the Audit Committee consisted of the following members: S. M. Robertson (Chair effective as of April 2019), M. N. Higgin (Chair until April 2019), S. Brandenberger, E. L. Bussetil, P. Petalas (until April 2019) and D. Zuberbühler (until April 2019).

The Audit Committee meets as often as businesses requires but at least four times a year, as well as for the review of the financial statements and related reports before these are approved by the Board of Directors and /or made publicly available by EFG International or sent to regulatory / tax authorities. Ordinary meetings typically last three to four hours and are also attended by members of the executive management responsible for areas supervised by the Audit Committee.

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

In 2019, the Audit Committee met eight times, as shown in the table below:

2019	28.01.[a]	25.02.[b]	11.03.[b]	25.04.[b]	03.06.[a]	22.07.[b]	02.09.[a]	04.11.[a]
S. M. Robertson[*1] (Chair)	X	X	X	X	X	X	X	X
M.N. Higgin[*2]	X	X	X	X	-	-	-	-
S. Brandenberger[*]	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X
P. Petalas[3]	X	X	X	X	-	-	-	-
D. Zuberbühler[*2]	X	X	X	X	-	-	-	-

'X' – in attendance
'E' – excused from attending
[*] Independent Director
[1] Was appointed new Chair of the Audit Committee after Mr Higgin's decision to not stand for re-election.
[2] Decided not to stand for re-election at the Annual General Meeting held on 26 April 2019.
[3] Stepped down as a member of the Audit Committee on 26 April 2019.
[a] Ordinary Meeting
[b] Topical Meeting

[*] See www.efginternational.com/internalregulations

Risk Committee
The Risk Committee is the primary advisory committee to the Board of Directors on matters relating to risk and compliance. The Risk Committee advises, reviews and acts as an expert of the Board of Directors on the overall current and future risk appetite and oversees executive management's implementation of the risk management framework. In addition, it monitors the risk profile and reports on the state of risk culture in EFG International, and interacts with and oversees the performance of the Chief Risk Officer and the Head of Legal & Compliance.

The Risk Committee's tasks include oversight of the strategies for capital and liquidity management as well as the management of all relevant risks of EFG International, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated risk appetite. It examines any situations or circumstances giving rise to a substantial risk for EFG International and has the authority to require the reduction of any position or limit or exiting client relationships which is considered outside the risk appetite or excessive after taking all relevant factors into account.

The Risk Committee shall consist of at least three members of the Board of Directors. In 2019, the Risk Committee consisted of the following members: S. Brandenberger (Chair), E. L. Bussetil (until April 2019), M. N Higgin (until April 2019), R. Isolani, B.-A. von Maltzan, P. Petalas, S. M. Robertson and D. Zuberbühler (until April 2019).

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

The Risk Committee meets as often as business requires but at least four times a year. Ordinary meetings typically last six to seven hours and are attended by members of the executive management responsible for risk management.

In 2019, the Risk Committee met eleven times, as shown in the table below:

2019	29.01.[a]	25.02.[b]	25.04.[b]	23.05.[b]	29.05 [b]	04.06.[a]	22.07.[b]	03.09.[a]	26.09. [b]	04.11. 05.11.[a]
S. Brandenberger* (Chair)	X	X	X	X	X	X	X	X	X	X
E. L Bussetil[1]	X	X	X	–	–	–	–	–	–	–
M. N. Higgin*[2]	X	X	X	–	–	–	–	–	–	–
R. Isolani	X	X	X	X	X	X	X	X	X	X
B.-A. von Maltzan*	X	E	X	X	E	X	X	X	X	X
P. Petalas	X	X	X	X	X	X	X	X	X	X
S.M. Robertson*	X	X	X	X	E	X	X	X	X	X
D. Zuberbühler*[2]	X	X	X	–	–	–	–	–	–	–

'X' – in attendance
'E' – excused from attending
* Independent Director
[1] Stepped down as a member of the Risk Committee on 26 April 2019.
[2] Decided not to stand for re-election at the Annual General Meeting held on 26 April 2019.
[a] Ordinary Meeting
[b] Topical Meeting

Remuneration & Nomination Committee
The Remuneration & Nomination Committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its governance responsibilities, with regards to remuneration and nomination related aspects. For remuneration, this includes:
- Establishing the compensation strategy and the general remuneration policy of EFG International
- Reviewing annually the remuneration of members of the Board of Directors and the Executive Committee of EFG International and making a recommendation to the Board of Directors thereupon
- Approving annually the remuneration of all other staff of EFG International
- Any other remuneration tasks conferred to it by the Board of Directors from time to time

In addition, the Remuneration & Nomination Committee reviews and assesses the nomination of new members to the Board of Directors and the Executive Committee, as well as the nomination of the Heads of the key control functions – Audit, Compliance and Risk – and the Regional Business Heads, with regards to the following aspects:

- The composition, size and capability of the Board of Directors to adequately discharge its responsibilities and duties
- The succession of the Board members
- The selection criteria and processes for the identification and submission of suitable candidates to become members of the Board for election by the general shareholders meeting
- The external directorships and other positions held by any person being considered for the appointment to the Board or any new appointment for existing members of the Board
- The appointment of the Chief Executive Officer and other members of the Executive Committee, the Heads of the key control functions in coordination with the Risk Committee or Audit Committee, respectively, and the Regional Business Heads
- The succession plans of the Chief Executive Officer and other executive members, the Heads of key control functions in coordination with the Risk Committee or Audit Committee and the Regional Business Heads
- Any other nomination-specific tasks conferred to it by the Board of Directors from time to time

For more details about competences and responsibilities of the Remuneration & Nomination Committee, please see the Compensation Report (pages 52 f.) as well as Art. 30 of the Articles of Association* and section 2.10 of the Organisational and Management Regulations**.

From the general shareholders meeting in 2014 onwards, the shareholders elect the individual members of the Remuneration & Nomination Committee for a one-year term with the possibility of being reelected (see Art. 17 of the Articles of Association*).

The Remuneration & Nomination Committee shall consist of at least three members of the Board of Directors. In 2019, the Remuneration & Nomination Committee consisted of the following members: N. H. Burki (Chair), E. L. Bussetil, S. M. Jacobs, P. Petalas, B.-A. von Maltzan and J. A. Williamson.

The Remuneration & Nomination Committee meets annually in the first quarter to review fixed and variable compensation proposals. Additional meetings can be held when necessary. Meetings typically last two hours and are attended by the Chief Executive Officer and the Global Head of Human Resources.

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

In 2019, the Remuneration & Nomination Committee met six times, as shown in the following table:

2019	29.01.	25.02.	27.03.	17.07.	10.10.	02.12.
N. H. Burki (Chair)*	X	X	X	X	X	X
E. L. Bussetil	X	X	X	E	X	X
S. M. Jacobs	E	X	X	X	X	X
B.-A. von Maltzan*	X	X	E	X	X	X
P. Petalas	X	X	E	E	X	X
J. A. Williamson*	X	X	X	X	X	X

'X' – in attendance
'E' – excused from attending
* Independent Director

* See www.efginternational.com/articlesofassociation
** See www.efginternational.com/internalregulations

Acquisition Committee
The Acquisition Committee is established as a committee of the Board of Directors. Its primary function is to examine and approve or recommend to the Board of Directors all acquisitions of companies or businesses proposed by management in accordance with the acquisition policy approved by the Board of Directors. The Acquisition Committee has the authority to approve all investments with a purchase price below or equal to the threshold set in the acquisition policy (based on the Acquisition Committee's estimate at the time of acquisition in the case of transactions where the purchase price is defined in earn-out terms). Above this threshold, only the Board of Directors may approve acquisitions, and the Acquisition Committee will submit a recommendation to the Board of Directors.

The Acquisition Committee shall consist of at least three members of the Board of Directors. In 2019, the Acquisition Committee consisted of the following members:
E. L. Bussetil (Chair), S. M. Jacobs, B.-A. von Maltzan,
P. Petalas and J. A. Williamson.

The Acquisition Committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the Chief Executive Officer and the Chief Financial Officer regarding the status of negotiations with various acquisition targets. It also reviews and approves management proposals for divestments. Meetings vary in length from one to three hours and can be attended by members of the management or external advisors.

The minutes of the Acquisition Committee are reviewed by the entire Board of Directors at its meetings. In addition, a verbal report from the Chair of the Acquisition Committee is given to the Board of Directors at its meetings.

The Acquisition Committee met two times in 2019.
See the details in the following table.

2019	25.02.	22.07.
E. L. Bussetil (Chair)	X	X
S. M. Jacobs	X	X
B.-A. von Maltzan*	X	X
P. Petalas	X	X
J. A. Williamson*	X	X

'X' – in attendance
'E' – excused
* Independent Director

3.6 Definition of areas of responsibility

The Board of Directors of EFG International is ultimately responsible for supervision of the management of EFG International. The Board of Directors sets the strategic direction of EFG International and monitors its implementation.

Details of the powers and responsibilities of the Board of Directors can be found in the Organisational and Management Regulations*.

The Board of Directors has delegated the operational management of EFG International to the Chief Executive Officer and the Executive Committee. Members of the Executive Committee are appointed by the Board of Directors upon recommendation by the Chief Executive Officer. Members of the Executive Committee, under the responsibility of the Chief Executive Officer and the control of the Board of Directors, manage the operations of EFG International, pursuant to applicable internal regulations and report thereon to the Board of Directors on a regular basis.

* See www.efginternational.com/internalregulations

EFG International Executive Committee
The Executive Committee is responsible for EFG International's overall strategy, within the respective parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. The Executive Committee is responsible for the day-to-day activities of the Company. Consistent with strategy set by the Board of Directors, the Executive Committee is responsible for implementing business strategies, risk management systems, risk culture, processes and controls for managing the risks – both financial and non-financial – to which EFG International is exposed and concerning which it is responsible for complying with laws, regulations and internal policies.

Details of the powers and responsibilities of the Executive Committee can be found in the Organisational and Management Regulations*.

Organisational details of the Executive Committee can be found in section 4.1.

Information and control instruments vis-à-vis the Executive Committee
The Board of Directors supervises the management of EFG International through various meetings with management, including meetings of the Board of Directors and its committees. The Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer (and other members of the Executive Committee depending on the topics under review) attend the Board of Directors meetings during the year and are available to answer questions from the Board of Directors. The Chief Executive Officer provides a written report to the Board of Directors at each ordinary meeting summarising developments in the business. The Chief Executive Officer is also readily available to answer questions from the Board of Directors.

In addition, the Chief Financial Officer reports on the financial results to the Board of Directors at each ordinary meeting. Additional reporting to the Board of Directors includes financial reporting, business reporting, business proposals, approvals, staff matters, credit approvals, reports from the various Board-delegated committees, a report on claims and litigations and any other business matters. Members of the management responsible for the finance and accounting functions, including the Chief Financial Officer, attend the Audit Committee meetings and are available to answer questions from the committee relating to the financial statements.

The Group Head of Legal & Compliance attends the Risk Committee meetings and is available to answer questions relating to compliance issues.

The Chief Risk Officer provides oversight of all major areas of risk within EFG International. He also provides an update on the overall key risk aspects of EFG International at each regular meeting of the Risk Committee and provides an annual written risk assessment to the Audit Committee. Please also see the information about risk management on pages 90 ff.

Internal audit services are provided to EFG International by the Audit Services Department (ASD) which is governed by an internal audit charter duly approved by the Audit Committee. In accordance with the Organisational and Management Regulations* and the Internal Audit Charter, the mission of internal audit is to support the Board of Directors in their statutory responsibility for ensuring that the operations of EFG International are conducted according to the highest standards by providing an independent, objective assurance function and by advising on best practice. ASD provides copies of all internal audit reports to the external auditors, and maintains a dialogue with the external auditors to share risk issues arising from their respective audits. Through a systematic and disciplined approach, internal audit helps EFG International accomplish its objectives by evaluating the effectiveness of risk management, control and governance processes and making recommendations for improvement. To ensure independence, internal audit reports directly to the Audit Committee, which reports on its activities to the Board of Directors. The Chief Internal Auditor has, for the purpose of performing his duties, the right of unlimited access to all information, premises, resources and people necessary for the performance of internal audits.

* See www.efginternational.com/internalregulations

4. Executive Committee

4.1 Organisation and functional responsibilities

EFG International AG's Executive Committee is organised as a single structure, reporting to the Chief Executive Officer and to the Deputy Chief Executive Officer, respectively. Please see also the organisational chart of the Executive Committee on page 22.

The Executive Committee comprises at least four members. Various support services or control units report either directly to the Chief Executive Officer or to a member of the Executive Committee.

The titles and brief functional descriptions for members of the Executive Committee are set forth as follows:

Chief Executive Officer
The Chief Executive Officer of EFG International is responsible to the Board of Directors for the overall management and performance of EFG International. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents EFG International towards third parties and regulators and is responsible (together with the Board of Directors and other senior executives) towards the FINMA for the prudent management and regulation-compliant operation of the organisation.

Furthermore, the Chief Executive Officer chairs the Executive Committee and the Global Business Committee and directly oversees the Litigation, Human Resources, Marketing & Communications functions, as well as the Head of Transformation, the Global Private Banking COO and the Global Head Strategic Client Management.

Deputy Chief Executive Officer
The Deputy Chief Executive Officer has a direct reporting line to the Chief Executive Officer of EFG International. He supports the Chief Executive Officer with the day-to-day management of EFG International and can take over his responsibilities in case of absence.

Chief Financial Officer
The Chief Financial Officer is responsible for all financial, tax and prudential regulation matters of EFG International as well as other business or control areas allocated to the position. He ensures transparent and timely financial reporting for internal and regulatory purposes as well as public reporting in line with legal and regulatory requirements and industry best practices.

The Chief Financial Officer has the oversight of liquidity and capital management within the general regulations and guidelines set by the Board of Directors, EFG International's Board-delegated Audit and the Risk Committees, and by FINMA and other regulators in jurisdictions where EFG International operates. The Chief Financial Officer oversees and monitors business performance, strategic acquisitions and the EFG International's relationship with rating agencies. He also has primary responsibility for the Investor Relations, Regulatory Affairs, and Group Corporate Office functions. In addition, he supervises the activities of Global Markets & Treasury, Financial Reporting, and Financial Planning & Controlling.

Chief Risk Officer
The Chief Risk Officer is accountable for enabling EFG International's efficient and effective risk governance. The Chief Risk Officer is accountable to the Executive Committee, the Board of Directors and the Risk Committee for enabling the business to balance risk and reward. In the same regard, he is responsible for coordinating the Risk Management approach and for assessing and causing mitigating actions to significant competitive, regulatory, and technological threats to EFG International's capital and earnings. The responsibilities also include managing, identifying, evaluating, reporting and overseeing EFG International's risks externally and internally to ensure a functioning internal control system.

Head of Legal & Compliance
The Head of Legal & Compliance is responsible for legal matters as well as for the management, coordination and supervision of the consolidated compliance risks of the Group. He also supervises the Compliance activities deployed in the entities of EFG International. In this function, he reports to the Risk Committee.

Head of Investment Solutions
The Head of Investment Solutions is responsible for EFG International's global investment activities covering all discretionary and advisory mandates, research and all funds managed by EFG International's Asset Management. He is also responsible for Credit Solutions and all Wealth Solutions activities covering Private Client Trust and Fund Administration Services.

Chief Operating Officer
The Chief Operating Officer is responsible for the management, coordination, supervision, planning and control of Operations, Central Filing, General Services and Client Tax Reporting of EFG International. He is also

responsible for the cost management programme across the organisation.

4.2 Members of the Executive Committee

Piergiorgio Pradelli
Chief Executive Officer

Piergiorgio Pradelli was appointed Chief Executive Officer of EFG International and EFG Bank, effective as of 01 January 2018. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Bank (Monaco) SAM, EFG Private Bank Limited (UK), EFG Investment and Wealth Solutions Holding AG and is Chair of Patrimony 1873 SA.

Prior to his appointment as Chief Executive Officer, Mr Pradelli held the role of Deputy Chief Executive Officer and Chief Financial Officer of EFG International and EFG Bank since January 2014 and June 2012, respectively. Before joining EFG International, Mr Pradelli was Head of International Operations at Eurobank Ergasias SA and a member of the Executive Committee, from 2006 until 2012. Prior to this, he served as Deputy Finance Director in London for EFG Bank European Financial Group SA, from 2003 to 2006, participating in major EFG Bank European Financial Group SA restructuring and strategic initiatives, notably the initial public offering of EFG International in 2005.

Mr Pradelli started his career at Deutsche Bank, working in a number of senior management positions including Head of Private & Business Banking in Italy and Head of Business Development for the Private Clients and Asset Management Group in Frankfurt and London from 1991 until 2003.

Mr Pradelli is a member of the Board of Directors of the Association of Swiss Asset and Wealth Management Banks (VAV/ABG) in Zurich.

Mr Pradelli is an Italian citizen and was born in 1967. He holds a degree in economics and business administration from the University of Turin, Italy.

Renato Cohn
Deputy Chief Executive Officer and Head of Investment Solutions

Renato Cohn is Deputy Chief Executive Officer of EFG International and EFG Bank, effective as of 01 January 2018. Mr Cohn has been Head of Investment Solutions and a member of the Executive Committee of EFG International and EFG Bank since October 2016.

Mr Cohn is Chair of the Board of Directors of EFG International's subsidiaries EFG Asset Management (Switzerland) SA, EFG Asset Management (Hong Kong) Ltd and EFG Asset Management (Singapore) PTE Ltd. He was also appointed a member of the Board of Directors of EFG International's subsidiaries Shaw and Partners Ltd. and Patrimony 1873 SA, in April 2019 and in October 2019, respectively. In addition, he is a member of the EFG's Advisory Board for Latin America and of the EFG's Asia Pacific Advisory Board.

From 2009 until 2015, he was Co-Head of BTG Pactual Wealth Management in São Paulo. Before that, he served in senior positions as Head of Product and Services and Head of Sales Management at UBS Pactual. He joined Banco Pactual in 1999 and became a partner in 2004. He started his career at Banco Primus, and then worked at Banco Matrix as Head of the Fixed Income Trading Desk.

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

Yves Aeschlimann
Group Head of Legal & Compliance

Yves Aeschlimann is Group Head of Legal & Compliance of EFG International and EFG Bank and a member of the respective Executive Committees, effective as of 01 March 2019. In his role, he oversees the combined Legal & Compliance division and is responsible for further enhancing EFG's legal and regulatory compliance framework.

Prior to joining EFG International, Mr Aeschlimann served as Group Head of Legal & Compliance and a member of the Executive Committee at Edmond de Rothschild (Suisse) SA since 2013. Prior to that, he worked as a Senior Financial Sector Specialist in Financial Market Integrity for the World Bank in Washington DC and spent eight years at the

Geneva Criminal Justice Department as Investigating Magistrate from 2001 to 2009. Mr Aeschlimann is a registered barrister and started his career as a practising attorney in Geneva.

Mr Aeschlimann is a Swiss citizen and was born in 1967. He holds a Master of Law from the University of Geneva, where he also worked as a research assistant for three years. In 2016 was appointed Adjunct Professor of Law at the Case Law University in Cleveland, Ohio.

Christian Flemming
Chief Operating Officer

Christian Flemming was appointed Chief Operating Officer and a member of the Executive Committee of EFG International and EFG Bank AG in 15 January 2018. In his role, his responsibilities encompass the overall Operations, Central Filing & General Services and Client Tax Reporting of EFG International. Mr Flemming is also responsible for further improving EFG's efficiency as well as the continuous development of the bank's servicing platform.

Previous to his position as COO, Mr Flemming was Head of Finance at Banco BTG Pactual SA and before that Chief Operating Officer at BSI SA until the acquisition by EFG International. He also worked at Banco BTG Pactual SA as Chief Operating Officer of the Investment Banking division and, amongst others, was a member of the Board of Directors of Banco BTG Pactual Chile. Before joining BTG Pactual, Christian Flemming worked in Investment Banking for Pátria Banco de Negócios and as a consultant for Stern Stewart & Co in São Paulo.

Mr Flemming is a German citizen and was born in 1975. He holds a Bachelor of Science in Business Administration from EAESP, Fundação Getúlio Vargas as well as a Bachelor of Science in Engineering from the Escola de Engenharia, Universidade Mackenzie in São Paulo, Brazil.

Dimitris Politis
Chief Financial Officer

Dimitris Politis is the Chief Financial Officer of EFG International and EFG Bank AG and a member of the respective Executive Committees, effective as of 01 January 2018. In his role, his responsibilities encompass, apart from the Finance and Planning & Controlling functions, Treasury and ALM, Regulatory Affairs, Group Corporate Office and the Investor Relations functions. Starting 01 January 2020, the Chief Financial Officer will be overseeing the newly combined Global Market & Treasury division.

Mr Politis is a member of the Board of Directors of EFG's subsidiaries EFG Private Bank Limited UK, EFG Investment and Wealth Solutions Holding AG, EFG Investment (Luxembourg) SA, EFG Bank (Luxembourg) SA, Asesores y Gestores Financieros S.A., Spain, and A&G Banca Privada S.A.U. Spain.

Previous to his position as Chief Financial Officer of EFG, Dimitris Politis held the role of Chief Financial Officer at SETE S.A. (Geneva) and was also responsible for the oversight of strategic investments in the organisation's corporate entities, including EFG International. Mr Politis has been with the EFG Group since 1999, when he first joined EFG Eurobank Ergasias S.A., where he was a member of the senior management team and involved in key strategic decisions and initiatives. Before joining SETE S.A. in 2013, he last held the role of General Manager, Head of Strategy and Investor Relations. Prior to joining the EFG Group, Mr Politis started his career in 1995 at the Charles River Associates management consulting firm.

Mr Politis is a Greek citizen and was born in 1971. He holds an MBA degree from INSEAD in France, as well as a Master's degree in Science from the Massachusetts Institute of Technology in Boston (Technology & Policy Programme) and a Bachelor's degree in Aeronautical Engineering from the Imperial College in London.

Ranjit Singh
Chief Risk Officer

Ranjit (Raj) Singh was appointed Chief Risk Officer of EFG International and EFG Bank and a member of the respective Executive Committees, effective as of 01 January 2019. In his role, he is responsible for overseeing and further enhancing EFG's global risk function and reports directly to the Chief Executive Officer.

Mr Singh is a member of the Board of Directors of Allied Irish Banks PLC, Ireland and is Chair of the Hoerner College Society, Lucknow UP, India. He is also a member of the Advisory Board of Wilhelm Goethe University International Centre for Insurance Regulation, Germany.

Prior to joining EFG, Raj Singh served as Group Chief Risk Officer on the Group Executive of Standard Life Aberdeen Plc in Edinburgh and London from 2013 to 2018. Prior to that, he served as Group Chief Risk Officer of Swiss Re AG in

Zurich, Switzerland, where he was also a member of the Executive Board and Committee, from 2007 to 2011. From 2002 to 2007, he held the position of Group Chief Risk Officer at Allianz SE in Munich, Germany, where he was also a member of the Group Management. Before joining Allianz, Raj Singh worked at Citigroup from 1989 to 2001, holding several senior management positions in Germany, Belgium, the UK and the USA.

Raj Singh is a US citizen and was born in 1962. He holds a Bachelor of Science in Business Administration from Winona State University in Minnesota, USA, and a Master of Business Administration in International Management from the Thunderbird School of Global Management in Arizona, USA.

5. Global Business Committee (GBC)

5.1 Organisation and functional responsibilities

In July 2018, the EFG International Executive Committee created the Global Business Committee (GBC), with an advisory role in assessing and validating business strategies, key business aspects and priorities as well as in debating industry trends and issues. The GBC consists of the members of EFG International's Executive Committee, the regional Heads and selected senior managers (see the organisational chart on page 22).

The titles and brief functional descriptions for members of the Global Business Committee are set forth as follows:

Head of Global Markets
The Head of the Global Markets division is responsible for the trading and execution in all the different asset classes on the financial markets for EFG International worldwide. The position requires the participation to various executive delegated committees like the Asset & Liability Committee, the Country & Counterparties Risk Sub-Committee, the Group Product Committee and the Financial Risk Committee.

Head of Continental Europe & Middle East Region
The Head of Continental Europe & Middle East Region assumes regional business responsibility for EFG's private banking business in Continental Europe as well as in the Middle East and the Eastern Mediterranean target markets.

Head of Switzerland & Italy Region
The Head of Switzerland & Italy assumes regional business responsibility for the private banking and independent asset managers activities in Switzerland. He is also responsible for the private banking business in Italy and Liechtenstein.

Head of UK Region
The Head of the United Kingdom Region assumes regional business responsibility for the private banking activities of EFG International in the United Kingdom and the Channel Islands.

Head of Asia Pacific Region
The Head of Asia Pacific Region assumes regional business responsibility for the private banking activities of EFG International in the Asia Pacific region.

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

Chief Technology Officer
The Chief Technology Officer is responsible for overseeing all aspects of EFG International's IT platform, infrastructure and data security globally, with particular focus on the ongoing investments in digital strategy which is designed to take the existing strategic IT platform to the next level.

Private Banking Chair
The Private Banking Chair reports directly to the Chief Executive Officer and works with Regional Business Heads and their Heads of Private Banking to generate profitable and sustainable growth globally. This includes leading key client initiatives and supporting commercial activities, as well as recruitment and development of Client Relationship Officers.

5.2 Members of the Global Business Committee

Mark Bagnall
Chief Technology Officer

Mark Bagnall was appointed Chief Technology Officer of EFG International and EFG Bank in January 2018. He is also a member of EFG International's Global Business Committee and of EFG Bank's Executive Committee. Previous to his role as Chief Technology Officer, Mr Bagnall held the role of Chief Operating Officer since January 2011 after joining EFG International in December 2008.

Prior to joining EFG, Mr Bagnall worked from 2004 to 2008 at Merrill Lynch in London and Geneva, where he was Head of International Private Client & Wealth Management Technology, having previously held IT management roles in Capital Markets & Investment Banking in London and New York from 1998 to 2003. He started his career on the IT graduate programme with British Petroleum in 1989, before moving to JP Morgan in 1994.

Mr Bagnall is a British citizen and was born in 1967. He holds a Bachelor of Science in mathematics and computer science from Liverpool University.

Albert Chiu
Head of Asia Pacific Region

Albert Chiu was appointed Head of Asia Pacific Region of EFG International and EFG Bank effective as of June 2016. He is also a member of EFG International's Global Business Committee and since June 2018 the Executive Chair of EFG Bank's Asia Pacific Region. Mr Chiu is also a member of the Board of Directors of EFG International's subsidiary Shaw and Partners Ltd. since April 2019.

Mr Chiu joined EFG Bank in 2000 and established EFG Bank's private banking operations in Asia (with branches in Hong Kong and Singapore) and was the Chief Executive of EFG's Asia Region from 2009.

Prior to joining EFG, Mr Chiu was Treasury Manager at the Hong Kong Branch of HSBC Bank USA (1993–2000), and from 1987 to 1993 he worked for Citibank Hong Kong as Vice President of the Treasury Department.

Mr Chiu is a Hong Kong citizen and was born in 1965. He holds a bachelor's degree in Business Administration (Hon.) of the Chinese University of Hong Kong and completed the Advanced Management Program of Harvard Business School. He also completed a diploma course in the Sophia University in Japan.

Sir Anthony Cooke-Yarborough
Private Banking Chair

Sir Anthony Cooke-Yarborough was appointed Private Banking Chair of EFG International, effective as of 02 January 2019. In this global role, he is a member of EFG International's Global Business Committee, reporting directly to the Chief Executive Officer, and is Vice-Chair of the Board of Directors of EFG Private Bank Ltd, London.

He was Head of EFG International's UK Region from June 2016 to 01 January 2019, and was Chief Executive Officer of EFG Private Bank Ltd, London, EFG International's wholly owned subsidiary in the United Kingdom from June 2011 to 01 January 2019. He was also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank (Channel Islands) Ltd, Guernsey, and EFG Asset Management (UK) Ltd, London.

Sir Anthony joined EFG Private Bank Ltd in 2009 and served as Head of Private Banking until his appointment as Chief Executive Officer in June 2011. From 2005 until 2009, he served as Chief Executive of Mourant Private Wealth, Jersey. Prior to that he was Head of UK Private Banking and Chief Executive Officer of Barclays Private Bank Ltd (2002/2005) and from 1997 to 2002 served as Executive Director at Merrill Lynch International Bank, London, ultimately as Deputy Head of UK Private Client business.

Sir Anthony started his career at Lloyds Bank International in 1980 and held various senior management positions in the USA and Latin America, ultimately as Director International International Investments, Brazil.

Sir Anthony is a British citizen and was born in 1956. He holds a degree in economics from Gonville & Caius College, Cambridge University.

Marcelo Coscarelli
Head of Latin America Region

Marcelo Coscarelli was appointed Head of EFG's Latin America Region effective as of 01 January 2017. In addition, he is a member of EFG International's Global Business Committee, effective as of 01 July 2018.

Before joining EFG, Mr Coscarelli worked at Citibank Latin America as Managing Director and Head of the Wealth Management Business, covering international high-net-worth and affluent clients. From 2008 to 2012, he was Chief Operating Officer of Itau Private Bank International, based in Miami. Before that, he worked at UBS as Head of the Brazil Wealth Management Sales Desk in Zurich, and at Citigroup as Head of Citigold Wealth Management for Europe, the Middle East and Africa, based in London. He also held different positions with the Citigroup Private Bank.

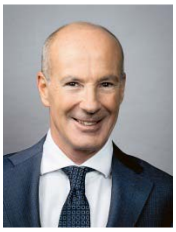
Mr Coscarelli was born in 1971 and is a Brazilian and US citizen. He holds an MBA from the University of Chicago, USA, and a bachelor's degree in economics from University of Campinas (UNICAMP) in São Paulo, Brazil.

Adrian Kyriazi
Head of Continental Europe & Middle East Region

Adrian Kyriazi is the Head of EFG International's Continental Europe & Middle East Region and is a member of EFG International's Global Business Committee, effective as of 01 July 2018. Mr Kyriazi is also a member of the Board of Directors of EFG International's subsidiaries EFG Investment (Luxembourg) SA, EFG Bank (Luxembourg) SA, Asesores y Gestores Financieros SA, A&G Banca Privada SA, EFG Bank (Monaco), Oudart SA and EFG (Middle East) Ltd.

Adrian Kyriazi was previously with Credit Suisse, where from 2010 to 2014 he was Managing Director, Market Group Head for Greece, CEE/Poland. Prior to that, he spent 19 years at HSBC in a variety of different roles, including Managing Director, Private Banking and Co-Chief Executive Officer, HSBC Private Bank, Monaco; Chief Executive Officer of West Coast Region, USA, HSBC Private Bank; and Chief Executive Officer of Global Practices (encompassing wealth and tax advisory, corporate finance, and family office), HSBC Private Bank.

Adrian Kyriazi is a Greek citizen and was born in 1960. He holds a master's degree in law from Robinson College, Cambridge University.



Maurizio Moranzoni
Head of Global Markets

Maurizio Moranzoni was appointed Head of Global Markets of EFG International and EFG Bank in October 2016. He is also a member of EFG International's Global Business Committee, effective as of 01 July 2018 and a member of the Executive Committee of EFG Bank, effective as of 31 October 2016. Mr Moranzoni decided to retire and to therewith step down from his position and to leave EFG as of 31 December 2019.

Prior to his role as Head of Global Markets, Mr Moranzoni was the Global Head of Capital Markets at BSI SA since 2003 and served as member of the Group Executive Board of BSI SA since September 2015.

Mr Moranzoni spent his entire career at BSI, where he started working in 1982 – first in the Forex Department and then covering various positions in the Capital Markets Area. In 1997, he was appointed Head of Treasury, Fixed Income & Securities Lending, and in 2003 he became Head of Capital Markets. He was also member of the Board of Directors of BSI Europe SA until December 2016. He is currently a member of the BSI SA Pension Fund Board.

Mr Moranzoni is a Swiss citizen and was born in 1960.

Franco Polloni
Head of Switzerland & Italy Region

Franco Polloni is the Head of EFG's Switzerland & Italy Region. He is a member of EFG International's Global Business Committee, effective 01 July 2018 and has been appointed a member of the Executive Committee of EFG Bank AG since 05 May 2017. Mr Polloni joined EFG in May 2017 as Head of Central Switzerland, Ticino & Italy Region.

Mr Polloni is a member of the Board of EFG's International subsidiaries Oudart SA, Paris, EFG Bank (Luxembourg) SA and EFG Bank von Ernst, Vaduz (Liechtenstein). He is also Deputy Chair of Patrimony 1873 SA, Switzerland.

Before joining EFG, Mr Polloni was Head of Private Clients & Asset Management and member of the Executive Board of Banca del Ceresio in Lugano, a role he took in December

2014. Between 2008 and 2014, he held various leadership positions at BSI and was Head of Private Banking Switzerland and member of the Group Executive Board from 2011 to 2014. From 2001 to 2008, he worked at Banca del Gottardo, where he was appointed member of the Executive Board in 2006 and served as Head Products & Services until the bank's integration into BSI in 2008. From 1997 to 2001, he has worked for Coopers & Lybrand (later PricewaterhouseCoopers) as manager in tax department advising international corporations and individuals. He began his career in 1993 with Ernst & Young in Zurich.

Franco Polloni is a Swiss citizen and was born in 1965. He holds a degree in business and economics from the University of Zurich and a diploma as a Swiss federal tax expert, a Trust & Estate Practitioner (TEP) and Certified Financial Planner (CFP).

Richard A A Thomas MBE
Head of UK Region

Richard Thomas was appointed Head of EFG International's UK Region and member of the Global Business Committee, effective as of 02 January 2019. In addition, he is Chief Executive Officer of EFG Private Bank Ltd, London, EFG International's wholly owned subsidiary in United Kingdom.

Prior to joining EFG, Mr Thomas worked at Barclays UK, where he last held the role of Chief Operating Officer, Savings, Wealth and Investments. He joined Barclays in 2008 and served as Chief Operating Officer UK Private Bank from 2015 to 2017 and Business Head London Region and Specialist Proposition UK from 2012 to 2015. Before that, he was a Managing Director and Team Leader UK. Prior to his career at Barclays, he held senior posts in the UK's Ministry of Defence and held the rank of Captain in the Royal Navy.

Mr Thomas is a British citizen and was born in 1967. He holds a Sloan Fellowship MSc in business strategy and leadership from London Business School as well as a master's degree in defence studies from King's College London. He was awarded the MBE by Her Majesty The Queen in the year 2000 for service abroad.

New member of the Global Business Committee in 2020

Kurt Haueter
Head of Global Markets & Treasury

Kurt Haueter was appointed Head of Global Markets & Treasury, effective as of 01 January 2020. In his role, Mr Haueter is a member of EFG International's Global Business Committee and a member of the Executive Committee of EFG Bank AG. He reports to the Chief Financial Officer and is responsible for overseeing the newly combined Global Markets & Treasury division in order to drive forward business development initiatives and support EFG's private banking business globally.

Mr Haueter has been with EFG since 2009 and has an in-depth knowledge of the bank and its businesses, as well as extensive industry expertise. He has held the role of Global Head of Treasury & ALM since November 2016. From 2011 to 2016, he was Head of Financial Markets and prior to that served as Head of Treasury at EFG Financial Products (Leonteq) and EFG Bank. Before joining EFG, he worked as Senior Treasury Officer at Swiss Re in Zurich and London from 2002 to 2009.

Mr Haueter is a Swiss citizen and was born in 1972. He holds an Executive Master in corporate finance from the Institute for Financial Services of the University of Applied Sciences of Central Switzerland, and a BSc in Business Administration from the Zurich University of Applied Sciences.

6. External mandates and vested interests

Please refer to the information provided in the biographies of each member of the Executive Committee and Global Business Committee (GBC) in sections 4 and 5, where the significant activities in governing, advisory and supervising bodies of important organisations, institutions and foundations are mentioned.

6.1 Provisions on the number of permitted external mandates in the Articles of Association

In accordance with the Art. 12 para. 1 point 1 of the Ordinance, the number of permitted external mandates of the members of the Executive Committee are outlined in the Art. 37 of the Articles of Association*. The members of the Executive Committee may upon approval by the Board of

* See www.efginternational.com/articlesofassociation

Directors or the Remuneration & Nomination Committee each have up to three external mandates of which a maximum of one may be in a listed company. Additionally, a member of the Executive Committee may perform up to ten mandates in associations, charitable institutions as well as welfare and pension institutions.

6.2 Management contracts

EFG International and its subsidiaries have not entered into management contracts with third parties.

7. Compensation, shareholdings and loans of the members of the Board of Directors and the Executive Committee

In application of Art. 5 and Art. 13 of the Ordinance, the Board of Directors issued a Compensation Report for the year ended 31 December 2019. The Compensation Report includes all compensation directly or indirectly paid to current members of the Board of Directors and of the Executive Committee, as well as any direct or indirect remuneration to former members of the Board of Directors and of the Executive Committee in connection with their prior functions. The Compensation Report also discloses the loans and credits granted directly or indirectly by the Company to the members of the Board of Directors and the Executive Committee as well as loans, credits and remuneration to closely related parties thereof, which are not granted at market conditions.

Details can be found in the Compensation Report, presented separately on page 52 ff. of this Annual Report.

In addition to the aforementioned, further details on the compensation and compensation-related elements granted to the members of the Board of Directors and of the Executive Committee can be found in the following provisions of the Articles of Association*:

- Art. 17 and Art. 18 of the Articles of Association defining the mechanism for the approval of the compensation of the Board of Directors and the Executive Committee by the general meeting of shareholders. For further details see pages 59 ff.
- Art. 30 of the Articles of Association describing the authorities and the procedure of determining the form and amount of compensation for members of the Board of Directors and the Executive Committee. For further details see pages 53
- Art. 32 and Art. 33 of the Articles of Association determining the basic principles and elements of the compensation for members of the Board of Directors and the Executive Committee (for further details see pages 54 ff.)
- Art. 34 of the Articles of Association determining the available additional amount for payments to members of the Executive Committee appointed after the vote on pay at the general meeting of shareholders
- Art. 35 of the Articles of Association on the principles applicable to performance-related variable compensation and to the allocation of equity securities or Restricted Stock Units as part of the Company's shareholding programmes for members of the Executive Committee (for further details see pages 55 ff.)
- Art. 35a of the Articles of Association on the principles applicable to variable compensation for members of the Board of Directors (for further information see section 5.1 on page 54)
- Art. 36 of the Articles of Association containing the rules on pension benefits not based on occupational pension schemes
- Art. 36a of the Articles of Association describes the principles for granting loans and credits to the members of the Board and the Executive Committee (for further details see page 61)

Details of the compensation paid to the members of the Board of Directors and the Executive Committee in 2019 and 2018 can be found on pages 62 ff.

With regard to shareholdings of the members of the Board of Directors and the Executive Committee, please see the financial statements, note 22 (iv), page 217.

8. Shareholders' rights of participation

8.1 Voting right restrictions and representation

Persons who acquired registered shares will, upon application, be entered in the share register without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by FMIA (for details please refer to Art. 6 of the Articles of Association* and see also section 2.6 above).

* See www.efginternational.com/articlesofassociation

Former employees' vested Restricted Stock Units are exercised upon the last day of their employment and held in a mandatory depository account administered by the custodian appointed by EFG International. Such shares are blocked until the first day of the exercise period and do not entitle the former employee to voting rights pertaining to the shares or to any dividends, distributions made out of the reserves from capital contributions, reimbursements of capital, etc.

According to Art. 23 of the Articles of Association*, shareholders can exercise their voting rights either by themselves or appoint a third party authorised in writing or the independent proxy to vote on their behalf. Such representatives need not to be shareholders. All shareholders receive with the invitation to the general meeting a proxy appointment form for the appointment of the independent proxy and instruct him regarding each agenda item and additional ad-hoc motions.

EFG International offers to their shareholders the possibility to exercise their voting rights prior to the general shareholders meeting via the online platform of Smartprimes. Furthermore, the voting at the shareholders' meeting takes place in electronic form via a televoting device. The televoting devices allow a timely and accurate result delivery during the general meeting.

8.2 Statutory quorums

No statutory quorums other than those defined by Swiss Corporate Law and the Swiss Federal Merger Act apply.

8.3 Convocation of the general meetings

The statutory rules on the convocation of the general meeting correspond with legal provisions. Accordingly, the general meeting is summoned at least twenty days before the date of the meeting by notice published in the 'Swiss Official Gazette of Commerce' and by letter sent to the addresses of the shareholders entered in the share register.

8.4 Agenda

The Board of Directors announces the agenda for the general meeting. Shareholders representing shares with a nominal value of at least CHF 1.0 million may request that an item of business be placed on the agenda until latest forty days prior to the date of the general meeting. Such request must be in writing and must state the relevant motions.

8.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the general meeting. However, for organisational reasons, no shareholders will be entered into the share register during the period beginning fifteen days prior to a general meeting and ending immediately after the closing of the general meeting.

9. Changes of control and defence measures

9.1 Duty to make an offer

EFG International has not taken any defence measures against takeover attempts. Therefore, there are no statutory rules on 'opting up' and 'opting out'. The Articles of Association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 33.33% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Art. 125 FMIA) or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to Art. 135 para. 1 FMIA).

9.2 Clauses on changes of control

Options and Restricted Stock Units granted to employees would become exercisable during the extended offer period granted by the offeror upon a mandatory or a voluntary tender offer that becomes unconditional according to the FMIA. In the event that more than 90% of EFG International registered shares are acquired by a company listed at a recognised stock exchange, options or Restricted Stock Units become exercisable or the outstanding options can be exchanged prior to the start of the exercise period by replacing the options or Restricted Stock Units with options to acquire shares of the successor company (Successor Options) on terms and conditions which will result in such Successor Options being in all other material aspects identical to those that apply to options or Restricted Stock Units.

* See www.efginternational.com/articlesofassociation

10. Auditors

10.1 Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers SA (PwC), Geneva, were appointed as statutory auditors and group auditors of EFG International on 08 September 2005, when EFG International was incorporated. The shareholders must confirm the appointment of the auditors on an annual basis at the general meeting.

Mr Thomas Romer has taken up office as lead audit partner on 26 April 2019 in addition to the Global Relationship Partner responsibility which he has assumed since 2015.

10.2 Auditing fees

During the 2019 financial year, PwC received fees totalling CHF 6.2 million for the audits of EFG International and its subsidiaries.

10.3 Additional fees

For additional audit-related services covering topics such as accounting, controls reporting as well as compliance, PwC received fees totalling CHF 0.5 million during the 2019 financial year from EFG International.

For additional consulting-related services comprising legal, IT, tax and other project-related counselling, EFG International Group paid PwC fees totalling CHF 1.2 million during the 2019 financial year.

10.4 Supervisory and control instruments vis-à-vis the auditors

The Audit Committee, on behalf of the Board of Directors, monitors the qualification, performance and remuneration of the statutory external auditors ('auditors') in order to satisfy itself as to their independence. Among others, the Audit Committee confers with EFG International's auditors about the effectiveness of the internal control system in view of the risk profile of the EFG International.

The auditors report annually to the Audit Committee the recurring and non-recurring fees they receive for professional services provided throughout the EFG International Group. On a quarterly basis, the auditors report to the Audit Committee the approved mandates throughout the EFG International Group for conducting permissible non-audit/non-recurring services and how these compare to the approved fees for audit/recurring services. Additionally, the auditors assure the Audit Committee on an annual basis as to whether they comply with the rules of the EFG International Group's 'External Auditor Independence Policy' and their internal rules regarding auditor independence.

The auditors report to the Audit Committee on areas where critical accounting estimates/judgements are made by management, on alternative treatments of financial information discussed with management, corrected and uncorrected misstatements, and other significant written communication between the auditors and management.

The Audit Committee meets regularly with the lead audit partners, at least four times per year. In addition, the Chair of the Audit Committee discusses with the lead audit partners the audit work performed, their main conclusions and potential important issues that arose during the audit.

The Chair of the Audit Committee briefs the Board of Directors about the Audit Committee's contacts and discussions with the auditors.

The auditors have direct access to the Audit Committee at all times.

11. Information policy

EFG International regularly informs its shareholders and the public by means of annual and half-year reports, Compensation Reports, Pillar III disclosures as well as media releases and presentations as needed. The documents are available, in electronic form at:
www.efginternational.com/financial-reporting
www.efginternational.com/investors
www.efginternational.com/press-releases
as well as in printed form upon request.

Interested parties can subscribe to the e-mail distribution service to receive free and timely notifications of potentially price-sensitive facts and media releases:
www.efginternational.com/newsalert

These releases are also published on the EFG International website at the same time as they are sent to the subscribers, and are available online for several years at:
www.efginternational.com/press-releases

Additional corporate information, such as documents related to general meetings, Articles of Association and Organisational and Management Regulations, can be found at:
www.efginternational.com/agm
www.efginternational.com/articlesofassociation
www.efginternational.com/internalregulations

Financial calendar
Important dates:
29 April 2020: Annual General Meeting 2020, Zurich
04 May 2020: Ex-dividend date
05 May 2020: Record date
06 May 2020: Dividend payment date
22 July 2020: Publication of half-year results 2020

The financial calendar of upcoming events relevant to shareholders, analysts, the media and other interested parties can be found on our investor relations website at:
www.efginternational.com/investors

The Company's notices are published
in the 'Swiss Official Gazette of Commerce' (SOGC).

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Compensation Report

Compensation Report

1. Philosophy

EFG International Group ('EFG' or 'the Company') recognises that private banking is a people business. It is therefore committed to building its business activities around the individual needs of its clients, rather than focusing primarily on the sale of products and services. EFG's employees are its most valuable asset. They help to craft its distinctive competitive profile and deliver results. EFG brings together experienced, entrepreneurial private bankers and asset managers, supported by a global team of professionals who focus on servicing internal and external clients. Together, they strive to achieve outstanding performance supported by an embedded risk culture.

EFG International Group seeks to attract and retain individuals who have the intellect, energy and entrepreneurial mindset to deal effectively with complex situations in a fast-changing and challenging environment. To achieve this, EFG uses a compensation model for all employees as well as the members of the Board of Directors that comprises three main components: Fixed compensation, also called the 'base salary'; variable compensation, in the form of cash or non-cash awards such as restricted stock units (RSUs); and non-financial rewards.

Through their expertise and integrity, EFG's employees create value for clients and therefore also for the Company. A corporate culture based on teamwork and meritocracy motivates the Company's employees to deliver the best possible performance and achieve their full potential. Providing the right incentive structures and compensation models is of vital importance in this context. The following guidelines have been defined to outline EFG International's remuneration framework:

– Total remuneration includes fixed and variable remuneration as well as statutory and non-statutory benefits
– Total remuneration must support the development and implementation of business plans; it must be funded out of business results and includes a substantial risk-adjusted variable component for profit generators
– EFG International is known for its distinctive Client Relationship Officer (CRO) remuneration model and this will remain a core part of how the bank operates
– Total remuneration schemes support meritocracy; they follow function and not hierarchy and are based on factual assessments of individual contributions to the short- and longer-term success of the Company
– In calibrating total remuneration levels, market competitiveness within specific functions or business units has taken priority over internal comparability across functions or business units
– The annual compensation review process is primarily a managers' process; HR provides the tools for this process and supports managers throughout this review
– EFG International actively lives meritocracy through recognition of individual performance and contribution, and it takes appropriate action where performance is below standards

2. Regulations

According to the Ordinance against Excessive Compensation in Listed Companies (hereafter called 'Ordinance') and the Articles of Association*, the Board of Directors has the non-transferable and inalienable duty to issue a written Compensation Report each year (Articles 5 and 13 of the Ordinance; Article 28 paragraph 2 section 7 of the Articles of Association*). EFG International has already published a Compensation Report in previous years and is thus continuing this practice. In line with the requirements set out in the Ordinance (Article 17), our statutory auditors, PricewaterhouseCoopers Ltd, have reviewed the Compensation Report to verify it is compliant with the applicable law and the Ordinance (see the auditors' report on page 66).

3. Methodology

In addition to implementing the requirements of the Ordinance (information pursuant to Articles 14–16 of the Ordinance), EFG International already implemented in 2011 the principles of FINMA Circular 2010/1 – which defines minimum standards for remuneration schemes applicable to financial institutions – as well as the Corporate Governance Directive and its annex and commentary, issued by SIX Swiss Exchange AG. These standards have been transposed into a comprehensive internal Group Remuneration General Directive, an amended version of which was implemented in 2018 and includes the following principles:

– Remuneration shall be simple, transparent, implementable and long-term oriented
– Performance shall drive total compensation: All variable compensation must be linked to individual and Company performance. The contribution of individuals and units

* See www.efginternational.com/articlesofassociation

within the business units (Private Banking) and revenue-generating functions is assessed, taking into account performance across all business aspects including profitability, competitive environment and the contribution to the Company's total results
- Risk awareness shall determine total compensation: The remuneration model is a fundamental and decisive element for materialising accountability and ensuring effectiveness of the First Line of Defence within EFG International Group's approach to systematic risk management. Risk awareness shall impact the variable compensation of individuals as well as their supervisors. A risk scorecard forms part of the remuneration model for CROs
- Total remuneration shall be linked to market practice: Total remuneration shall be benchmarked for each business line, support function and control function
- Individual recognition shall be a total compensation approach: Individual performance impacts variable compensation as well as fixed compensation
- Equal compensation opportunity: The drivers determining compensation are based on individual skills, qualifications, performance, behaviour and any other legitimate business considerations. Discrimination is not tolerated in any form
- High performers shall be exposed to EFG International equity through deferred compensation plans: High performers' interests shall be aligned with those of the Company's shareholders by delivering a significant portion of an individual's variable compensation in the form of deferred equity-based instruments

Employees and governing bodies are categorised in accordance with their risk profile, as defined below:

i) Members of the Board of Directors of EFG International and its subsidiaries
ii) Chief Executive Officer (CEO) and other members of the Executive Committee of EFG International
iii) Global Business Committee members of EFG International
iv) Regional Business Heads, Local Business Heads and Global Function Heads
v) Senior Managers (Direct reports to Executive Committee or Global Business Committee members at regional level or at a functional level [Local Business Heads, Global Function Heads, Local Function Heads], all Heads of Private Banking and some other cases defined by the Executive Committee in consultation with the Global Business Committee)
vi) Key Executives (defined according to criteria set out periodically by the Remuneration & Nomination Committee), including Material Risk Takers (MRTs) as defined by local regulations
vii) Control functions (Audit, Compliance and Risk)
viii) CROs
ix) Other staff

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

For information on staff costs, please refer to page 137 (note 20 to the consolidated financial statements).

4. Responsibilities

The Remuneration & Nomination Committee currently comprises the following members of the Board of Directors who were individually elected by the Annual General Meeting 2019 for a term of office of one year until the conclusion of the Annual General Meeting 2020:
- Niccolò H. Burki (Chair)
- Emmanuel L. Bussetil
- Steven M. Jacobs
- Bernd-A. von Maltzan
- Périclès Petalas
- John A. Williamson

According to Article 30 paragraph 2 of the Articles of Association* and in application of the Ordinance, the Remuneration & Nomination Committee has the following specific tasks and responsibilities in relation to the compensation of the Board of Directors and the Executive Committee:
- To establish the compensation strategy for the Company, to approve the compensation and to make recommendations to the Board of Directors with regard to certain compensation matters in particular, this includes reviewing, on behalf of the Board of Directors and within the limits set by the Annual General Meeting, the amount of compensation to be paid to the members of the Board of Directors and the members of the Executive Committee
- To annually review, and make a recommendation to the Board of Directors regarding the form and amount of the compensation of the members of the Board of Directors, and any additional compensation to be paid for service as Chair and Vice-Chair of the Board of Directors, for service

* See www.efginternational.com/articlesofassociation

on Board-delegated committees and for service as a Chair of Board-delegated committees
- To annually (a) review and assess the corporate goals and objectives upon which the compensation of the CEO and the other members of the Executive Committee is based and (b) evaluate the performance of the CEO and the other members of the Executive Committee in respect of these goals and objectives
- To make a recommendation to the Board of Directors concerning appropriate compensation levels for the CEO after the evaluation of the CEO's performance
- To annually review the amount of compensation of the other members of the Executive Committee and make a recommendation to the Board of Directors regarding the appropriate level of compensation for: (a) the annual base salary; (b) annual variable compensation; (c) the long-term compensation component; and (d) any special or supplemental rewards

In addition, and in accordance with the Organisational and Management Regulations**, the Group Remuneration General Directive and the Terms of Reference of the Remuneration & Nomination Committee, the Remuneration & Nomination Committee has, among others, the following additional responsibilities and competencies:
- To ensure that EFG International and its subsidiaries follow up-to-date procedures ensuring the implementation of and compliance with the provisions of the FINMA Circular 2010/1
- To ensure that annual salary increases and all discretionary variable compensation amounts are within the overall budget and guidelines approved by the Board of Directors and the Annual General Meeting, where applicable
- To ensure that the policy on variable compensation and other variable elements of employee compensation is not in conflict with client interests, shareholder interests, the Ordinance, FINMA Circular 2010/1, and the Corporate Governance Directive
- To decide on the contractual arrangements of the members and the Chair of the Board of Directors, the CEO and other members of the Executive Committee of EFG International, which must all be in line with the Articles of Association as well as the Ordinance, and to decide on the contractual arrangements of other Key Executives, including those at the Company's subsidiaries, as appropriate
- To approve all salary increases to other staff members, with the exception of those resulting from existing contractual terms, in cases where the salary increase places the person within the Key Executive group
- To define the rules governing staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the Remuneration & Nomination Committee for approval
- To decide on the granting of loans and credits to members of the Board of Directors and related parties thereof as well as members of the Executive Committee and Regional CEOs (for loans and credits exceeding CHF 500,000)
- To decide on EFG International's contribution to pension and social institutions for the Swiss entities and their branches
- To review the overall annual salary, annual increases and variable compensation as proposed by management for all other staff of EFG International and its subsidiaries
- To be informed by the CEO each year, in the context of the annual compensation review, of a recommendation on RSU receivers. The Remuneration & Nomination Committee shall consider the recommendations and, at its absolute discretion, determine the allocation of RSUs for each receiver, if any

5. Principles

5.1 Members of the Board of Directors

The compensation of the members of the Board of Directors, which is subject to the approval of the Annual General Meeting, consists of a fixed base fee paid in cash and, since the Annual General Meeting 2017, in the form of equity or equity-linked instruments (e.g. RSUs).

The compensation of the members of the Board of Directors is determined according to the function performed by the member within the Board of Directors, the number of committee activities, and the function within those committees. For further details, see Article 32 of the Articles of Association*.

No variable compensation has been paid to the members of the Board of Directors in 2018 and 2019 (as per the current remuneration policy in place).

5.1.1 Compensation for advisory services

Subject to the approval of the Annual General Meeting, members of the Board of Directors may receive additional compensation in cash, in line with market practice, for advisory services unrelated to their function as a member of the Board of Directors that are rendered to the Company

* See www.efginternational.com/articlesofassociation
** See www.efginternational.com/internalregulations

and/or direct or indirect subsidiaries of the Company. In 2019, one member of the Board of Directors received an additional fee for his membership of and service to the EFG Advisory Board for Asia.

5.2 Members of the Executive Committee

5.2.1 Fixed compensation

The fixed compensation of the members of the Executive Committee, which is subject to the approval of the Annual General Meeting, consists of fixed compensation paid in cash. For further details, see Articles 33 and 35 of the Articles of Association*.

5.2.2 Variable compensation

Variable compensation is awarded to members of the Executive Committee at the discretion of the Remuneration & Nomination Committee and is subject to the approval of the Annual General Meeting. The Remuneration & Nomination Committee considers a number of quantitative and qualitative criteria when awarding variable compensation, such as profitability and the development of the Company's share price, the relationship between variable compensation and key performance indicators, the risk profile of the Company and the individual performance of the members of the Executive Committee during the year. The Remuneration & Nomination Committee approves targets and maximum award levels for each member of the Executive Committee taking into account their position, responsibilities and duties. Variable compensation is payable in cash, and a certain percentage is awarded in the form of RSUs relating to shares of EFG International under the Employee Equity Incentive Plan (see section 6.2). A minimum of 50% of compensation must be awarded in the form of RSUs (threshold defined in Article 35 of the Articles of Association*). The threshold is determined annually by the Remuneration & Nomination Committee. The current minimum threshold is 60%. For further details, see Articles 33 and 35 of the Articles of Association*.

Long-term incentive plan introduction in 2019
A one-time long-term incentive plan (LTIP) for EFG International's senior management (Executive Committee, Global Business Committee and Senior Managers) was implemented in 2019. The LTIP was implemented to underline management's commitment to achieving EFG International's targets, to further align management's interests with shareholders' interests through increased stock-based remuneration, and to honour valuable employees as well as to incentivise long-lasting employment relationships.

The LTIP is a plan covering a three-year performance period beginning 2019 and rewarding senior management's achievement based on financial and business targets. In the base case scenario, 8,000,000 shares of EFG International are granted to senior management (including, subject to shareholders' approval, the Executive Committee) via restricted stock units (RSUs).

Subject to meeting minimum thresholds and depending on the performance achieved, the award of RSUs will be within 45% to 140% of the base case allocation, corresponding to the percentage achievement of the financial targets, plus add-ons or reductions depending on the achievement of the business targets, and any reduction due to risk and conduct aspects.

If either of the minimum financial targets or the minimum commercial targets will not have been achieved, the whole award is forfeited. If both minimum targets will have been achieved, the award will be between 3,600,000 and 11,200,000 RSUs.

The grant takes place in two allocations over the three-year cycle of the LTIP. 4,700,000 shares were allocated at the beginning of the LTIP in 2019. The balance of RSUs will be allocated at the end of the LTIP in 2021. For the members of the Executive Committee, the currently envisaged full award (i.e. 140% of the allocation in the base case scenario) was allocated at the beginning of the LTIP with special restrictions and rules regarding forfeiture, resulting in an equal treatment of, and equal incentive for, all participants in the LTIP.

The Annual General Meeting 2019 approved an aggregate maximum amount of CHF 17,290,000 of variable long-term compensation for the members of the Executive Committee to be awarded in the business year 2019.

The RSUs granted shall, under normal circumstances, vest in three equal instalments in April 2022, April 2023 and April 2024, and the vesting shall be further subject to certain conditions (most notably continuing employment).

* See www.efginternational.com/articlesofassociation

5.3 Other categories of staff

5.3.1 Fixed compensation

Fixed compensation paid to employees other than members of the Board of Directors and the Executive Committee is determined according to their level qualifications, professional experience and expertise, degree of seniority, the skills required to perform their role, the scope of the role, and the relevant business sector and region.

In Switzerland, and in most other countries where reliable data is available, fixed compensation is also linked to a professional annual compensation survey conducted in the banking sector.

EFG International uses the performance reviews and market benchmarks on an individual basis to review whether a salary increase is necessary or strongly advisable for the purpose of talent retention. In countries where legislation prescribes a general minimum salary increase (e.g. legal indexation of salaries), any additional increases would then still follow Group-wide procedures. Compensation surveys are used to help establish the appropriate salary for most members of staff. However, they are rarely used at the highest level of management, since there are insufficient numbers of organisations with the same level of international complexity to allow for a meaningful comparison.

All staff salaries are subject to review on an annual basis, first by local management and Human Resources, and subsequently by the Regional Business Head, EFG International's CEO together with the Global Head of Human Resources and finally by the Remuneration & Nomination Committee.

Exceptional increases may be granted during the year. If increases exceed certain limits defined in the Group Remuneration General Directive, they require the approval of the Remuneration & Nomination Committee before being granted.

5.3.2 Variable compensation

Variable remuneration awarded to employees other than members of the Executive Committee – with the exception of CROs (see section 5.4) – is of a discretionary nature and is determined on the basis of their individual performance (annual assessment), the performance of their business line, and that of the Company. The relative importance of each performance criterion is determined in advance and the criteria are then balanced to take into account the position or responsibilities held by the employee, defined by job category. The proportion of variable compensation that may be deferred depends on the potential impact that the job category can have on the risk profile of the Company, as well as the responsibilities and tasks performed. The minimum deferral period for 'higher risk' job categories is three years.

Variable compensation can be awarded in the form of cash, deferred cash or deferred equity.

The discretionary variable compensation pool is funded by means of an ongoing process throughout the year. The size of the pool depends on the long-term performance of EFG International, which is determined on the basis of the sustainability of profits and risk adjustments through the calculation of economic profit. Several additional factors are also considered, such as the Group's financial performance, functional performance indicators, market trends and outlook, achievement of strategic goals, risk management and control culture, present and future risks, and discretion. These factors ensure that the rewarding and retention of employees is aligned with the interests of shareholders as well as the regulatory requirements.

Variable compensation is incorporated into capital and liquidity planning and must not jeopardise the attainment of capital targets. If EFG International posts unsatisfactory results, the total pool may be reduced or eliminated entirely.

A framework is in place to ensure the critical review of compensation proposals by Regional Business Heads, EFG International's CEO and the Remuneration & Nomination Committee.

The variable compensation review is carried out annually. A strong emphasis is placed on the personal contribution of employees when determining the discretionary variable compensation for staff with a modest fixed salary. For Key Executives and Senior Managers, there is a much stronger emphasis on corporate performance, in particular profitability, with the focus on personal contribution being reduced accordingly.

For Key Executives and Senior Managers, the Remuneration & Nomination Committee considers a number of quantitative and qualitative criteria, such as performance – in terms of profitability and the development of the share price of EFG International through the year, the relationship between variable compensation and key performance indicators, the risk profile of the institution, and the individual performance of these employees. An unsatisfactory performance by EFG International Group can result in a significant reduction or even the elimination of discretionary variable compensation for Key Executives and Senior Managers.

Staff who breach internal regulations or regulatory or legal requirements, or who significantly raise the Company's risk exposure, may have their variable compensation reduced or eliminated.

Exceptional variable awards may be granted during the year. If exceptional variable awards exceed a certain predefined limit, they require the approval of the Remuneration & Nomination Committee before being granted.

The Board of Directors implemented a long-term incentive plan (LTIP) for EFG International's senior management. For further details, see section 5.2.2 above.

5.4 Client Relationship Officers

5.4.1 Fixed compensation

EFG International generally only hires experienced bankers for the role of CROs who bring with them previous business development experience in this area.

The fixed compensation of CROs is defined individually at the time of hiring based on their historic compensation and may be reviewed from time to time to ensure they are aligned with market practices.

5.4.2 Variable compensation

Variable compensation is contractual and formulaic (percentage of the business booked by the CRO). Booked business reflects the true net financial contribution of each CRO and does not entail any 'pre-payment' of anticipated future revenues.

Variable compensation includes all revenues and related costs attributable to them. Bona fide operating errors leading to losses are debited from the CRO's booked business and impact their variable compensation. Losses arising from recurring operating errors, serious mistakes, or non-compliance with internal or external regulations or applicable laws, directly reduce their variable compensation as laid out in the CRO risk scorecard. CROs with variable compensation of more than CHF 50,000 are required to receive 25% of the portion of variable compensation exceeding CHF 50,000 (or the equivalent in local currencies) in the form of RSUs.

5.5 Employees in control functions

The compensation level of employees in control functions is determined in such a way as to enable the Company to attract qualified and experienced professionals. The mix of fixed and variable compensation for control function personnel is weighted in favour of fixed compensation; the variable component is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

6. Specific mechanisms or instruments for variable compensation

Summary of current applicable rules approved by the Remuneration & Nomination Committee:

Employee category		Current deferral rules
A	EFG International Executive Committee members	Minimum 60% of annual variable compensation delivered in RSUs with cliff vesting at the end of year 3
B	Global Business Committee members	Minimum 60% of annual variable compensation delivered in RSUs with cliff vesting at the end of year 3
SM	Local Business Heads, Global Function Heads	Minimum 50% of annual variable compensation delivered in RSUs with cliff vesting at the end of year 3
	Heads of Private Banking managing CHF 10 billion or more of Assets under Management Senior Managers who are required by local regulations and/or local Remuneration Committees to have at least 50% of their variable compensation deferred	Minimum 50% of annual variable compensation delivered in RSUs with ⅓ vesting after year 1, year 2 and year 3 and blocking of the vested RSUs until year 3
	Local Function Heads reporting to Executive Committee/Global Business Committee members Heads of Private Banking managing less than CHF 10 billion of Assets under Management	Portion of total variable compensation exceeding the equivalent of CHF 50,000: 35% in RSUs with ⅓ vesting after year 1, year 2 and year 3
C	All other employees including CROs	Portion of total variable compensation exceeding the equivalent of CHF 50,000: 25% in RSUs with ⅓ vesting after year 1, year 2 and year 3

6.1 Deferral obligations

The Group Remuneration General Directive imposes deferral obligations on certain employees including members of the Executive Committee, Global Business Committee, Regional Business Heads, Local Business Heads and any other defined Senior Managers with a risk profile justifying deferral. The Remuneration & Nomination Committee and local management can also impose a deferral threshold on all employees at their discretion.

6.2 Employee Equity Incentive Plan

The EFG International Group adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the 'Employee Equity Incentive Plan') in order to strengthen EFG International Group's ability to offer incentives for members of the Executive Committee and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan was reviewed and amended in 2019 and covers any options and RSUs granted during the financial years 2005 to 2019 and that last until the point in time that such options and RSUs granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

On an annual basis, the CEO identifies and recommends all employees who are eligible to participate in the Employee Equity Incentive Plan to the Remuneration & Nomination Committee. The Remuneration & Nomination Committee then considers the recommendation and, at its absolute discretion, determines the level of equity incentives to be granted to each eligible person, ensuring compliance with the limits set out in the Articles of Association* and also taking into account the approvals granted by the Annual General Meeting for members of the Board of Directors and the Executive Committee only (see sections 7.1 and 7.2).

Until vested, options and/or RSUs are subject to claw-back or forfeiture. Claw-backs occur in the event of proven

* See www.efginternational.com/articlesofassociation

fraudulent behaviour or if decisions or actions taken in the reference year of the variable award subsequently lead to financial losses for the Company. This is reflected in the employment contract or other documentation agreed with the employee at the time of the variable compensation award. Options and/or RSUs are also subject to forfeiture on the resignation of the employee or termination for cause.

The Remuneration & Nomination Committee may, in exceptional cases, decide to grant accelerated vesting to employees leaving the Company depending on the circumstances of the departure, subject to applicable law.

6.3 Other compensation

Other compensation for members of the Board of Directors and the Executive Committee is subject to the mandatory rules of the Ordinance. Sign-on payments, guaranteed compensation, severance payments or any other special form of remuneration packages for staff other than members of the Board of Directors or the Executive Committee are subject to predefined rules and are made only in exceptional cases. If special compensation exceeds a certain limit, it must be submitted to the Remuneration & Nomination Committee for approval before being granted.

7. Implementation of compensation principles

7.1 Members of the Board of Directors

The compensation of those members of the Board of Directors who receive compensation is determined by the Remuneration & Nomination Committee and is subject to the approval of the Annual General Meeting (see Articles 17 and 18 of the Articles of Association*). The fixed compensation of the members of the Board of Directors is approved prospectively for their term of office until the end of the next Annual General Meeting.

No variable compensation has been paid to the members of the Board of Directors in 2018 and 2019 (as per the current remuneration policy in place).

Details of the compensation paid to the members of the Board of Directors in 2019 and 2018 can be found on pages 62–64.

No agreement with members of the Board of Directors foresees a sign-on bonus or severance payment.

7.2 Members of the Executive Committee

The compensation of the members of the Executive Committee is determined annually by the Remuneration & Nomination Committee and is subject to the approval of the Annual General Meeting (see Articles 17 and 18 of the Articles of Association*). The fixed compensation of members of the Executive Committee is approved prospectively for the current business year and variable compensation is approved retrospectively (awarded in the current business year based on the performance in the business year preceding the Annual General Meeting).

The following compensation components are provided at Executive Committee level:
- Fixed compensation in cash
- Variable compensation defined annually (including Employee Equity Incentive Plan)
- Social charges

Subject to the approval of the Annual General Meeting, variable compensation for members of the Executive Committee is determined entirely at the discretion of the Remuneration & Nomination Committee based upon recommendations of the CEO (except in relation to his own variable compensation). The Remuneration & Nomination Committee has determined that a minimum threshold of 60% of the variable compensation awarded to the members of the Executive Committee is to be taken in the form of RSUs and deferred over a minimum period of three years, with cliff vesting. In exceptional cases, the Remuneration & Nomination Committee may approve amendments of this rule for specific events, subject to mandatory law.

Variable compensation is awarded on the basis of an assessment of individual performance and the performance of EFG International as a whole. Criteria discussed by the Remuneration & Nomination Committee include personal performance, the performance of subordinates, sound management, budget control, and the realisation of defined objectives, the realisation of last-minute projects/objectives and any other contributions benefiting EFG International.

The variable component of compensation awarded to members of the Executive Committee constituted from 0% to 55.3% of the annualised fixed component,

* See www.efginternational.com/articlesofassociation

averaging 36.6%. The average variable component of annualised total compensation (excluding long-term incentive compensation) is 22.6%, of which the average deferral for a member of the Executive Committee is 60%.

The Remuneration & Nomination Committee may, in exceptional cases, decide to grant accelerated vesting to employees leaving the Company, depending on the circumstances of their departure, subject to applicable law.

Details of the compensation paid to the members of the Executive Committee in 2019 and 2018 can be found on pages 62–64.

No employment contract with members of the Executive Committee foresees a severance payment.

7.3 Members of the Global Business Committee

The Global Business Committee performs an advisory role to support the Executive Committee, assessing business strategy, key business topics and priorities as well as discussing industry trends and issues. The Global Business Committee is responsible for driving forward the business. With respect to HR-related matters, the responsibilities of the Global Business Committee include:
- Supporting the Executive Committee and focusing on assessing and validating the Company's strategy, key business topics and priorities, as well as client services and solutions, to drive the sustainable and profitable growth of EFG International
- Supporting the Executive Committee in developing and maintaining the Company's resources (human and others), internal processes and systems. For human resources, this includes performance management, succession planning, talent management, recruiting and remuneration
- Supporting the Executive Committee to ensure that the organisation embraces its corporate values and lives a 'One-Bank' culture

The Global Business Committee meets on a regular basis and includes the members of the Executive Committee, the Regional Business Heads and other direct reports to the CEO with global function responsibility. The Global Business Committee had 14 members in 2019.

The compensation of the members of the Global Business Committee is determined in the same way as for all staff and is reviewed annually by the Remuneration & Nomination Committee. The following compensation components are provided at Global Business Committee level:
- Fixed compensation in cash
- Variable compensation defined annually (including Employee Equity Incentive Plan)
- Social charges

It should be noted that the members of the Global Business Committee do not receive additional compensation for their membership of the Committee.

The minimum proportion of variable compensation awarded in the form of RSUs cannot be below 50% and is determined annually by the Remuneration & Nomination Committee. The current minimum threshold is 60%. Variable compensation is deferred over a minimum period of three years, with either progressive or cliff vesting. In exceptional cases, the Remuneration & Nomination Committee may approve amendments to this rule for specific events, subject to mandatory law.

The variable component of compensation awarded to members of the Global Business Committee (excluding members of the Executive Committee) constituted from 0% to 124.1% of the annualised fixed component, averaging 44.7%. The average variable component of annualised total compensation (excluding long-term incentive compensation) is 24.5%, of which the average deferral for a Global Business Committee member is 60%.

8. Loans and credits

The Articles of Association* set out rules governing the granting of loans and credits at market conditions or generally applicable employee conditions to the members of the Board of Directors and the Executive Committee. They specify that such loans and credits should not exceed a maximum of CHF 3,000,000 for unsecured loans and credits, and CHF 20,000,000 for secured loans and credits per member of the Board of Directors or the Executive Committee (see Article 36a paragraph 1 of the Articles of Association*).

The Remuneration & Nomination Committee decides on the granting of all loans and credits to members of the Board of Directors and related parties, as well as to members of the Executive Committee, the Global Business Committee, Chief Internal Auditor and Key Executives. Details on loans and credits granted to members of the Board of Directors and the Executive Committee can be found on page 65.

9. External advice

EFG International uses local market surveys where available for benchmarking purposes and obtains advice from external consultants when necessary.

* See www.efginternational.com/articlesofassociation

10. Compensation of the Board of Directors and the Executive Committee

(i) Compensation year ended 2019 (audited)

	Fixed compensation (1)		*Variable compensation (2)*		**LTIP (4)**	*Other compensation*		**Social charges (5)**	**Total**
	Cash	**RSUs**	**Cash bonus**	**RSUs (3)**	**RSUs**	**Cash**	**RSUs**		**2019**
	CHF	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**
Board of Directors									
John A. Williamson, Chair	1,000,000							203,878	1,203,878
Niccolò H. Burki, Vice-Chair	220,000	30,000						12,254	262,254
Susanne Brandenberger, member	205,000	30,000						42,294	277,294
Emmanuel L. Bussetil, member (6)									–
Michael N. Higgin, member*/***	107,987							13,160	121,147
Roberto Isolani, member	125,000	30,000						28,496	183,496
Steven M. Jacobs, member	150,000	30,000						31,184	211,184
Spiro J. Latsis, member (6)									–
John S. Latsis, member (6)									–
Bernd-A. von Maltzan, member**	326,128	30,000						9,541	365,669
Périclès Petalas, member (6)									–
Stuart M. Robertson, member***	269,147	30,000						45,703	344,850
Fong Seng Tee, member* (7)	72,678							9,552	82,230
Daniel Zuberbühler, member*	50,000							7,203	57,203
Total Board of Directors	**2,525,940**	**180,000**	**–**	**–**	**–**	**–**	**–**	**403,265**	**3,109,205**
Executive Committee									
Total Executive Committee**(8,9)**	**5,823,392**	**–**	**1,000,000**	**1,500,000**	**p.m. (4)**	**223,541**	**155,497**	**1,040,421**	**9,742,851**
of which highest paid:									
Piergiorgio Pradelli,									
CEO EFG International (10)	1,580,801		320,000	480,000	p.m. (4)	23,459		261,046	2,665,306

* Left in April 2019
** Includes Luxembourg and Spain subsidiaries Board of Directors' fees
*** Includes UK subsidiary Board of Directors' fees
**** Including members of the Executive who joined and left in 2019. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes
1 Including employees' contributions for social charges. Including payment of untaken holidays balance to a member of the Executive Committee who left in 2019.
2 Subject to approval by the shareholders at the Annual General Meeting 2020
3 The amount represents the value of RSUs to be granted in 2020. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Under the LTIP (see further details in section 5.2.2. of the Compensation Report on page 51), a total maximum award of 2,600,000 RSUs has been allocated to the Executive Committee (CHF 17,290,000) as approved by the Annual General Meeting 2019, of which a maximum of 630,000 RSUs have been allocated to the CEO.
5 Employer social charges of the Executive Committee of CHF 1,040,421 include an amount of CHF 411,607 of pension contributions.
6 No compensation has been paid to this member of the Board of Directors.
7 The compensation for this member of the Board of Directors includes the additional fee for his membership to the EFG Advisory Board for Asia.
8 The Annual General Meeting 2019 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2019 of CHF 7,600,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2019 has not exceeded that amount.
9 Other compensation for the Executive Committee includes a sign-on payment to a member of the Executive Committee who joined in 2019.
10 Other compensation for this member of the Executive Committee represents health care coverage.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(ii) Board of Directors' compensation approved at the Annual General Meeting 2019

The table above shows the compensation of the individual members of the Board of Directors for the business year 2019 as they are calculated for the Financial Statements 2019. The shareholders have approved at the Annual General Meeting 2019 a maximum aggregate fixed compensation for all members of the Board of Directors of CHF 3,650,000 for their term of office from Annual General Meeting 2019 to Annual General Meeting 2020. The table below shows that the expected total fixed compensation paid to the members of the Board of Directors for such term of office has not exceeded the amount approved by the shareholders.

	Fixed compensation (1)		Social charges	From AGM 2019 to AGM 2020
	Cash	RSUs		Total
	CHF	CHF	CHF	CHF
Board of Directors				
John A. Williamson, Chair	1,000,000		203,878	1,203,878
Niccolò H. Burki, Vice-Chair	220,000	30,000	13,925	263,925
Susanne Brandenberger, member	205,000	30,000	48,483	283,483
Emmanuel L. Bussetil, member (2)				–
Roberto Isolani, member	125,000	30,000	35,335	190,335
Steven M. Jacobs, member	150,000	30,000	37,421	217,421
Spiro J. Latsis, member (2)				–
John S. Latsis, member (2)				–
Bernd-A. von Maltzan, member*	344,671	30,000	10,961	385,632
Périclès Petalas, member (2)				–
Stuart Robertson, member**	300,169	30,000	56,065	386,234
Total Board of Directors	**2,344,840**	**180,000**	**406,068**	**2,930,908**

* Includes Luxembourg and Spain subsidiaries Board of Directors' fees

** Includes UK subsidiary Board of Directors' fees

Notes

1 Including employees' contributions for social charges

2 No compensation has been paid to this member of the Board of Directors.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(iii) Compensation year ended 2018 (audited)

	Fixed compensation (1)		*Variable compensation (2)*		LTIP	*Other compensation*		Social charges (4)	Total
	Cash	RSUs	Cash bonus	RSUs (3)	RSUs	Cash	RSUs		2018
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors									
John A. Williamson, Chair	1,000,000							169,642	1,169,642
Niccolò H. Burki, Vice-Chair	220,000	30,000						12,254	262,254
Susanne Brandenberger, member	205,000	30,000						42,296	277,296
Emmanuel L. Bussetil, member (5)									–
Michael N. Higgin, member*	302,944	30,000						23,361	356,305
Roberto Isolani, member	125,000	30,000						25,997	180,997
Steven M. Jacobs, member	150,000	30,000						31,186	211,186
Spiro J. Latsis, member (5)									–
John S. Latsis, member** (5)									–
Bernd-A. von Maltzan, member***	307,847	30,000						9,541	347,388
Périclès Petalas, member (5)									–
Stuart M. Robertson, member****	37,500	17,500						8,359	63,359
Fong Seng Tee, member** (6)	184,175	30,000						14,865	229,040
Daniel Zuberbühler, member	150,000	30,000						8,033	188,033
Total Board of Directors	**2,682,466**	**257,500**	**–**	**–**	**–**	**–**	**–**	**345,534**	**3,285,500**
Executive Committee									
Total Executive Committee***(7)**	**7,995,987**	**–**	**1,697,052**	**2,620,577**	**–**	**18,036**	**–**	**1,395,997**	**13,727,649**
of which highest paid:									
Piergiorgio Pradelli,									
CEO EFG International (8)	1,580,801		400,000	600,000		18,036		221,579	2,820,416

* Includes UK subsidiary Board of Directors' fees
** Joined in April 2018
*** Includes Luxembourg subsidiaries Board of Directors' fees
**** Joined in October 2018 (approved by the Annual General Meeting on 27 April 2018)
***** Including members of the Executive Committee who joined and left in 2018. For those members, the compensation disclosed represents the amounts received as Executive Committee members. On 01 January 2018, the Executive Committee comprised of 13 members, 7 members transferred from the Executive Committee to the Global Business Committee as of 01 July 2018. For details, refer to section 5.1. of the corporate governance section.

Notes
1 Including employees' contributions for social charges
2 Approved by the shareholders at the Annual General Meeting 2019
3 The amount represents the value of RSUs granted in 2019. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,395,997 include an amount of CHF 512,807 of pension contributions.
5 No compensation has been paid to this member of the Board of Directors.
6 The compensation for this member of the Board of Directors includes the additional fees for his membership to the EFG Advisory Board for Asia.
7 The Annual General Meeting 2018 had approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2018 of CHF 13,800,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2018 has not exceeded that amount.
8 Other compensation for this member of the Executive Committee represents health care coverage.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

11. Loans and credits to the Board of Directors and the Executive Committee (audited)

Loans and credits

There were no loans and credits to members of the Board of Directors outstanding at the end of the year 2019 (2018: CHF 3,584,588 for Mr. Fong Seng Tee who left in April 2019).

There were no loans and credits to members of the Executive Committee outstanding at the end of the year 2019 (2018: total of CHF 6,117,196 relating to members who transferred from the Executive Committee to the Global Business Committee as of 01 July 2018, with the highest amount of CHF 2,923,957 granted to Mr. Franco Polloni, Head of Switzerland & Italy Region).

There were no loans and credits to related parties of members of the Board of Directors and the Executive Committee outstanding at the end of the year 2019 (2018: CHF 22,541,756).

Report of the statutory auditor

to the General Meeting of EFG International AG

Zurich

We have audited the Compensation Report of EFG International AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 62 to 65 of the Compensation Report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation Report of EFG International AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Thomas Romer	Omar Grossi
Audit expert Auditor in charge	Audit expert

Geneva, 25 February 2020

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EFG International
Consolidated Financial Statements

for the year ended 31 December 2019

Consolidated income statement for the year ended 31 December 2019

	Note	Year ended 31 December 2019 CHF millions	Year ended 31 December 2018 CHF millions
Interest and discount income		680.3	648.3
Interest expense		(354.4)	(287.0)
Net interest income	13	**325.9**	361.3
Banking fee and commission income		748.5	681.8
Banking fee and commission expense		(155.5)	(117.2)
Net banking fee and commission income	14	**593.0**	564.6
Dividend income	15	7.2	5.1
Net trading income and foreign exchange gains less losses	16	160.1	165.7
Fair value gains less losses on financial instruments measured at fair value	17	57.1	24.5
Gains less losses on disposal of financial assets at fair value through other comprehensive income	18	13.4	2.0
Other operating income		14.2	22.4
Net other income		**252.0**	219.7
Operating income		**1,170.9**	1,145.6
Operating expenses	19	(998.3)	(1,064.3)
Provisions	49	(24.6)	15.8
Loss allowances expense	21	(24.6)	(16.9)
Profit before tax		**123.4**	80.2
Income tax expense	22	(23.1)	(7.1)
Net profit for the year		**100.3**	73.1
Net profit for the year attributable to:			
Net profit attributable to equity holders of the Group		94.2	70.3
Net profit attributable to non-controlling interests		6.1	2.8
		100.3	73.1

	Note	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
Earnings per ordinary share			
Basic	23	0.32	0.24
Diluted	23	0.31	0.23

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	**Year ended 31 December 2019 CHF millions**	Year ended 31 December 2018 CHF millions
Net profit for the year		**100.3**	73.1
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Net gain/(loss) on hedge of net investments in foreign operations, with no tax effect	30.3	1.1	(3.9)
Currency translation differences, with no tax effect		(17.9)	(61.5)
Net gains/(loss) on investments in debt instruments measured at fair value through other comprehensive income	32	15.3	(5.6)
Tax effect on changes in fair value of investments in debt instruments measured at fair value through other comprehensive income			
Items that will not be reclassified to the income statement:			
Retirement benefit gains/(loss)	52	56.4	(2.1)
Tax effect on retirement benefit (gains)/loss		(17.2)	0.5
Total other comprehensive income for the year, net of tax		**37.7**	(72.6)
Total comprehensive income for the year		**138.0**	0.5
Total comprehensive income for the year attributable to:			
Equity holders of the Group		134.4	(0.8)
Non-controlling interests		3.6	1.3
		138.0	0.5

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated balance sheet at 31 December 2019

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Assets			
Cash and balances with central banks	26	8,384.4	7,141.9
Treasury bills and other eligible bills	28	1,375.3	1,199.1
Due from other banks	29	2,622.0	3,205.6
Derivative financial instruments	30	800.9	1,219.6
Financial assets at fair value through profit and loss	31	2,399.7	2,040.9
Financial assets at fair value through other comprehensive income	32	5,395.9	5,806.1
Loans and advances to customers	33	19,029.8	18,809.5
Property, plant and equipment	35	282.1	202.1
Intangible assets	36	258.9	200.6
Deferred income tax assets	38	93.5	117.5
Other assets	39	342.3	217.6
Total assets		**40,984.8**	40,160.5
Liabilities			
Due to other banks	45	397.2	302.8
Due to customers	46	30,705.7	30,065.5
Derivative financial instruments	30	951.0	1,213.9
Financial liabilities at fair value	47	552.0	584.2
Financial liabilities at amortised cost	48	5,312.9	5,204.8
Current income tax liabilities		20.2	12.5
Deferred income tax liabilities	38	25.4	19.7
Provisions	49	144.1	135.6
Other liabilities	51	705.8	568.8
Subordinated loans	53	389.7	396.6
Total liabilities		**39,204.0**	38,504.4
Equity			
Share capital	54	145.8	145.1
Share premium		1,858.8	1,876.8
Other reserves	55	286.0	206.4
Retained earnings		(563.9)	(600.6)
Total shareholders' equity		**1,726.7**	1,627.7
Non-controlling interests	57	54.1	28.4
Total equity		**1,780.8**	1,656.1
Total equity and liabilities		**40,984.8**	40,160.5

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2019

		Attributable to owners of the Group						
CHF millions	Note	Share capital	Share premium	Other reserves	Retained earnings	Total shareholder's equity	Non-controlling interests	Total equity
Balance at 01 January 2018		**145.1**	**1,904.8**	**248.4**	**(598.4)**	**1,699.9**	**27.1**	**1,727.0**
Net profit for the year					70.3	70.3	2.8	73.1
Net loss on hedge of investments in foreign operations, with no tax effect	30.3			(3.9)		(3.9)		(3.9)
Currency translation difference, net of tax				(60.0)		(60.0)	(1.5)	(61.5)
Net loss on investments in debt instruments measured at fair value through other comprehensive income				(5.6)		(5.6)		(5.6)
Retirement benefit loss	52			(2.1)		(2.1)		(2.1)
Tax effect on retirement benefit loss				0.5		0.5		0.5
Total comprehensive income for the year		**–**	**–**	**(71.1)**	**70.3**	**(0.8)**	**1.3**	**0.5**
Dividend paid on ordinary shares	56				(72.4)	(72.4)		(72.4)
Dividend paid on Bons de Participation	56				(0.1)	(0.1)		(0.1)
Ordinary shares sold	54					–		–
Ordinary shares repurchased	54	(2.1)	(28.0)			(30.1)		(30.1)
Employee equity incentive plans vested	62			31.2		31.2		31.2
Employee equity incentive plans exercised		2.1		(2.1)		–		–
Balance at 31 December 2018		**145.1**	**1,876.8**	**206.4**	**(600.6)**	**1,627.7**	**28.4**	**1,656.1**

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2019 continued

		Attributable to owners of the Group						
CHF millions	Note	Share capital	Share premium	Other reserves	Retained earnings	Total shareholder's equity	Non-controlling interests	Total equity
Balance at 01 January 2019		**145.1**	**1,876.8**	**206.4**	**(600.6)**	**1,627.7**	**28.4**	**1,656.1**
Net profit for the year					94.2	94.2	6.1	100.3
Net gain on hedge of net investments in foreign operations, with no tax effect	30.3			1.1		1.1		1.1
Currency translation difference, net of tax				(15.4)		(15.4)	(2.5)	(17.9)
Net gain on investments in debt instruments measured at fair value through other comprehensive income				15.3		15.3		15.3
Retirement benefit gain	52			56.4		56.4		56.4
Tax effect on retirement benefit gain				(17.2)		(17.2)		(17.2)
Total comprehensive income for the year		**–**	**–**	**40.2**	**94.2**	**134.4**	**3.6**	**138.0**
New shares issued	54	0.8	11.1			11.9		11.9
Ordinary shares repurchased	54	(2.5)	(29.1)			(31.6)		(31.6)
Dividend paid on ordinary shares	56				(86.7)	(86.7)		(86.7)
Dividend paid on Bons de Participation	56				(0.2)	(0.2)		(0.2)
Dividend paid to non-controlling interests						–	(2.0)	(2.0)
Gain on settlement of put option	47				29.7	29.7		29.7
Transactions with non-controlling interests						–	0.4	0.4
Acquisition of a subsidiary	43					–	16.4	16.4
Changes in ownership interests with no loss of control	57			9.9		9.9	7.0	16.9
Employee equity incentive plans vested	62			31.9		31.9		31.9
Employee equity incentive plans exercised		2.4		(2.4)		–		–
Others					(0.3)	(0.3)	0.3	–
Balance at 31 December 2019		**145.8**	**1,858.8**	**286.0**	**(563.9)**	**1,726.7**	**54.1**	**1,780.8**

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated cash flow statement for the year ended 31 December 2019

	Note	Year ended 31 December 2019 CHF millions	Year ended 31 December 2018 CHF millions
Cash flows from operating activities			
Interest received		680.4	649.2
Interest paid		(361.5)	(305.2)
Banking fee and commission received		742.3	748.7
Banking fee and commission paid		(162.0)	(147.9)
Dividend received	15	7.2	5.1
Net trading income	16	160.2	165.7
Other operating receipts		13.9	19.2
Staff costs paid		(710.6)	(679.5)
Other operating expenses paid		(198.6)	(338.3)
Income tax paid		(17.7)	(14.9)
Cash flows from operating activities before changes in operating assets and liabilities		**153.6**	102.1
Changes in operating assets and liabilities			
Net (increase)/decrease in treasury bills		(313.0)	357.0
Net (increase)/decrease in due from other banks (> 90 days)		(99.5)	282.4
Net decrease in derivative financial instruments		(163.7)	56.4
Net (increase)/decrease in loans and advances to customers		(304.5)	10.1
Net (increase)/decrease in other assets		(75.8)	8.7
Net increase/(decrease) in due to other banks		94.7	(186.1)
Net increase/(decrease) in due to customers		874.5	(2,570.3)
Net increase/(decrease) in other liabilities		40.8	(95.4)
Net cash flows from operating activities		**207.1**	(2,035.1)
Cash flows from investing activities			
Acquisition of business net of cash acquired	43	(1.7)	
Purchase of securities		(3,755.9)	(2,960.3)
Proceeds from sale of securities		3,782.7	2,502.1
Purchase of property, plant and equipment	35	(7.7)	(13.3)
Purchase of intangible assets	36	(28.8)	(20.0)
Proceeds from sale of property, plant and equipment	35	2.5	
Net cash flows generated from/(used) in investing activities		**(8.9)**	(491.5)

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Consolidated cash flow statement for the year ended 31 December 2019 continued

		Year ended 31 December 2019 CHF millions	Year ended 31 December 2018 CHF millions
Cash flows from financing activities			
Dividend paid on Bons de Participation	56	(0.2)	(0.1)
Dividend paid on ordinary shares	56	(86.7)	(72.4)
Dividend paid to non-controlling interests		(2.0)	
Ordinary shares repurchased		(31.6)	(30.1)
Proceeds from partial disposal of business	57	16.9	
Settlement of put option	47	(8.0)	
Subordinated loan redeemed	53		(180.0)
Principal element of lease payments		(39.4)	
Issuance of financial liabilities at amortised cost and fair value		8,229.3	6,842.0
Redemption of financial liabilities at amortised cost and fair value		(7,835.7)	(5,776.5)
Transactions with non-controlling interests		0.4	
Net cash flows from financing activities		**243.0**	782.9
Effect of exchange rate changes on cash and cash equivalents		**(18.6)**	(154.0)
Net change in cash and cash equivalents		**422.6**	(1,897.7)
Cash and cash equivalents at beginning of period	27	11,174.2	13,071.9
Net change in cash and cash equivalents		422.6	(1,897.7)
Cash and cash equivalents		**11,596.8**	11,174.2

The notes on pages 79 to 197 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

Notes to the consolidated financial statements EFG International consolidated entities

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. The Group's principal places of business are in Australia, Bahamas, Cayman, Channel Islands, Hong Kong, Italy, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, the United Kingdom, and the United States of America. Across the whole Group, the number of employees (FTEs) at 31 December 2019 was 3,312 (31 December 2018: 3,275).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange with its registered office at Bleicherweg 8, 8022 Zurich. For details of significant shareholders, refer to note 13 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 25 February 2020.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2019. These financial statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRS Interpretations Committee) interpretations issued and effective for the year ended 31 December 2019. These consolidated financial statements are subject to the approval of the shareholders.

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

The Group's presentation currency is the Swiss franc (CHF) being the functional currency of the parent company and of its major operating subsidiary, EFG Bank AG.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

New and amended standards adopted by the Group:
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 01 January 2019:
- IFRS 16 Leases
- Prepayment Features with Negative Compensation Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures Amendments to IAS 28
- Plan Amendment, Curtailment or Settlement Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 01 January 2019. This is disclosed in note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards not yet adopted:
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group applies the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition including those resulting from contingent consideration arrangements. Costs related to the acquisition are expensed as incurred. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company's main subsidiaries is set out in note 44.

(ii) Non-controlling interests
The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries
When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

(iv) Put options over non-controlling interests
A wholly owned subsidiary of EFG International wrote a put option on shares in its subsidiary that are held by non-controlling interests. In 2019, this put option was terminated. In 2018, as the risks and rewards of the shares subject to the put option had not been transferred to the Group, the Group had adopted the double credit approach for balance sheet recognition. It had recognised the non-controlling interest and separately recognised the put option as a liability by reclassification from other reserves within Group equity. On termination in 2019, the amount was reclassified back to equity, net of cash payments made. This financial liability was measured in 2018 at management's best estimate of the redemption amount.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Year-end exchange rates and average exchange rates for translation of foreign denominated subsidiaries for the main currencies are as follows:

	2019 Closing rate	2019 Average rate	2018 Closing rate	2018 Average rate
USD	0.9662	0.9938	0.9842	0.9785
GBP	1.2757	1.2689	1.2598	1.3059
EUR	1.0854	1.1126	1.1269	1.1552

(d) Derivative financial instruments and hedging
Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and option pricing models, as appropriate. Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, at hedge inception and on an ongoing basis, as well as upon a significant change in the circumstances affecting the hedge effectiveness requirements, of whether a hedging relationship meets the hedge effectiveness requirements.

The Group will discontinue hedge accounting in the following scenarios:
- When the Group determines that a hedging relationship no longer meets the risk management objective
- When the hedging instrument expires or is sold or terminated
- When there is no longer an economic relationship between the hedge item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship

The below summarises the different treatment of derivatives (whether or not hedge accounting is applied):

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the income statement over the period to maturity.

(ii) Net investment hedge
Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 30.

(e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Such a right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:
- In the normal course of business
- The event of default
- The event of insolvency or bankruptcy

(f) Income Statement
(i) Interest income and expenses
Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accrual basis, using the effective interest method. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. Negative interest on assets is recorded as an interest expense, and negative interest on liabilities is recorded as interest income.

For financial assets at amortised cost or debt instruments at fair value through other comprehensive income in stage 3, the original effective interest rate is applied to the amortised cost of the asset rather than to the gross carrying amount.

Negative interest recorded on placements with Swiss National Bank and the European Central Bank are presented within interest expense.

(ii) Banking fees and commissions
Fees and commissions are recognised on an accrual basis.

The Group generates fee and commission income from services provided over time (such as portfolio management and advisory services) or when the Group delivers a specific transaction at a point in time (such as brokerage services). The Group recognises fees earned on transaction-based arrangements at a point in time when the service has been fully provided to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

With the exception of certain portfolio management and advisory fees, all fees are generated at a fixed price.

Portfolio management and advisory fees can be variable depending on the size of the customer portfolio and the Group's performance as fund manager. Variable fees are recognised when the performance benchmark has been met and when collectability is assured.

The Group acts as principal in the majority of contracts with customers. When the Group acts as agent (in certain brokerage, custody and retrocession arrangements), it recognises income net of fees payable to other parties in the arrangement.

Fee income generated from providing a service that does not result in the recognition of a financial instrument is presented within banking fees and commission income. Fees generated from the acquisition, issue or disposal of a financial instrument are presented in the income statement in line with the balance sheet classification of that financial instrument.

Performance-related fees or fee components are recognised when the performance criteria are fulfilled and the fee can be reliably measured.

(g) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Buildings own use: 50 years
- Buildings and leasehold improvements: 5–20 years
- Computer hardware: 3–10 years
- Furniture, equipment and motor vehicles: 3–10 years
- Right-of-use assets: over the non-cancellable period for which the Group has the right to use an asset, including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

(h) Intangible assets
This includes the following categories:

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets – Brand name
Amortisation is calculated on the basis of a 15-year useful life. The remaining life is reviewed periodically for reasonableness.

(iii) Other intangible assets – Client relationships
Amortisation is calculated on the basis of a 13 to 14-year useful life. The remaining life is reviewed periodically for reasonableness.

(iv) Other intangible assets – Computer software
Amortisation is calculated using the straight-line method over a 3 to 10 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial assets and liabilities
All financial assets are recorded on the day the transaction is undertaken, with the exception of loans and advances to customers, which are entered in the balance sheet on their respective value dates. Purchases and sales of other financial assets at fair value or amortised cost are recognised on trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and advances to customers are recognised when cash is advanced to the borrowers.

Measurement methods:
Amortised cost and effective interest rate
The amortised costs does not consider expected credit losses and does include transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired at initial recognition), the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying value of the respective financial asset or financial liability is adjusted to reflect the new estimated discount using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement
At initial recognition, the Group measures a financial asset or financial liability at its fair value. In case of a financial asset or financial liability subsequently not measured at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions, are included to the fair value at initial recognition. Transaction costs of financial assets and

financial liabilities carried at fair value through profit or loss are expensed as incurred.

Business models: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how management are compensated.

Solely payment of principal and interest: where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, based on qualitative or quantitative criteria, the related financial asset is classified and measured at fair value through profit or loss.

Fair value through other comprehensive income
Debt instruments that are held for collection of contractual cash flows and for selling the assets, where the asset's cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for loss allowances, interest revenue and foreign exchange gains and losses on the instruments' amortised cost, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net gains/losses on derecognition of financial assets and liabilities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity investments are instruments that meet the definition of equity from the issuer's perspective. Examples of equity investments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit and loss, except where the Group's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments in fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit and loss as other income when the Group's right to receive payment is established.

Fair value through profit or loss
Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Other movements in the fair value (for example from interest rate or credit risk changes) are not part of a hedging relationship and are presented in the income statement within 'Fair value gains less losses on financial instruments measured at fair value' in the period in which they arise.

Gains and losses on equity investments at fair value through profit and loss are included in 'Fair value gains less losses on financial instruments measured as fair value'.

Impairment
The Group assesses loss allowances at each reporting date. The measurement of expected credit loss reflects:
- An unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

See notes 6 and 8.

Classification and subsequent measurement of financial liabilities, financial guarantees contracts and loan commitments
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking). Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the value of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the value that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining value of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.
- Financial guarantee contracts and loan commitments: financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the expected credit loss value; and the premium received on initial recognition less income recognised in accordance with the principles of IAS 18 for 2017 and IFRS 15 for 2018. Loan commitments provided by the Group are measured as the value of the expected loss allowance. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. If the contract includes both a loan and an undrawn commitment and the expected credit loss on the undrawn commitment cannot be separated from the loan component, the expected credit loss on the undrawn commitment is recognised together with the loss allowance for the loan. If the combined expected credit loss exceeds the carrying amount of the loan, the excess is recognised as a provision.

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. A financial liability is derecognised when extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires).

(j) Debt securities in issue and other financial liabilities
Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs and the redemption value is recognised in the income statement over the life of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in gains less losses from other securities.

(k) Leases
The Group primarily leases office premises, as well as some IT equipment. Rental contracts are typically made for fixed periods of six months to 15 years.

Prior to IFRS 16 application at 01 January 2019, the leases entered into by the Group were operating leases under the principles of IAS 17. The total payments made under operating leases were charged to the income statement on a straight-line basis over the life of the lease. This policy changed for periods ended after 01 January 2019 – see note 3.

Under IFRS 16, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 January 2019, or the date of entering the lease if after 01 January 2019.

The remeasurements to the lease liabilities are recognised as adjustments to the related right-of-use assets immediately after the date of initial application. Right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet. This principle was applied at the transition date and throughout the year ended 31 December 2019.

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

revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of financial assets classified as Fair value through other comprehensive income, which is taken directly to the Statement of other comprehensive income, is charged or credited directly to other comprehensive income and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(m) Employee benefits

(i) Retirement benefit obligations

The Group operates various pension schemes which are either defined contribution or defined benefit plans, depending on prevailing practice in each country.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

This applies to most of the locations where the Group operates except for Switzerland.

A defined benefit plan is a pension plan that is not a defined contribution plan. The Switzerland pension plans in place are classified as defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. In Switzerland, the Group maintains pension plans according to Swiss pension law. The Group's legal obligation, in respect of these plans, is merely to pay contributions at defined rates (defined contribution). However, these plans incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, these plans have been reported as defined benefit pension plans for IFRS purposes.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used as reference of risk-free rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

(ii) Short-term employee benefits

The Group recognises short-term compensated absences and approved bonuses as a liability and an expense.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options or restricted stock units is recognised as an expense over the vesting period for options or restricted stock units granted under the plan.

The proceeds received net of any directly attributable transaction costs are credited to the share capital (nominal value) and share premium when the options are exercised.

(n) Related party transactions

Related parties include associates, fellow subsidiaries, directors and key members of the management, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis.

(o) Provisions

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(p) Share capital and share premium
Ordinary shares and non-voting Bons de Participation issued are classified as equity.

(i) Share issue costs
Incremental costs directly attributable to the issue of new shares or Bons de Participation are shown in equity as a deduction from the proceeds attributable to share premium.

(ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

(iii) Treasury shares
Where the Group purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity, and classified as treasury shares until they are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(q) Fiduciary activities
Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets and income arising on fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements. See note 60.

(r) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

For cash flow statement presentation purposes, the Group presents issuance and redemptions of structured products as financing activities, as these products primarily are to provide the Group with longer dated funding.

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

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

3. Change in accounting policies

The Group has adopted IFRS 16 Leases, effective from 01 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions in the standard. The reclassifications and the adjustments arising from the new rules are recognised in the opening balance sheet on 01 January 2019.

Until 31 December 2018, the Group applied IAS 17 and leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

Liabilities
On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These lease liabilities are now measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 01 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities at 01 January 2019 was 0.26%.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Assets
From 01 January 2019, leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost comprising the following:
– The amount of the initial measurement of lease liability

– Any lease payments made at or before the commencement date, less any lease incentives received
– Any initial direct costs
– Restoration costs

Income statement
Each lease payment is allocated between the lease liability and related finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

Impact on adoption
This change in accounting policy affected property, plant and equipment (increase by CHF 182.8 million) and other liabilities (increase by CHF 182.8 million) in the balance sheet on 01 January 2019.

Implementation
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- Accounting for operating leases with a remaining lease term of less than 12 months as at 01 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application

The lease liabilities as at 01 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	CHF millions
Operating lease commitments disclosed as at 31 December 2018	**173.9**
Lease term reassessment	11.7
Sub-total	**185.6**
Discounting impact	(1.2)
Discounted using the lessee's incremental borrowing rate at the date of initial application	**184.4**
(Less): short-term leases recognised on a straight-line basis as expense	(1.6)
Lease liability recognised as at 01 January 2019	**182.8**

4. Critical accounting estimates and judgements in applying accounting policies

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

(a) Fair value of financial instruments
The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques (note 40). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are validated before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(b) Expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and

the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in note 8, which also sets out the key sensitivities of the expected credit losses to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring the expected credit losses, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring the expected credit losses

As described in note 8.5 (ii) the Group has a gross exposure, which including accrued interest, amounts to CHF 194.0 million (2018: CHF 194.0 million) for a lombard loan extended to an affiliate of a Taiwanese insurance company. This loan was determined to be credit impaired. Due to the uncertainty relating to the outcome of the litigations, the Group has exercised judgement in determining the loss allowances for this loan. The Group has estimated the expected credit loss based on probability-weighted expected values of multiple outcomes. The expected credit loss related to this loan totalled CHF 88.3 million (2018: CHF 76.3 million).

(c) Financial instruments at fair value – Life insurance policies

EFG International Group follows the guidance of IFRS 13 on the valuation of unquoted designated at fair value life insurance policies. Given the illiquidity of the market for life insurance policies and the absence of market observable valuations for portfolios of similar characteristics, EFG International Group had to exercise judgement in determining the fair value and the carrying amount of life insurance policies. For determining the fair value, the Group has adopted an Income Approach. The Income Approach risk adjusts future cash flows and then discounts these using a risk-free rate. The key risk adjustments made in the fair value measurement include longevity risk (including the risk of statistical volatility) and risk of change in cost of insurance. The valuation is highly sensitive to longevity risk and risk of change in cost of insurance (premium increase risk), and as a result the Group discloses sensitivities to these in note 31. Management judgement is applied to the estimation of future premium streams and cost of insurance, and the outcome of disputes with insurers involving significant increases in premiums. See note 31 for further details.

(d) Impairment of intangible assets

EFG International Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs of disposal which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's-length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash flow calculation based on the estimated future operating cash flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. For key assumptions used in value in use calculations and further information please refer to note 36.

(e) Income taxes and deferred tax

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

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

(f) Provisions

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

(g) Retirement benefit obligations

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

EFG International Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the EFG International Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 52.

5. Financial and non financial risk assessment and management

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

Importance of risk management
Risk management comprises the people, processes, and systems designed to ensure that risks are appropriately identified, measured, monitored and reported, as well as mitigated on an ongoing basis.
For EFG International, risk management is of crucial importance in order to:
– Ensure it understands and controls its exposure to risk
– Ensure that risk exposures are in line with risk capacity and defined risk appetite and strategy
– Help EFG International successfully implement its corporate strategy
– Protect clients from potential risks, such as unsuitable products or excess concentrations
– Contribute to the orderly functioning and sound reputation on the markets in which EFG International operates

Approach to risk management
EFG International has developed a multi-dimensional approach to risk management:
– There are independent Risk Control and Compliance functions with clearly defined objectives
– There is a comprehensive and prioritised list of risk categories
– There is a defined risk strategy and risk appetite
– There is a coherent and comprehensive set of policies, directives and procedures to govern risk management including compliance
– The effectiveness and efficiency of risk management is supervised by the Board of Directors with the support and advice of a dedicated Risk Committee

Purpose and objectives of the risk management
The objectives of risk management are to:
– Provide transparency on the risks EFG International incurs
– Provide independent oversight and challenge that risks are adequately managed
– Enable better management of the risk-return trade-off
– Support the Board of Directors in defining an adequate risk appetite and strategy and ensure the actual risk profile remains in line with these
– Secure an appropriate degree of protection and promote effective competition in the interest of clients

The role of risk culture in supporting effective risk management
EFG International believes the behavioural element is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, risk culture is viewed as a core component of effective risk management.

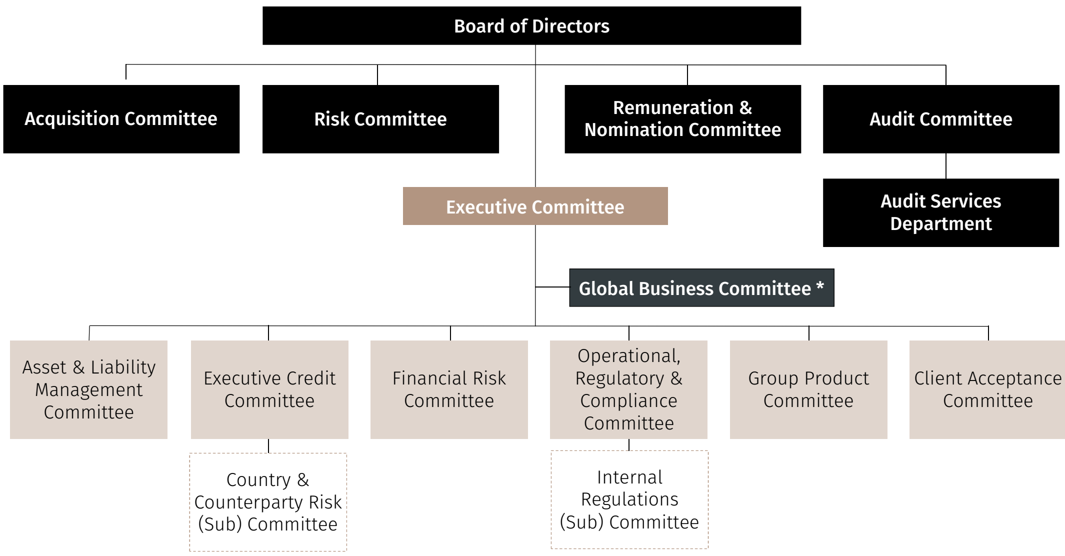
To address this topic, EFG International approaches risk culture along four dimensions in line with Financial Stability Board principles:
– Tone from the top: The Board of Directors, the Executive Committee and senior management are the starting point for setting EFG International's core values and risk culture; their behaviour reflects the risk culture that is expected throughout EFG International and is communicated through formal and informal channels
– Accountability: The risk management framework and the risk policies clearly assign accountability for risk management and decision-making to functions and specific unit heads
– Effective communication and challenge: An environment must allow for open communication and promote effective challenge in the decision-making process; this is supported by independent Risk Control and Compliance functions

– Incentives: Financial and non-financial incentives are monitored to ensure they do not encourage excessive risk-taking

The risk awareness & culture programme, which follows the above mentioned principles, during 2019 focused on following activities:
– Embedding of the risk management and risk appetite frameworks across the EFG International
– Performing comprehensive trainings in several risk and compliance topics
– Implementing the client relationship officer's scorecard to foster a risk-conscious and compliant culture among them and reduce operational risks

Risk governance and organisation
Risk management in EFG International involves committees, functions and business units. The table below provides an overview
of EFG International while the roles of the different committees for risk management are described below:

Board of Directors & committees 2019



* Advisory role to the Executive Committee

EFG International Board of Directors sets and approves the risk appetite statement and the risk management framework of EFG International, and monitors its risk profile versus the risk appetite, as well as the effectiveness of risk management.

The Risk Committee is the primary advisory committee to the Board of Directors on matters relating to risk and compliance. The Risk Committee proposes the risk management framework of EFG International and advises the Board of Directors accordingly. In addition, it monitors the risk profile, ensures that the risk management is effective, reports on the state of risk culture, and interacts with and oversees the performance and activities of the Chief Risk Officer and the Group Head of Legal & Compliance.

The Risk Committee's tasks include oversight of the strategies for capital and liquidity management as well as oversight of the management of all relevant risks of EFG International, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated risk appetite. It examines any situations or circumstances giving rise to a substantial risk for EFG International and has the authority to require the reduction of any position or limit or exiting client relationships which is considered outside the risk appetite or excessive after taking all relevant factors into account.

The Audit Committee oversees the Internal Audit function, which represents the third line of defence, and is responsible for the oversight of:

- The financial and business reporting processes, including the selection and application of appropriate accounting policies
- The integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting
- EFG International's tax risks
- The internal and external audit processes

EFG International Executive Committee is tasked by the Board of Directors with the following responsibilities with regards to risk management:
- Managing the day-to-day business, operational revenue and risk management, including the balance sheet structure and liquidity
- Representing EFG International vis-à-vis third parties in operational matters
- Approving the risk limits for each risk category, as proposed by EFG International risk management committees
- Monitoring and managing the risk profile of EFG International through regular reports from the Chief Risk Officer and the Group Head of Legal & Compliance Officer as well as breaches in risk limits
- Issuing general directives for regulating business operations
- Developing and maintaining effective internal processes, an appropriate management information system (MIS), a comprehensive internal control system and the necessary technological infrastructure
- Submitting applications regarding transactions for which the Board of Directors is responsible

The EFG International Global Business Committee, reporting to EFG International Executive Committee, has an advisory role in assessing and validating business strategies, key business aspects and priorities as well as in debating industry trends and issues.

EFG International risk management committees, reporting to EFG International Executive Committee, play key roles in the oversight of risk management. These committees are established as forums for discussion on important risk management issues, for the identification of relevant changes in the risk profile and new risks arising, for decision-making, and as a point of escalation where resolution is required. The roles of these committees are clearly defined in accordance with EFG International standards. Each EFG International risk management committee has dedicated terms of reference, which provide more detail on membership, scope and responsibilities. EFG International risk management committees play an important role in the approval and review of risk limits and jointly they ensure that there is coverage of the key risk categories for discussion, decision and escalation. Information exchange across committees is maintained through cross-membership.

The Operational, Regulatory & Compliance Committee is responsible for the oversight of EFG International with regards to matters relating to regulatory, compliance activities and operational risks.

The role of the Client Acceptance Committee is to oversee and mitigate the risk of money laundering, including reputational and legal risk. This is done by assessing the risks of the new and existing clients. The Client Acceptance Committee is responsible for approving and reviewing periodically within the authorities delegated by the EFG International Executive Committee, non-standard clients (PEPs, US persons, special high-risk and tier 3 country clients) in line with relevant EFG International internal regulations. It is also responsible for keeping a record of all higher-risk clients.

The Asset & Liability Management Committee is responsible for the management of EFG International's consolidated balance sheet and for the implementation of capital allocation across risk categories. In particular, it is responsible for the management of EFG International's balance sheet market risk exposure and liquidity risk, with control delegated to the Financial Risk Committee.

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

The Executive Credit Committee has responsibility for the management of client credit risk. The Country and Counterparty Risk (Sub) Committee of the Executive Credit Committee is responsible for correspondent banking, broker and custodian relationships and for counterparty credit risk for banks and financial institutions as well as country limits within approved guidelines and parameters.

EFG International Global Product Committee is responsible to assess the risks and viability of the new products and services, and for the oversight with regards to the governance of the product approval, review and monitoring processes across EFG International.

The Chief Risk Officer is accountable for enabling EFG International's efficient and effective risk governance. The Chief Risk Officer is accountable to the Executive Committee, the Board of Directors and the Risk Committee for enabling the business to balance risk and reward. In the same regard, he is responsible for coordinating the risk management approach and for assessing and causing mitigating actions to significant competitive, regulatory, and technological threats to EFG International's capital and earnings. The responsibilities also include managing, identifying, evaluating, reporting and overseeing EFG International's risks externally and internally to ensure a functioning internal control system. In achieving this, further to the appointment of global risk officers within specific risk management responsibility for each of these risks, he also collaborates with other central EFG International functions that also undertake risk oversight activities for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Group Head of Legal & Compliance and Chief Technology Officer. Each business region has its own designated regional risk officer who is responsible for the oversight of risk management in the region and reports to the Chief Risk Officer and to local senior management.

The Chief Financial Officer is responsible for all financial, tax and prudential regulation matters of EFG International as well as other business or control areas allocated to the position. He ensures transparent and timely financial reporting – for internal and regulatory purposes as well as public reporting – in line with legal and regulatory requirements and industry best practices.

The Chief Financial Officer has the oversight of liquidity and capital management within the general regulations and guidelines set by FINMA and other regulators in jurisdictions where the EFG International operates, the Board of Directors, the Audit Committee and the Risk Committee. The Chief Financial Officer oversees and monitors business performance, strategic acquisitions, and the EFG International's relationship with rating agencies.

He also has primary responsibility for the Investor Relations, Regulatory Affairs, and Group Corporate Office functions. In addition, he supervises the activities of Global Markets & Treasury, Financial Reporting and Financial Planning & Controlling.

The Chief Operating Officer is responsible for the management, coordination, supervision, planning and control of the Operations, Central Filing, General Services and Client Tax Reporting of EFG International. He is also responsible for the cost management programme across the organisation.

The Chief Technology Officer is responsible for overseeing all aspects of EFG International's IT platform, infrastructure and data security globally, with particular focus on the ongoing investments in digital strategy which is designed to take the existing strategic IT platform to the next level.

The Group Head of Legal & Compliance is responsible for legal matters as well as for the management, coordination and supervision of the consolidated compliance risks of EFG International. He also supervises the Compliance activities deployed in the entities of EFG International. In this function, he also reports to the Risk Committee.

The Chief Executive Officer of EFG International is responsible to the Board of Directors for the overall management and performance of EFG International. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents EFG International towards third parties and regulators and is responsible (together with the Board of Directors and other senior executives) towards the FINMA for the prudent management and regulation-compliant operation of the organisation.

Furthermore, the Chief Executive Officer chairs the Executive Committee and the Global Business Committee and directly oversees the Litigation, Human Resources and Marketing & Communications functions, as well as the Head of Transformation, the Global Private Banking COO and the Global Head Strategic Client Management.

The three-lines-of-defence model

EFG International manages its risks in accordance with a three-lines-of-defence (3LoD) model. The 3LoD model delineates the key responsibilities for the business, control functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

EFG International's interpretation of the 3LoD model is in line with industry practice, and the model is operated both centrally and in the business units. This ensures that the material activities and processes are subject to the risk management, oversight and challenge. An overview of the 3LoD model is presented in the figure below:

Board of Directors

Governing body of EFG International
Ensures that obligations to shareholders and stakeholders are understood and met

Board committees

Executive Committee

Senior EFG International committees
Empowered to operate effectively under the explicit delegated authority of the Board of Directors

The three lines of defence

First line: Risk ownership	**Second line: Risk oversight**	**Third line: Assurance**
– Perform business activities to satisfy EFG International strategic objectives, in line with risk appetite – Accountable for risk incurred in discharging these activities – Design and operate effective controls and procedures in line with EFGI frameworks, policies and directives	– Support the establishment of an effective risk management framework and definition of risk appetite – Monitor risk profile and escalate as appropriate – Provide independent sample testing – Provide advisory support and challenge to first line of defence	– Independent review of adherence to frameworks, policies and general directives – Review governance arrangements over EFGI's decision making bodies and related information flows – Periodic review of activities across the first and second lines of defence to identify areas for improvement as required
Front office/PB business **Operations, IT, Finance, Global, Markets, Investment Solutions, Credit, ALM & Treasury**	**Risk Control and Compliance**	**Internal Audit**

Sound system of internal control

- Safeguards the shareholders' investment and the EFG International's assets
- Provides a clear framework for accountability, oversight and assurance to govern risk management associated with discharging business activities

Risk appetite framework

The risk appetite framework describes EFG International's approach, governance and processes in relation to setting risk appetite and is structured by qualitative considerations (risk appetite statement) as well as quantitative considerations (risk appetite metrics).

The risk appetite framework sets the overall approach to risk appetite, documenting the level of risk that EFG International is prepared to incur; it includes:

- The risk appetite statement
- The risk appetite metrics
- The responsibilities of the bodies overseeing the implementation and monitoring of the risk appetite framework
- The risk appetite process, including the escalation of the risk metrics exceeding their pre-determined thresholds

Risk categories

The capital adequacy, strategic, market, liquidity, credit, operational, compliance and reputational risks of EFG International are defined in the risk management framework, in the risk taxonomy and are described in the related risk policies. The risk taxonomy identifies the risk categories that the organisation wants to consider in its discussion of risk and provides a definition of the identified risks. The risk categories establish a common language on risks across EFG International and thereby enable alignment across business units, geographies and functions.

Business and strategic risk

Business and strategic risk is the risk of loss arising from changes in the business environment and from adverse business decisions or improper implementation of decisions. The business and strategic risk includes the following risk categories:

- Client portfolio risk: The risk inherent in client portfolios in general as well as the risk of a reduction in assets under management and/or loss of client relationships as a result of other risk types, e.g. performance, reputation, operational risks, compliance, etc.
- Strategic risk and governance: The risk of the enterprise or particular business areas making inappropriate strategic choices, or being unable to successfully implement selected strategies or related plans and decisions, which may result in a variance to business plans and strategies
- Competitive risk: The risk of an inability to build or maintain sustainable competitive advantage in a given market or markets
- Project risk: The risk of damage or loss resulting from an acquisition and/or subsequent post-merger integration or any other large-scale project the institution is undertaking
- Human resources risk: The risk arising from inadequate or insufficient human resource performance and/or staffing or key people (including client relationship officers) leaving the EFG International

Credit risk

Credit risk is defined as the risk of loss resulting from the failure of EFG International's borrowers and other counterparties to fulfil their contractual obligations and that collateral provided (if any) does not cover EFG International's claims. The credit risk arises not only from EFG International's clients lending operations but also from its Treasury and Global Market activities.

EFG International incurs credit risk from counterparty default, on traditional on-balance sheet products (such as loan or issued debt), where the credit exposure is the full value but also on off-balance sheet products (such as derivatives) where the credit equivalent exposure covers both actual exposure (as a function of prevailing market prices) and potential exposures (i.e. an add-on for volatility of market price) or other guarantees issued (contingent liabilities).

Credit risks related to clients

The credit risk strategy for private banking clients is explicitly defined in EFG International's risk appetite framework, and is based on four dimensions, as described below:

- Client type: EFG International's client business is focused on its private banking clients and includes loans to individuals and to standard wealth planning structures held by private individuals. Loans to operating and/or commercial companies, to regulated financial institutions, funds as well as loans relating to complex structures are acceptable within the respective business lines where the overall client relationship justifies such an exposure. In all cases, the borrower or beneficial owner must be able to bear the financial risk of the loan. In addition, where the loan is secured by real estate or any other non-financial asset or where the extension of credit relies on elements other than the value of the collateral, the borrower or guarantor must be sufficiently creditworthy to repay the loan should the collateral (if any) be insufficient to cover the loan balance
- Credit purpose: Credits are extended in order to leverage portfolios of financial assets, to permit clients to purchase illiquid assets without the need to sell existing portfolios of financial assets and to support margin requirements for foreign exchange or other derivative positions. In addition, EFG International extends credits to finance or re-finance the purchase of real estate. EFG International may extend credits to clients in order to provide liquidity to individuals or corporate entities

- Collateral type: Credits are secured by diversified portfolios of financial assets including cash, bonds, equities, precious metals and funds or by real estate primarily residential but also commercial in selected markets, as well as EFG International guarantees and life insurance policies. EFG International may consider exposures with a risk concentration against shares at conservative loanable values provided that the quality and the liquidity of the collateral justifies it; or, depending on the business line, may provide loans on an unsecured basis, subject to the creditworthiness of the client
- Profitability: EFG International seeks to optimise the profitability of its lending business and has established requirements for the minimum pricing of loans and the minimum amount of banking business required to justify the extension of credit. EFG International focuses on the profitability of the overall banking relationship

Counterparty credit risk

EFG International incurs counterparty credit risk in its treasury activities, where credit risk derives from the financial assets and derivative instruments that EFG International uses for investing its liquidity and managing foreign exchange and interest rate risks in its funding and lending transactions. To ensure the efficient management of its banking activities, EFG International engages and maintains business relationships with said counterparties only if certain criteria with regard to solvency, reputation and the quality of the services received are met.

Global limits are proposed and approved centrally and delegated to the respective business units. The responsibility for management of delegated counterparty credit risk lies fully with the business units assuming the risk. Credit department monitors the adherence to delegated limits.

The counterparty credit risk strategy approved by the Board of Directors is the following:

- EFG International actively monitors and manages the credit portfolio and consciously takes concentrations in certain sectors, countries and clients/counterparties
- EFG International engages and maintains relationships with counterparties that either have an explicit investment grade rating or are non-rated but fulfil comparable criteria
- EFG International accepts a speculative rating of counterparties within our trading portfolio activities
- EFG International targets collateralised transactions when interacting with counterparties or negotiates ISDA master agreement/credit support annexes limiting our risk appetite with them

Moreover, at inception of a transaction, the portfolio managers and traders have to ensure that:

- Any product has been authorised (list of authorised products)
- The underlier of the transaction (e.g. currency pair) is an authorised one
- The maturity of the transaction is authorised
- Depending of the type of the transaction, the risk mitigation of the collateral have been adequately assessed
- The counterparty is located in a country where EFG International Group wishes to conduct business and in case accept the exposure

Country risk

Country risk is defined as the transfer and conversion risk that arises from cross-border transactions. Country risk also encompasses direct and indirect sovereign risk, the default risk of sovereigns or state entities acting as borrowers, guarantors or issuers.

EFG International determines the country risk that it wishes to accept, including the countries in which it wishes to operate and the exposure allowed to these countries. The strategy is directed towards an increasing limitation of country risks via a country classification in primary countries, secondary countries and risk countries. Strategy is geared to containing country risk by selecting countries for own securities investments and credit activities towards private banking clients and banking counterparties. The investment grade country categories include countries with which business relationships exist and for which the risk is intended to be accepted, albeit to a differing extent. In the area of lombard loans, country risk strategy is limited, allowing for the acceptance of risk in off-shore countries and selected risk countries. Within the trading book are included exposures related to risk countries, which are subject to market and concentration risk control metrics and are liquid and negotiable. The risk countries category includes selected countries with a speculative grade for which risk is nonetheless maintained between tight global limits.

Market risk

EFG International is exposed to market risk, which mainly arises from foreign exchange, interest rate, credit spread and life insurance settlement positions maintained within defined parameters.

EFG International's balance sheet and off-balance sheet positions generate low foreign exchange risk and medium interest rate exposures. The management of

EFG International's interest rate risk exposure is performed in accordance with risk appetite on the impact of various interest rate scenarios on economic value and interest income sensitivity. EFG International uses value at risk (VaR), sensitivity analysis and stress tests as methodologies to monitor and manage foreign exchange risks inherent to its structure.

The market risk strategy at balance sheet level approved by the Board of Directors is defined as follows:
- To manage interest rate risk in line with predefined interest rate limits and risk appetite to generate profits for the benefit of EFG International
- To manage foreign exchange risk in order to control its impact on annual results

EFG International holds investment portfolios, which allow to diversify balance sheet assets and to optimise any excess liquidity. The investment portfolio is divided into a range of portfolios on the basis of the type of product and strategy.

To mitigate the credit spread and interest rate exposure, minimum country and issuer rating standards and concentration limits have been determined. In addition, VaR, interest rate, credit spread sensitivities and stress metrics as well as P&L limit are computed and monitored at stand-alone portfolio level and on a combined basis.

The investment portfolio risk strategy approved by the Board of Directors is the following:
- To seek to turn liquidity into profit while maintaining liquidity buffers with high-quality liquid securities in accordance with external rules
- To generate income primarily through taking liquidity, interest rate and credit spread risk, and only incur non-material foreign exchange risk in the banking book
- To not take on any equity, commodity, longevity and mortality risk (with the exception of the legacy life insurance portfolio)
- To limit the extent of concentrations in the EFG International's investment portfolios

EFG International is also exposed to market risk in relation to its holding of life insurance policies. The major market risk factors of these portfolios are longevity risk, increase in cost of insurance and increase in interest rate risk.

EFG International manages those risks using internal models to calculate the fair value of each life insurance policy and through independent estimations done by external service providers as far as the estimation of life expectancies and forecasted premium payments are concerned, in conjunction with management judgements. Moreover, scenario analyses are done to calculate the sensitivity of the life insurance portfolio to increases in life expectancies, in premium payments and in interest rates. Finally, management judgement is applied to these models and scenarios.

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper and precious metals primarily on behalf of its clients. This business is conducted out of dealing rooms in Switzerland and Asia. Moreover, it manages a fixed income, a foreign exchange delta, forward and options trading book on its own account. All the trading books are managed by dedicated Lugano trading desks.

The market risk strategy approved by the Board of Directors for the trading portfolios is the following:
- EFG International trading activities are designed to ensure that EFG International can effectively serve EFG International clients' needs
- In addition to execution-only services on behalf of EFG International clients, EFG International takes market risk in form of foreign exchange principal trading where beneficial for EFG International clients, principal trading on EFG International own accounts to deliver a return to EFG International as well as EFG International structured products business
- EFG International has appetite for a small amount of higher-risk activity in the trading portfolio fixed income sector where risk-return justifies this risk and EFG International has sufficient expertise in the front office and risk organisation to exploit opportunities without exposing EFG International to undue risk

Liquidity risk
Liquidity reflects the ability of EFG International to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk has a twofold dimension: funding risk and asset liquidity risk. The two liquidity risk types are connected, as asset liquidity risk could directly increase funding risk, if EFG International is not any more able to raise sufficient liquidity in case of need. If EFG International is wishing to face unexpected cash outflows, it may need to sell a large amount of securities, with exposure to market prices and liquidity.

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy EFG International's own cash flow needs within all of its business entities. EFG International customer deposit base, EFG International capital and liquidity reserves position and EFG International conservative gapping policy when funding customer loans ensure that EFG International runs only limited liquidity risks.

Liquidity is handled by treasury, which ensures the ongoing process of sourcing new funds, in the case of a lack of liquidity or the investing of funds, if there is an excess of liquidity. Main subsidiaries/regions have their own local Treasury departments, regulated by the Treasury/ALM EFG International internal guidelines and responsible for ensuring compliance with legal restrictions concerning liquidity risk, observing global strategic constraints, local regulation and risk management limits.

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

Operational risk

Operational risk is defined as the risk of losses resulting from the inadequacy or failure of internal processes, people and/or systems or from external events. Operational risk is an inherent part of the day-to-day activities and is therefore a risk common to all EFG International 's activities.

EFG International aims at mitigating significant operational risks it may inherently run to a level it considers appropriate and commensurate with its size, structure, nature and complexity of its service/product offerings, thus adequately protecting its assets and its shareholders' interests.

The Board of Directors and senior management strive to set the operational risk culture through, among others, the definition of the overall operational risk appetite of the organisation (expressed in quantitative thresholds and qualitative statements), which is embedded in the organisation's risk management practices. The supervision of operational risk at the Board of Directors level is under the responsibility of the Board Risk Committee.

While the primary responsibility for managing operational risk lies with EFG International's business entities and business lines (first line of defence), the development, implementation and oversight of the operational risk policy of EFG International forms part of the objectives of the Operational Risk Management function of EFG International.

The Operational Risk Management function works in collaboration with the operational risk officers of the local business entities, the regional risk officers within EFG International as well as certain centralised EFG International functions that also undertake operational risk oversight for their respective area of responsibility, such as the Chief Financial Officer, the Chief Operating Officer, the Chief Technology Officer and the Group Head of Legal & Compliance. The principal aim of the Operational Risk Management function is to ensure that EFG International has an appropriate operational risk management framework and programme in place for identifying, assessing, mitigating, monitoring and reporting operational risk. The Operational Risk Management function reports to the Chief Risk Officer.

Main measures applied by the Operational Risk Management function for the identification, assessment, monitoring and reporting of operational risk are:
- Assessment and monitoring of key operational risks
- Monitoring of key risk indicators
- Collection, analysis and reporting of operational risk events and losses
- Consolidated operational risk reporting to the Chief Risk Officer and Board of Directors Risk Committee
- Follow-up of actions taken to remedy key operational risk-related control issues
- Establishment of an operational risk awareness programme

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

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

Considering the rapidly evolving risks relating to IT security and data confidentiality in the financial industry, EFG International continuously assesses its cyber defences and internal processes (including benchmarking with comparable banks) in order to ensure adequate mitigation of risks and adherence to the increasing regulatory requirements in this area.

Where appropriate, EFG International establishes operational risk transfer mechanisms; in particular, all entities of EFG International are covered by insurance to hedge (subject to defined exclusions) potential low-frequency-high-impact events. EFG International administers centrally for all its subsidiaries three layers of insurance cover, being comprehensive crime insurance, professional indemnity insurance and directors, and officers liability insurance. Other insurances such as general insurances are managed locally.

Compliance risk
Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation which EFG International may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, generally accepted practices, and codes of conduct applicable to all its activities.

The compliance risk is identified, measured, monitored, reported and mitigated by the Compliance department and its clearly distinguished and dedicated units in alignment with the roles and responsibilities defined in EFG International's risk management framework.

Changes in the regulatory environment are monitored, and directives and procedures are adapted as required. In line with these evolving regulations, EFG International continuously invests in personnel and technical resources to maintain adequate compliance coverage.

EFG International's Compliance function is centrally managed from Switzerland with local compliance officers situated in all the organisation's booking centre entities around the world. A compliance risk policy is in place, complemented by a comprehensive set of directives and procedures and regular specialised training sessions delivered to all staff to raise their awareness and understanding of the compliance risks. Group Compliance, implemented a common platform of tools and processes to ensure the consistent application of compliance guidelines.

Compliance risk in EFG International is managed in accordance with the 3LoD model, outlined in detail in the risk management framework of EFG International. The 3LoD model delineates the key responsibilities for the business, control functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

EFG International aims at mitigating compliance risks that it inherently runs taking into account the size, structure, nature and complexity of its business and services/product offering. EFG International is committed to sound and effective compliance risk management as the core foundation for a sustainable financial institution. Effective compliance risk management means meeting the compliance obligations and protecting EFG International from loss or damage. It improves the way EFG International conducts business for our shareholders and stakeholders and it is vital for long-term and sustainable growth.

A major focus of regulators around the world is the fight against money laundering and terrorism financing. EFG International has in place comprehensive directives on sanctions, anti-money laundering and know your customer, as well as on anti-bribery and corruption, to detect, prevent and report such risks. Through dedicated monitoring and quality assessment programmes, EFG International Compliance ensures compliance with such directives in every EFG International's subsidiary and branch.

EFG International has defined a set of standards governing the cross-border services it offers, and has developed country-specific manuals for the major markets it serves. A mandatory staff training and education concept is in place to ensure adherence to the standards and compliance with the country manuals. They are complemented by a tax compliance framework, the purpose of which is to prevent the unlawful acceptance of untaxed assets. Those frameworks are continuously enhanced to comply with new regulations such as MiFID II or CRS.

Conduct risk refers to all risks associated to the firm's behaviour or activity that could threaten consumer protection or market integrity and might subsequently damage the reputation of EFG International.
EFG International has directives on customer conduct, market conduct, cross border, suitability and conflicts of interest. The EFG International Global Product Committee ensures that all products or securities sold to clients or bought for them meet their best interest and have been through the appropriate approval process.

Legal risk
Legal risk is the risk to the firm's profitability arising from changes in legislation and/or as results from legal actions against the institution.

Group Head of Legal & Compliance and Litigation unit ensure that EFG International adequately manages and controls its legal risks. This includes supervising and giving strategic direction to all outside counsels advising

EFG International on civil, regulatory and enforcement matters.

Any change in the legal environment can constitute a challenge for EFG International in its relations with competent authorities, clients and counterparties in Switzerland and globally. Group Head of Legal & Compliance is responsible for providing legal advice to EFG International's management as well as handling client complaints and assisting federal and local authorities in their criminal and administrative investigations. The Litigation unit has principal responsibility for overseeing and advising EFG International's management on significant civil litigation and all government enforcement matters involving EFG International globally.

Reputational risk
Reputational risk is defined as the risk of an activity performed by an entity of EFG International or its representatives impairing its image in the community or public confidence, and that this will result in the loss of business and/or legal action or potential regulatory sanction. Typically a result of other risk categories.

EFG International considers its reputation to be among its most important assets and is committed to protecting it. Reputational risk for EFG International inherently arises from:
- Potential non-compliance with increasingly complex regulatory requirements
- Potential non-compliance with anti-money laundering regulatory requirements
- Its dealings with politically exposed persons or other clients with prominent public profiles
- Its involvement in transactions executed on behalf of clients other than standard investment products
- Potential major incidents in the area of IT security and data confidentiality
- Potential misconduct by its employees
- Any other potential negative internal or external event arising from other risk categories (e.g. in case of significant downturn on bonds, equities markets or of a particular housing market speculative bubble, etc.)

EFG International manages these potential reputational risks through the establishment and monitoring of the risk appetite by the Board of Directors, and through established policies and control procedures.

6. Credit risk

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

6.1 Credit risk management

(a) Loans and advances
A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities.

The approval of loans and other exposures has been delegated, depending on predefined risk, collateral and size parameters, to the credit departments of EFG International's business units, to local credit committees, to specific EFG International executives and management functions within the organisation and to the Executive Credit Committee of EFG International. The approval competencies for large exposures and exposures with increased risk profiles are centralised in Switzerland, in compliance with local regulatory and legal requirements of the individual international business units.

To qualify as collateral for a lombard loan, a client's securities portfolio must meet minimum eligibility criteria and be sufficiently liquid. Different haircuts are applied depending on asset class and collateral risk profile. Mortgages are mainly booked at EFG Bank AG and EFG Private Bank Ltd, London. They are granted predominantly on properties in Switzerland and in prime London locations.

Management is required to understand the purpose of each loan (which is typically for investment in securities, funds, and investment-related insurance policies or real estate) and all risk aspects involved in the granting of each loan, mitigating those when possible.

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

(b) Debt securities and other bills
For debt securities and other bills, external ratings such as S&P's rating or their equivalents are used by EFG International for managing the credit risk exposures.

6.2 Risk limit control and mitigation policies

To qualify as collateral for a lombard loan, a client's securities portfolio must generally be well diversified with different haircuts applied depending on the asset class and collateral risk profile. Additional haircuts are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met.

Loans guaranteed by real estate are treated in conformity with local regulatory requirements and with the internal directives (regulations, procedures) pertaining to valuation and affordability calculation. All real estate property used as collateral must be evaluated by internal appraisers or by selected external surveyors. External valuations are accepted, as long as the competence and the independence of the external professional have been verified.

Credit departments monitor credit exposures against approved limits and pledged collateral. If necessary, they initiate rectification steps. Financial collateral is valued where possible on a daily basis (but may be valued more frequently, if particular portfolios and severe market conditions demand). Certain mutual and hedge funds are valued weekly or monthly, whereas insurance policies are valued at least quarterly.

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG International level, and also subject to pre-approved country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set and monitored by the Country & Counterparty Credit (Sub) Committee depending on each counterparty's S&P or Moody's ratings (with reference to individual and support ratings).

Other specific control and mitigation measures are outlined below.

(a) Collateral
EFG International employs a range of policies and procedures to mitigate credit risk. EFG International implements guidelines and procedures on the acceptability of specific asset classes as collateral for credit risk mitigation. The main asset classes accepted as collateral for loans and advances are:
- Cash and cash equivalent
- Financial instruments such as debt securities, equities and funds
- Bank guarantees
- Mortgages over residential and to a limited extent commercial properties
- Assignment of guaranteed cash surrender value of life insurance policies

(b) Derivatives
EFG International maintains a strict monitoring of credit risk exposure induced by over-the-counter derivative transactions and exchanged-traded derivatives against limits granted. Credit risk exposure is computed as the sum of the mark-to-market of the transactions and the potential future exposure calculated through dedicated add-on factors applied to the notional amount of the transactions. EFG International has signed risk-mitigating agreements with its most important financial institutions counterparties.

(c) Credit-related commitments
Credit-related commitments include the following:
- Guarantees and standby letters of credit; these carry the same credit risk as loans
- Commitments to extend credit; these represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit.
  EFG International is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards

For all of the above, the same standards apply regarding approval competences, collateral requirements and monitoring procedures as outlined in note 7.

The guarantees and irrevocable lines of credit can be drawn by the customers only if the client has adequate collateral pledged with EFG International. Should the guarantees and irrevocable lines of credit be drawn, the majority of the facilities would be rated by EFG International with an internal grading of 1 to 3.

6.3 Credit loss measurement

The entity applies the three-stage approach introduced by IFRS 9 for impairment measurement based on changes in credit quality since initial recognition:
- Stage 1: financial assets that have not experienced a significant increase in credit risks since initial recognition
- Stage 2: significant increase in credit risks since initial recognition but not yet deemed to be credit-impaired
- Stage 3: credit-impaired on payment default

Financial instruments in stage 1 have their expected credit losses (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Specific ECL measurements have been developed for each type of credit exposure. Generally, the three components to compute ECL are exposure at default, probability of default and loss given default, defined as follows:
- Exposure at default (EAD) is based on the amounts EFG International expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, EFG International includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur
- Probability of default (PD) represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default and credit-impaired below), either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation
- Loss given default (LGD) represents EFG International's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of EAD expected to be non-recoverable if the default occurs in the next 12 months and lifetime LGD is the percentage of EAD expected to be non-recoverable, the default occurs over the remaining expected lifetime of the loan.

6.4 Due from banks and investment securities

This includes all assets that are classified as follows:
- Cash and balances with central banks
- Treasury bills and other eligible bills
- Due from other banks
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Public entities

Inputs and assumptions
The ECL for all products above is estimated via three components:
- EAD: depending on the product and on the IFRS 9 asset classification; book value for amortised cost assets and purchase value adjusted for amortisation and discount unwind for assets designated as FVTOCI
- PD: estimated for a 12-month and lifetime period based on external counterparty credit risk rating information (Standard & Poor's annual global corporate default study and rating transition). For public entity loans, the PD is estimated using official statistics
- LGD: for stage 1 and stage 2 assets. LGD for sovereign, bank and corporate exposure is approximated by an expert judgement aligned to the credit default swap ISDA market standard that estimates a recovery rate for sovereign exposure of 40%, resulting in 60% LGD. In case of stage 3 assets, LGD value is determined on an individual basis for sovereign, bank and corporate exposure

Estimation techniques
Macroeconomic expectations for sovereign securities and central banks debt are incorporated via their respective rating obtained from Standard & Poor's as part of their assessment of counterparty credit risk. For banks and corporate counterparties, the PD and related transition matrices are impacted on the basis of EFG International's macroeconomic expectations.

Significant increase in credit risk
A rapid deterioration in credit quality triggers an ad hoc review of the individual asset. An internal expert panel performs a quarterly assessment to determine if this asset is subject to a significant increase in credit risk (SICR). In addition to the quantitative SICR test based on changes in the rating agency's rating for the respective financial instrument, the assessment of the expert panel considers a range of external market information (e.g. credit default spreads, rating outlook).

Definition of default
The default is triggered through a payment default on the instrument or any cross-default indication from rating agencies.

6.5 Lombard lending

Lombard lending includes assets that are classified within loans and advances to customers, including lombard loans and other exposures covered by financial collaterals.

Lombard loans are loans secured by diversified portfolios of investment securities, and the risk of default of the loan is driven by the valuation of the collateral. The lending decision is not based on traditional lending criteria such as affordability, and is typically undertaken by clients with an existing investment portfolio who wish to leverage their portfolio in pursuit of higher investment returns or for diversification reasons or who have short-term liquidity needs.

Inputs and assumptions
The ECL for lombard loans are estimated with two components:
– ECL due to adverse market price movements in the collateral that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective lombard loan exposure and
– ECL due to a default of a large single collateral position (top 1 to top 5) yielding a shortfall for the lombard loan exposure

Due to the importance of collateral characteristics for lombard lending, asset segmentation has been defined balancing the need for a high granularity and the tractability of overall model. Asset classes have been distinguished by asset price volatility, credit and liquidity risk. Asset classes differentiate cash and cash equivalent, bonds, equities, funds, commodities, guarantees, derivatives, real estate, insurance policies and other assets. Further asset sub-classes consider other relevant characteristics such as investment grade or non-investment-grade issuance, or country of issuance.

ECL due to adverse market price movements is based on assumptions regarding:
– Loan-to-value (LTV) close-out trigger levels
– Market price volatility of underlying collateral sub-asset class
– Currency mismatch between loan and collateral
– Close-out periods
– Exposure at close-out considering a credit conversion factor for undrawn lombard credit lines
– LGD considering sales cost incurred during collateral liquidation

ECL due to default of a large single collateral position are based on assumptions regarding:
– Risk concentrations in top 5 collateral per asset sub-class
– PD for each sub-asset class based on counterparty risk ratings
– LGD to assess the collateral value after default
– LTV close-out trigger levels
– Market price volatility of underlying collateral sub-asset class
– Currency mismatch between loan and collateral
– Close-out periods
– Exposure at close-out considering a credit conversion factor for undrawn lombard credit lines
– LGD considering sales cost incurred during collateral liquidation

Estimation techniques
As opposed to the general measurement approach, ECL measurement for lombard loans does not consider the PD of the borrower. The measurement approach calculates the probability that a given loan hits its close-out trigger level, conditional on this, its expected positive exposure (EPE) is calculated. This corresponds to an uncovered shortfall which in combination with the LGD parameter determines the ECL. For lombard lending, no additional macro-conditioning of variables is necessary as macroeconomic effects are captured through parameters such as volatility and LTV levels.

Significant increase in credit risk
Credit risk for lombard loans is based on the underlying collateral. Hence, a SICR is driven by LTV metric for each individual lombard loan that is at or above the close-out trigger. Stage 2 lombard loans are loans with LTV above the close-out trigger which according to policy could have been closed out, but have been decided to be maintained, taking a higher credit risk.

Definition of default
Lombard loans that were closed out or have their collateral liquidated, resulting in an actual shortfall, or where liquidation is still in progress resulting in a potential shortfall, are considered credit-impaired and classified as stage 3.

6.6 Residential and commercial mortgages

This includes assets that are classified within loans and advances to customers that are predominantly secured by real estate collateral.

Inputs and assumptions
The ECL for mortgages is estimated by four components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation)
- PD is derived from historical transition matrices. To derive forward-looking default estimates, these matrices are calibrated to the macroeconomic expectation of EFG International
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix) and on the loss given loss (LGL) component. The LGL takes into account the current LTV and the future recovery value of the underlying collateral. The recovery value depends on parameters such as valuation haircuts and their volatility, time to sell the collateral, as well as associated selling costs. The house price development until sale, as well as the effective interest rate, are also taken into account

Estimation techniques
Forward-looking macroeconomic effects are incorporated with forecasts on gross domestic product (GDP) growth and house price development.

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD:
- GDP growth for Switzerland is estimated based on an explicit forecast for Switzerland
- GDP growth for all countries but Switzerland is estimated with a weighted forecast for the major global economies

House price developments for Switzerland, France and Singapore are estimated with explicit forecasts. House price developments for the UK are estimated with an explicit forecast for the London area. House prices for countries other than the aforementioned markets are estimated with a weighted forecast. The house prices impact the LTV ratios used to calculate the LGD.

Significant increase in credit risk
SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality since origination, also taking into account the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

Definition of default
Mortgages are considered to be in default if the credits are greater than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

6.7 Other loans

This includes assets that are classified within loans and advances to customers that are not lombard loans nor mortgage loans and includes commercial loans and overdrafts.

Inputs and assumptions
The ECL for other loans is estimated by four components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation)
- PDs are derived from historical transition matrices for commercial loans. To derive forward-looking default estimates, these matrices are conditioned to the macroeconomic expectation of EFG International. Other, non-commercial loans used an adjusted transition matrix that replicated their historical default rates due to the insufficient number of historical observations
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as a LGL component. The LGL takes into account the current LTV level and the future recovery value of the underlying collateral, for collateralised or partially collateralised exposures. Expert-based LGL rates are used for exposures without collateral

Estimation techniques
Forward-looking macroeconomic effects are incorporated with forecasts on GDP growth and house price developments. See residential and commercial mortgages for details.

Significant increase in credit risk
SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality

since origination, also taking into account the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

Definition of default

Other loans are considered to be in default if they are more than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

6.8 Contractual modifications

EFG International modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view of maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms of initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. EFG International may determine that the credit risk has significantly improved after restructuring, so that the assets are removed from stage 3 or stage 2 in accordance with the new terms for the six consecutive months or more.

6.9 Write-off policy

EFG International writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the EFG International's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full

EFG International may write off financial assets that are still subject to enforcement activity. EFG International still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectations of full recovery.

6.10 Macro-economic scenario and sensitivity analysis

The ECL results are based on forward-looking projections. These projections consider different macroeconomic scenarios, in particular a base, upside and downside scenario is considered.

The most significant assumptions affecting the ECL are as follows:

- For residential and commercial mortgages: house price index (HPI), given the impact it has on mortgage collateral valuations; gross domestic product (GDP), given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans
- For due from customers – lombard lending: asset volatility, given the impact it has on financial collateral valuations

		2020	2021	2022	2023	2024
World GDP Growth	Base	3.4%	3.6%	3.6%	3.6%	3.6%
	Upside	4.4%	4.4%	4.2%	4.1%	4.0%
	Downside	2.4%	2.8%	2.9%	3.1%	3.2%
Switzerland GDP Growth	Base	1.3%	1.6%	1.6%	1.6%	1.6%
	Upside	2.3%	2.4%	2.2%	2.1%	2.0%
	Downside	0.3%	0.8%	0.9%	1.1%	1.2%
Weighted GDP Growth	Base	1.6%	1.5%	1.4%	1.4%	1.4%
	Upside	2.6%	2.3%	2.0%	1.9%	1.8%
	Downside	0.6%	0.7%	0.7%	0.9%	1.0%
House Price Index Switzerland	Base	0.2%	0.5%	1.1%	1.4%	1.8%
	Upside	2.2%	2.1%	2.4%	2.5%	2.6%
	Downside	(1.8%)	(1.1%)	(0.2%)	0.4%	1.0%
House Price Index France	Base	2.0%	1.8%	1.5%	1.4%	1.4%
	Upside	8.0%	6.6%	5.4%	4.5%	3.9%
	Downside	(4.0%)	(3.0%)	(2.3%)	(1.7%)	(1.0%)
House Price Index Singapore	Base	1.2%	3.1%	4.3%	4.4%	4.2%
	Upside	7.2%	7.9%	8.2%	7.5%	6.7%
	Downside	(4.8%)	(1.7%)	0.5%	1.4%	1.8%
House Price Index UK (London)	Base	2.4%	4.0%	3.3%	3.8%	2.7%
	Upside	8.4%	8.8%	7.1%	6.9%	5.2%
	Downside	(3.6%)	(0.8%)	(0.5%)	0.7%	0.2%
Weighted House Price Index	Base	1.5%	2.6%	2.4%	2.8%	2.3%
	Upside	6.1%	6.3%	5.3%	5.2%	4.2%
	Downside	(3.0%)	(1.1%)	(0.5%)	0.5%	0.5%

In addition, the list of changes to the ECL as of 31 December 2019 that would result from reasonably possible changes in the following parameters from the actual assumptions used. For Mortgages and other loans the upside and downside ECL scenarios have been applied, for Lombard loans the volatilities have been doubled for the downside and halved for the upside.

Portfolio	Parameter	Scenario	
		Upside sensitivity	Downside sensitivity
Mortgages and other loans	Switzerland GDP Growth	(0.8)	0.9
	Weighted GDP Growth	(0.4)	0.4
	House Price Index Switzerland	(0.1)	0.1
	House Price Index UK (London)	(0.5)	0.8
	Weighted House Price Index	(0.8)	1.0
Lombard loans	Volatilities	(0.1)	0.3

6.11 Collateral and other credit enhancements

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

- Charges over financial instruments such as debt securities and equities
- Mortgages over residential and to a limited extent commercial properties

6.12 Concentration of risks of financial assets with credit risk exposure

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

As of 31 December 2019, the carrying value of the exposure of the ten largest borrowers was CHF 1,954.5 million (2018: CHF 1,916.8 million).

7. Credit risk exposure

The table below 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 2019. The ECL allowance for all assets excluding financial assets at fair value through other comprehensive income are deducted from the carrying value.

31 December 2019	AAA–AA CHF millions	A CHF millions	BBB–BB CHF millions	B–C CHF millions	Unrated CHF millions	Total carrying value CHF millions
Cash and balances with central banks	8,330.5	53.9				8,384.4
Treasury bills and other eligible bills	1,359.0	16.3				1,375.3
Due from other banks	1,113.2	1,430.1	68.7		10.0	2,622.0
Mortgages	3,127.4	2,679.2	42.3	233.2		6,082.1
Lombard and other loans	11,258.7	1,370.5	146.6	171.9		12,947.7
Financial assets at fair value through other comprehensive income	4,476.4	872.9	43.1	3.5		5,395.9
Total on-balance sheet assets as at 31 December 2019	**29,665.2**	**6,422.9**	**300.7**	**408.6**	**10.0**	**36,807.4**
Loan Commitments	239.7					239.7
Financial Guarantees	1,020.2	110.1	2.2	2.6		1,135.1
Total	**30,925.1**	**6,533.0**	**302.9**	**411.2**	**10.0**	**38,182.2**

31 December 2019	Total carrying value CHF millions	ECL Staging Stage 1	Stage 2	Stage 3	ECL allowance CHF millions	Fair value of the collateral held CHF millions
Cash and balances with central banks	8,384.4					
Treasury bills and other eligible bills	1,375.3					
Due from other banks	2,622.0	0.1			0.1	
Mortgages	6,082.1	0.7	0.1	6.2	7.0	13,361.3
Lombard and other loans	12,947.7	1.7	2.4	95.4	99.5	35,138.8
Financial assets at fair value through other comprehensive income	5,395.9	0.5			0.5	
Total on-balance sheet assets as at 31 December 2019	**36,807.4**	**3.0**	**2.5**	**101.6**	**107.1**	**48,500.1**
Loan Commitments	239.7					
Financial Guarantees	1,135.1		0.6	0.1	0.7	
Total	**38,182.2**	**3.0**	**3.1**	**101.7**	**107.8**	**48,500.1**

The table below 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 2018:

31 December 2018	AAA–AA CHF millions	A CHF millions	BBB–BB CHF millions	B–C CHF millions	Unrated CHF millions	Total carrying value CHF millions
Cash and balances with central banks	7,070.7	71.2				7,141.9
Treasury bills and other eligible bills	1,199.1					1,199.1
Due from other banks	2,136.8	990.2	78.5	0.1		3,205.6
Mortgages	5,393.1	294.2	349.7	141.4		6,178.4
Lombard and other loans	11,842.8	32.6	573.2	182.5		12,631.1
Financial assets at fair value through other comprehensive income	4,973.8	791.2	41.1			5,806.1
Total on-balance sheet assets as at 31 December 2018	**32,616.3**	**2,179.4**	**1,042.5**	**324.0**	**–**	**36,162.2**
Loan Commitments	198.9		0.2			199.1
Financial Guarantees	750.0	12.3	5.4	0.1		767.8
Total	**33,565.2**	**2,191.7**	**1,048.1**	**324.1**	**–**	**37,129.1**

31 December 2018	Total carrying value CHF millions	ECL Staging Stage 1	Stage 2	Stage 3	ECL allowance included in carrying values CHF millions	Fair value of the collateral held CHF millions
Cash and balances with central banks	7,141.9					
Treasury bills and other eligible bills	1,199.1					
Due from other banks	3,205.6	0.1			0.1	
Mortgages	6,178.4	0.4	0.4	3.9	4.7	13,660.2
Lombard and other loans	12,631.1	1.5	112.3	94.0	207.8	35,552.5
Financial assets at fair value through other comprehensive income	5,806.1	0.4			0.4	
Total on-balance sheet assets as at 31 December 2018	**36,162.2**	**2.4**	**112.7**	**97.9**	**213.0**	**49,212.7**
Loan Commitments	199.1	0.1			0.1	
Financial Guarantees	767.8	0.2	0.7	1.9	2.8	
Total	**37,129.1**	**2.7**	**113.4**	**99.8**	**215.9**	**49,212.7**

8. Credit staging and loss allowances

8.1 Balances with central banks

The table below presents the aggregate changes in gross carrying values and loss allowances for Balances with central banks:

Balances with central banks - Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	Total CHF millions
At 01 January 2018	**9,699.8**	**–**	**–**	**9,699.8**
Financial assets derecognised during the period other than write-offs	(3,033.5)			**(3,033.5)**
New financial assets originated or purchased	569.3			**569.3**
FX and other movements	(93.7)			**(93.7)**
Gross carrying value as at 31 December 2018	**7,141.9**	**–**	**–**	**7,141.9**
Financial assets derecognised during the period other than write-offs	(43.0)			**(43.0)**
New financial assets originated or purchased	1,377.4			**1,377.4**
FX and other movements	(91.9)			**(91.9)**
At 31 December 2019	**8,384.4**	**–**	**–**	**8,384.4**

Balances with central banks - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
At 01 January 2018	**–**	**–**	**–**	**–**
Movements with P&L impact	–	–	–	**–**
Other movements with no P&L impact	–	–	–	**–**
At 31 December 2018	**–**	**–**	**–**	**–**
Movements with P&L impact	–	–	–	**–**
Other movements with no P&L impact	–	–	–	**–**
At 31 December 2019	**–**	**–**	**–**	**–**

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.

8.2 Treasury bills and other eligible bills

The table below presents the aggregate changes in gross carrying values and loss allowances for treasury and other eligible bills held at amortised cost:

Treasury bills and other eligible bills - Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	Total CHF millions
At 01 January 2018	**1,482.3**	**–**	**–**	**1,482.3**
Financial assets derecognised during the period other than write-offs	(1,482.3)			**(1,482.3)**
New financial assets originated or purchased	1,199.1			**1,199.1**
FX and other movements				**–**
At 31 December 2018	**1,199.1**	**–**	**–**	**1,199.1**
Financial assets derecognised during the period other than write-offs	(1,199.1)			**(1,199.1)**
New financial assets originated or purchased	1,375.3			**1,375.3**
At 31 December 2019	**1,375.3**	**–**	**–**	**1,375.3**

Treasury bills and other eligible bills - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
At 01 January 2018	**–**	**–**	**–**	**–**
Movement with P&L impact				**–**
Loss allowance as at 31 December 2018	**–**	**–**	**–**	**–**
Movements with P&L impact	–	–	–	**–**
At 31 December 2019	**–**	**–**	**–**	**–**

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.

8.3 Due from other banks

The table below presents the aggregate changes in gross carrying values and loss allowances for Due from other banks:

Due from other banks - Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	Total CHF millions
At 01 January 2018	**2,576.1**	**–**	**–**	**2,576.1**
Financial assets derecognised during the period other than write-off	(1,944.3)			**(1,944.3)**
New financial assets originated or purchased	2,580.6			**2,580.6**
FX and other movements	(6.7)			**(6.7)**
At 31 December 2018	**3,205.7**	**–**	**–**	**3,205.7**
Financial assets derecognised during the period other than write-off	(1,949.8)			**(1,949.8)**
New financial assets originated or purchased	1,365.6			**1,365.6**
FX and other movements	0.5			**0.5**
At 31 December 2019	**2,622.0**	**–**	**–**	**2,622.0**

Due from other banks - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
At 01 January 2018	**0.1**	**–**	**–**	**0.1**
Movements with P&L impact				
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	(0.1)			**(0.1)**
At 31 December 2018	**0.1**	**–**	**–**	**0.1**
Movements with P&L impact				
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	(0.1)			**(0.1)**
Total net P&L charge during the period	**–**	**–**	**–**	**–**
At 31 December 2019	**0.1**	**–**	**–**	**0.1**

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.

8.4 Investment Securities (FVTOCI)

The table below presents the aggregate changes in gross carrying values and loss allowances for Financial assets at fair value through other comprehensive income:

Investment Securities (Fair value through other comprehensive income) - Carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	Total CHF millions
At 01 January 2018	**5,210.6**	**–**	**–**	**5,210.6**
Financial assets derecognised during the period other than write-offs	(1,802.8)			**(1,802.8)**
New financial assets originated or purchased	2,401.5			**2,401.5**
Changes in fair value	(5.1)			**(5.1)**
Changes in interest accrual	4.5			**4.5**
FX and other movements	(2.6)			**(2.6)**
At 31 December 2018	**5,806.1**	**–**	**–**	**5,806.1**
Financial assets derecognised during the period other than write-offs	(3,114.7)			**(3,114.7)**
New financial assets originated or purchased	2,703.5			**2,703.5**
Change in fair value	49.3			**49.3**
Changes in interest accrual	1.3			**1.3**
FX and other movements	(49.6)			**(49.6)**
At 31 December 2019	**5,395.9**	**–**	**–**	**5,395.9**

Investment Securities (Fair value through other comprehensive income) - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
As of 01 January 2018	**0.5**	**–**	**–**	**0.5**
Movements with P&L impact - New financial assets originated or purchased	0.1			**0.1**
Movements with P&L impact -Unwind of discount	(0.1)			**(0.1)**
Other movements with no P&L impact - Financial assets derecognised during the period	(0.1)			**(0.1)**
At 31 December 2018	**0.4**	**–**	**–**	**0.4**
Movements with P&L impact				
New financial assets originated or purchased	0.3			**0.3**
Changes in PD/LGDs/EADs	(0.2)			**(0.2)**
Total net P&L charge during the period	**0.1**	**–**	**–**	**0.1**
Other movements with no P&L impact	–	–	–	**–**
At 31 December 2019	**0.5**	**–**	**–**	**0.5**

For expected credit losses on Investment securities at fair value through other comprehensive income, the movement with P&L impact is offset against other comprehensive income, as the ECL has no impact on the fair value of the assets.

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.

8.5 Loans and advances to customers

Loans and advances to customers comprise the following:

		31 December 2019 CHF millions	31 December 2018 CHF millions
(i) Mortgage loans	Gross	6,089.1	6,183.1
	Loss allowance	(7.0)	(4.7)
(ii) Lombard loans	Gross	12,201.9	11,946.1
	Loss allowance	(91.4)	(189.6)
(iii) Other loans	Gross	845.3	892.8
	Loss allowance	(8.1)	(18.2)
Total loans and advances to customers		**19,029.8**	18,809.5

(i) Mortgage Loans

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

Mortgage loans - Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**Total CHF millions**
At 01 January 2018	**6,041.4**	**372.3**	**187.4**	**6,601.1**
Transfers:				
Transfer from Stage 1 to Stage 2	(211.0)	211.0		–
Transfer from Stage 1 to Stage 3	(57.8)		57.8	–
Transfer from Stage 2 to Stage 3		(24.1)	24.1	–
Transfer from Stage 3 to Stage 2		26.0	(26.0)	–
Transfer from Stage 2 to Stage 1	127.5	(127.5)		–
Financial assets derecognised during the period other than write-offs	(1,229.2)	(99.2)	(94.7)	**(1,423.1)**
New financial assets originated or purchased	1,121.4			**1,121.4**
Changes in interest accrual	1.4			**1.4**
FX and other movements	(105.9)	(8.4)	(3.4)	**(117.7)**
At 31 December 2018	**5,687.8**	**350.1**	**145.2**	**6,183.1**
Transfers:				
Transfer from Stage 1 to Stage 3	(10.5)		10.5	–
Transfer from Stage 2 to Stage 3		(12.1)	12.1	–
Transfer from Stage 2 to Stage 1	36.3	(36.3)		–
Financial assets derecognised during the period other than write-offs	(1,096.2)	(87.2)	(24.1)	**(1,207.5)**
New financial assets originated or purchased	1,092.5			**1,092.5**
Changes in interest accrual	3.8			**3.8**
FX and other movements	15.4	0.8	1.0	**17.2**
At 31 December 2019	**5,729.1**	**215.3**	**144.7**	**6,089.1**

Mortgage loans - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
At 01 January 2018	**0.8**	**0.4**	**10.1**	**11.3**
Movements with P&L impact				
Transfers:				
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	(0.6)	(0.2)	(5.8)	**(6.6)**
FX and other movements			(0.1)	**(0.1)**
Total net P&L charge during the period	**(0.4)**	**(0.3)**	**(5.9)**	**(6.6)**
Other movements with no P&L impact				
Transfer from Stage 3 to Stage 2		0.3	(0.3)	**–**
At 31 December 2018	**0.4**	**0.4**	**3.9**	**4.7**
Movements with P&L impact				
Transfers:				
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		(0.4)	2.5	**2.1**
FX and other movements	0.1			**0.1**
Total net P&L charge during the period	**0.3**	**(0.5)**	**2.5**	**2.3**
Other movements with no P&L impact				
Transfer from Stage 3 to Stage 2		0.2	(0.2)	**–**
At 31 December 2019	**0.7**	**0.1**	**6.2**	**7.0**

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:

Lombard loans - Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**Total CHF millions**
At 01 January 2018	**10,805.1**	**658.3**	**202.4**	**11,665.8**
Transfers:				
Transfer from Stage 1 to Stage 2	(256.1)	256.1		**–**
Transfer from Stage 1 to Stage 3	(9.7)		9.7	**–**
Transfer from Stage 2 to Stage 3		(0.6)	0.6	**–**
Transfer from Stage 3 to Stage 1	0.1		(0.1)	**–**
Transfer from Stage 2 to Stage 1	148.4	(148.4)		**–**
Financial assets derecognised during the period other than write-offs	(4,647.1)	(167.8)	(3.6)	**(4,818.5)**
New financial assets originated or purchased	5,129.9			**5,129.9**
Changes in interest accrual	9.1	0.3		**9.4**
FX and other movements	(43.7)	1.5	1.7	**(40.5)**
At 31 December 2018	**11,136.0**	**599.4**	**210.7**	**11,946.1**
Transfers:				
Transfer from Stage 1 to Stage 3	(1.2)		1.2	**–**
Transfer from Stage 2 to Stage 1	30.0	(30.0)		**–**
Financial assets derecognised during the period other than write-offs	(4,251.3)	(79.8)	(4.9)	**(4,336.0)**
New financial assets originated or purchased	5,045.5			**5,045.5**
Changes in interest accrual	(0.9)			**(0.9)**
Write off		(337.8)		**(337.8)**
FX and other movements	(109.3)	(1.9)	(3.8)	**(115.0)**
At 31 December 2019	**11,848.8**	**149.9**	**203.2**	**12,201.9**

Lombard loans - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
At 01 January 2018	**1.6**	**85.3**	**74.4**	**161.3**
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 1	1.2	(1.2)		–
New financial assets originated or purchased	0.7			**0.7**
Changes in PD/LGDs/EADs	(2.3)	22.9	3.9	**24.5**
FX and other movements		2.5	0.6	**3.1**
Total net P&L charge during the period	**(0.4)**	**24.2**	**4.5**	**28.3**
Other movements with no P&L impact				
Transfer from Stage 2 to Stage 3		(0.1)	0.1	–
At 31 December 2018	**1.2**	**109.4**	**79.0**	**189.6**
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 1	0.8	(0.8)		–
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	(1.7)	9.3	12.8	**20.4**
FX and other movements		1.0	(1.6)	**(0.6)**
Total net P&L charge during the period	**(0.8)**	**9.5**	**11.2**	**19.9**
Other movements with no P&L impact				
Write-offs		(118.1)		**(118.1)**
At 31 December 2019	**0.4**	**0.8**	**90.2**	**91.4**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified.

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 0.01% (2018: 0.4%).

Stage 2 lombard loans

Included in the Stage 2 lombard loans gross exposure at the December 2018 was an exposure of CHF 337.8 million and an expected credit loss of CHF 107.8 million for loans made by EFG International Group to third-party funds in Sweden, collateralised by the assets of these funds. The assets mainly comprised of life insurance policies, issued by US life insurance companies. During 2019, the Group restructured these loans with the fund managed, and as a result utilised CHF 118.1 million of expected credit loss, and now holds the collateral at an acquisition cost of CHF 225.1 million as a Financial asset at fair value through profit and loss (see note 31).

Stage 3 lombard loans

Included in Stage 3 lombard loans is a gross exposure including accrued interest of CHF 194.0 million (2018: CHF 194.0 million) that EFG Bank AG disbursed in 2007 and on which an expected credit loss of CHF 88.3 million (2018: CHF 76.3 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 extended a loan of USD 193.8 million (excluding interest) 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 the USD 193.8 million plus interest 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 is currently resisting an attempt in Hong Kong to enforce it, which will be considered by the Hong Kong courts in 2020. 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 are now progressing. In addition, EFG International Group is considering how most appropriately to enforce the personal indemnity of the former chairman, secured through successful legal proceedings in Singapore and taking steps to recover assets from the former chairman.

The 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.

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

Other loans - Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	Total CHF millions
At 01 January 2018	**707.2**	**115.8**	**54.0**	**877.0**
Transfers:				
Transfer from Stage 1 to Stage 2	(42.3)	42.3		–
Transfer from Stage 1 to Stage 3	(15.6)		15.6	–
Transfer from Stage 2 to Stage 3		(14.7)	14.7	–
Transfer from Stage 3 to Stage 2		0.3	(0.3)	–
Transfer from Stage 2 to Stage 1	32.7	(32.7)		–
Financial assets derecognised during the period other than write-offs	(219.7)	(23.1)	(16.2)	**(259.0)**
New financial assets originated or purchased	293.4			**293.4**
FX and other movements	(14.8)	(1.8)	(2.0)	**(18.6)**
At 31 December 2018	**740.9**	**86.1**	**65.8**	**892.8**
Transfers:				
Transfer from Stage 1 to Stage 2	(85.4)	85.4		–
Transfer from Stage 1 to Stage 3	(1.5)		1.5	–
Transfer from Stage 2 to Stage 3		(3.4)	3.4	–
Transfer from Stage 3 to Stage 2		5.6	(5.6)	–
Transfer from Stage 2 to Stage 1	16.3	(16.3)		–
Financial assets derecognised during the period other than write-offs	(252.8)	(58.2)	(9.9)	**(320.9)**
New financial assets originated or purchased	291.1			**291.1**
Write-offs			(15.5)	**(15.5)**
FX and other movements	(0.5)	(1.1)	(0.6)	**(2.2)**
At 31 December 2019	**708.1**	**98.1**	**39.1**	**845.3**

Other loans - Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
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	(0.1)	0.1		**–**
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	(0.9)	0.4	(1.0)	**(1.5)**
FX and other movements			(0.4)	**(0.4)**
Total net P&L charge during the period	**(0.8)**	**0.4**	**(1.4)**	**(1.8)**
Other movements with no P&L impact				
Transfer from Stage 2 to Stage 3		(0.5)	0.5	**–**
At 31 December 2018	**0.3**	**2.9**	**15.0**	**18.2**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 2 to Stage 1	0.1	(0.1)		**–**
New financial assets originated or purchased	0.8			**0.8**
Changes in PD/LGDs/EADs	(0.1)	(1.5)	5.6	**4.0**
FX and other movements	0.2		(0.2)	**–**
Total net P&L charge during the period	**1.0**	**(1.6)**	**5.4**	**4.8**
Other movements with no P&L impact				
Transfer from Stage 3 to Stage 2		0.2	(0.2)	**–**
Write-offs			(14.9)	**(14.9)**
At 31 December 2019	**1.3**	**1.5**	**5.3**	**8.1**

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.

9. Market risk

Market risk is the risk of losses arising from unexpected changes in interest rates, exchange rates, share prices or the prices of precious metals and commodities, as well as the corresponding expected volatility. Market risk can have an impact on EFG International AG's and all its subsidiaries' (together EFG International) income statement and the value of its assets. EFG International uses derivative financial instruments for hedging and for trading purposes.

Banking book

Risks related to the balance sheet structure (interest rate and foreign exchange rate) are managed by the Asset & Liability Management Committee and monitored by the Financial Risk Committee, in accordance with the principles and the risk appetite defined in the market risk policy, which defines the organisational structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors.

The interest rate risk appetite at balance sheet level is approved by the Board of Directors and has the objective to manage interest rate risk in line with predefined limits and risk appetite to generate profits for the benefit of EFG International.

EFG International's interest rate risk in banking book is monitored centrally by EFG International's Risk division with strategic management done by the Asset & Liability Management Committee and risk monitoring done by the Financial Risk Committee. The interest rate risk assessment includes risks deriving from assets, liabilities and off-balance sheet transactions, considering behavioural assumptions. Although non-maturing current accounts are considered at sight from a contractual point of view, in practice and from an economical point of view it has been observed that they provide a stable funding source. EFG International distinguishes between the stable and the non-stable part of non-maturing deposits, performing a historical analysis to define core stable volume. Current deposits are therefore slotted into appropriate time buckets assuming a high degree of likelihood: non-core and volatile part of deposits is considered at sight, while core and stable part of deposits is slotted based on the natural decay rate.

EFG International holds investment portfolios, which allow to diversify balance sheet assets and to optimise any excess liquidity.

EFG International investment portfolios carry material credit spread exposure on governments, government-related entities, multilateral development banks, banking institutions and, to a lesser extent, to corporate names. The investment activities are organised within Treasury department and are monitored centrally by the EFG International's Risk division and under the supervision of the Asset & Liability Management Committee and of the Financial Risk Committee. Market risk exposure, encompassing interest rate and credit spread risks, carried by the financial investment portfolios belonging to the banking book is monitored, on a daily and month-end basis. It is monitored through various metrics: sensitivity to risk factors, value at risk (VaR) and hypothetical stress tests, all previous metrics being computed with a full revaluation of all the positions. On top of minimum issuer and issuer country of domicile rating standards, counterparty and country concentration risk is monitored through a dedicated set of limits. Month-to-date and year-to-date P&L limits complement the financial investment portfolio risk monitoring framework.

Trading book

The market risk carried by proprietary trading primarily relates to position risk which derives from the fact that any interest rate, credit, foreign exchange rate fluctuation or equity prices or implied volatilities, can cause a change in EFG International's profits.

EFG International carries out trading operations both for its clients and on its own account with a daily basis monitoring. The trading activities are based in Lugano and organised in different trading desks: Forex Delta, Forex Forwards, Forex Options, Precious Metals and Banknotes; Fixed Income and Structured Finance managed by expert traders.

All trading positions are valued at market value using market prices, data and parameters published by recognised stock exchanges or financial data providers. For the trading portfolios, on an intra-day or daily basis, the risk measurement systems support the computation and analysis of: (i) the mark-to-market of the positions exposed to risk; (ii) the daily and cumulative monthly and year-to-date P&L; (iii) the various risk metrics (incl. sensitivities – greeks, stress test, VaR, concentration risk) and (iv) the regulatory and economic capital requirements.

Adherence to all limits is independently monitored by the EFG International's Market Risk department. Daily risk reports are produced which review compliance with nominal and sensitivity limits and stop loss limits.

9.1 Market risk measurement methodology

(a) Value at risk

The VaR computation is a risk analysis tool statistically designed to estimate the maximum potential periodic loss from adverse movements in interest rates (excluding credit spreads), foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding-period-specified confidence level.

The EFG International's VaR methodology is based on a full revaluation historical VaR approach with the exception of FX trading books for which the parametric delta + approach is used and considering a 10-day holding period with a 251-day observation period and a 99% confidence level.

VaR is used for internal control purpose and not for regulatory reporting of risks.

(b) Sensitivity analysis

The risk assessment through sensitivity analysis considers all major market risks deriving from assets, liabilities and off-balance sheet transactions. The simulations analyse the impacts on risk exposures of adverse movements in market parameters. For interest rate risk, the following risk exposures are assessed:

- Impact on net interest income (NII): the NII assessment determines the impact of a change in the interest rate structure on the forecast interest income (and thus on current earnings). This view is based on nominal values and considers the impact on the basis of a 12-month time horizon. This short-term approach enables EFG International to quantify the impact of changes in interest rates on the interest margin
- Impact on economic value of equity (EVE): the EVE assessment measures the impact of changes in interest rates on current values of future cash flows and thus on the current economic value of EFG International's equity
- When interest rates are used for discounting change, this causes a change in the current value of future cash flows. In contrast to the first approach, which focuses solely on a one-year time frame, the impact on the market value expresses the long-term impact deriving from all future cash flows, if there is a shift in market interest rates

For foreign exchange rate risk the sensitivity measurement covers in particular:

- The mismatch between on- and off-balance sheet positions denominated in foreign currencies
- The forecasted earnings that will be made in foreign currencies

(c) Stress tests

VaR calculation and sensitivity analysis are complemented by stress tests, which identify the potential impact of extreme market scenarios on the EFG International's equity and income statements. These stress tests simulate both exceptional movements in prices or rates, and drastic deteriorations in market correlations.

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

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

9.2 Market risk hedging strategies

EFG International is exposed to financial risks arising from many aspects of its business. EFG International implements different risk management strategies to eliminate or reduce market risk exposures. Risks being hedged through derivative financial instruments are typically changes in interest rates, foreign currency rates or effects of other risks (e.g. mortality risk on insurance policies portfolio). EFG International implements fair value hedging strategies.

The risk being hedged in a fair value hedging strategy is a change in the fair value of an asset or liability that is attributable to a particular risk and could affect P&L or the economic value of equity. Changes in fair value might arise through changes in interest rates, foreign exchange rates or other attributes. EFG International implements fair value hedges of individual hedged items (micro fair value hedging).

9.3 Market risk measurement

Banking and trading book
The following table presents the VaR (10-d/99%) for interest rate risk and for currency risk (without considering interdependencies between interest rate and currency risks) considering trading and investment book positions at balance sheet level:

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2019				
Interest rate risk	8.2	7.9	13.9	4.5
Currency risk	0.4	0.5	2.5	0.2
VaR	**8.6**	**8.4**	**16.4**	**4.7**
2018				
Interest rate risk	7.4	7.2	9.3	4.4
Currency risk	0.7	1.3	3.5	0.4
VaR	**8.1**	**8.5**	**12.8**	**4.8**

EFG International carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, and trading activities in foreign operations. Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, EFG International is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG International use local currencies as their reporting currencies. EFG International may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

The interest rate risk net sensitivities are based on banking book on- and off-balance sheet positions and consider behavioural assumptions. The quantitative interest rate risk impact on equity economic value and on net interest income are reported in the Basel III Pillar 3 Disclosures report, together with qualitative information.

The table below summarises the repricing gap of the International's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
As at 31 December 2019						
Assets						
Cash and balances with central banks	8,320.4				64.0	8,384.4
Treasury bills	1,037.1	338.2				1,375.3
Due from other banks	2,175.3	311.4	135.3			2,622.0
Loans and advances to customers	14,328.0	2,405.7	1,961.8	334.3		19,029.8
Derivative financial instruments	800.9					800.9
Financial assets at fair value through profit and loss	974.2	3.7	77.1	110.1	1,234.6	2,399.7
Financial assets at fair value through other comprehensive income	2,234.0	623.5	2,430.6	107.8		5,395.9
Total financial assets	**29,869.9**	**3,682.5**	**4,604.8**	**552.2**	**1,298.6**	**40,008.0**
Liabilities						
Due to other banks	386.7	10.5				397.2
Due to customers	11,926.2	1,037.6	95.9	24.5	17,621.5	30,705.7
Derivative financial instruments	951.0					951.0
Financial liabilities at fair value	480.1	3.0	31.8	37.1		552.0
Financial liabilities at amortised cost	4,096.5	661.2	431.7	123.5		5,312.9
Subordinated loans				389.7		389.7
Provisions					144.1	144.1
Other liabilities	13.7	26.6	82.2	19.3	564.0	705.8
Total financial liabilities	**17,854.2**	**1,738.9**	**641.6**	**594.1**	**18,329.6**	**39,158.4**
On-balance-sheet interest repricing gap	12,015.7	1,943.6	3,963.2	(41.9)	(17,031.0)	849.6
Off-balance-sheet interest repricing gap	2,360.4	16.0	(1,438.9)	(692.8)		244.7

	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
As at 31 December 2018						
Assets						
Cash and balances with central banks	7,141.9					7,141.9
Treasury bills	1,173.9	25.2				1,199.1
Due from other banks	1,013.1	54.2	112.7		2,025.6	3,205.6
Loans and advances to customers	10,557.2	3,075.7	4,499.2	677.4		18,809.5
Derivative financial instruments	376.7	0.2	1.1		841.6	1,219.6
Financial assets at fair value through profit and loss	718.3	253.1	0.7	1.0	1,067.8	2,040.9
Financial assets at fair value through other comprehensive income	701.6	2,932.1	1,550.3	313.7	308.4	5,806.1
Total financial assets	**21,682.7**	**6,340.5**	**6,164.0**	**992.1**	**4,243.4**	**39,422.7**
Liabilities						
Due to other banks	253.1				49.7	302.8
Due to customers	11,845.6	1,046.7	103.3		17,069.9	30,065.5
Derivative financial instruments	359.8	0.2	0.4	4.8	848.7	1,213.9
Financial liabilities designated at fair value	322.9	223.5			37.8	584.2
Other financial liabilities	829.9	1,281.6	2,281.9	811.4		5,204.8
Subordinated loans			391.7		4.9	396.6
Provisions					135.6	135.6
Other liabilities					568.8	568.8
Total financial liabilities	**13,611.3**	**2,552.0**	**2,777.3**	**816.2**	**18,715.4**	**38,472.2**
On-balance-sheet interest repricing gap	8,071.4	3,788.5	3,386.7	175.9	(14,472.0)	950.5
Off-balance-sheet interest repricing gap	1,863.6	(788.8)	(847.3)	(226.0)	1.5	3.0

Investment book

As at 31 December 2019, the investment book VaR (10-d / 99%) is CHF 6.4 million (2018: CHF 5.2 million). In 2019, the investment portfolios VaR (10-d/99%) material annual increase was driven by an increase of the interest rate and credit risk exposures partially offset by an increase of the diversification benefits between interest rate and credit spread risks.

Trading book

The following table shows the fixed income trading portfolio VaR (10-d/99%):

	Total CHF millions	**Interest rate CHF millions**	**Credit spread CHF millions**
31 December 2019	2.6	2.7	3.3
31 December 2018	1.6	0.5	1.5

The increase of the interest rate and credit spread risk exposure combined with an increase of the diversification benefit between interest rate and credit risk contributed to the variation of the fixed income portfolio VaR.

10. Life insurance and longevity risk

10.1 Definitions

(a) Demographic experience risk
Demographic experience risk is defined as the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of future cash flows due to demographic and expense experience.

Demographic experience risk is limited to EFG International Group's legacy insurance portfolio (for which we have appropriate valuation models in place for this risk where demographic experience is a key assumption) and for the valuation of the EFG International Group's retirement benefit obligations.

(b) Longevity risk
The key risk faced in terms of demographic is around longevity risk which is the risk that the underlying lives and/or single life insured comprising the remainder of the lives longer than expected. There are three subcomponents of this risk which are:

i) Improvement risk, which is the future longevity improvements of collective lives or a singular life are different than expected
ii) Diversion from base life table risk which is relatively low in EFG International Group's portfolio, as EFG International Group tracks individual lives
iii) The per single life risk which is the random variation from EFG International Group's estimated likelihood of each insured life dying in each year. In the case of the latter, it is a material risk due to the small number of insured lives in the portfolio

(c) Expense risk
Within demographic risk the second key risk in EFG International Group's specific portfolio is related primarily to the potential change in premiums. These changes in premium relate to increases payable to the life insurers based on their permissible premium increases under the discrete policy. EFG International Group is required to pay these higher premiums to keep the policy in force, in order to ensure receipt of the cash flow upon maturity.

10.2 Exposure

EFG International Group is exposed to longevity estimates in the valuation of the following assets and liabilities:

i) Financial assets and liabilities
  – Financial assets at fair value through profit and loss
  – Financial liabilities designated at fair value
  – Derivatives
ii) Loans and advances to customers
iii) Other liabilities

(a) Financial assets and liabilities
EFG International Group holds life insurance related assets and liabilities issued by US life insurance companies valued at fair value and the valuations rely on assumptions (see note 31 for further details).

Upon the insured individual having deceased, the life insurance company pays a lump sum death benefit to EFG International Group. EFG International Group pays a periodic premium to the life insurance company to keep the policy valid.

The key risks of these life insurance related assets and liabilities are due to the uncertainty arising from:

i) Longevity risk related to the number of periodic premium payments that are payable by EFG International Group. EFG International Group has to continue paying periodic premiums whilst the insured individual is alive. The longer the insured individual lives, the greater the premium payments will be, usually with no change in the proceeds that will be received from the insurance company
ii) Expense risk relates to the risk that the insurance companies increase the periodic premiums. The insurance companies face longevity risk, and risk from having mispriced the cost of insurance. The insurance companies are now attempting to pass the costs of this risk and/or pricing error onto the policy holders, via increased cost of insurance adjustments to the periodic premiums payable

(i) Longevity risk
The assumptions on life expectancies 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 each referenced insured. 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. EFG International Group conducts a regular in-depth review of such providers to ensure high-quality standards and reliability of the forecasts.

The determination of the best estimate cash flows included in the valuation of the life insurance for the fair value estimate of these assets under IFRS 13 is considered to be a critical accounting judgement by EFG International Group, due to the lack of observable readily available information and the complexity of the determination of these assumptions.

The EFG International 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 judgement is applied to this information.

(ii) Expense risk
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 more significant assumptions applied by management in the valuation model. Increases in cost of insurance considers the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances, additional increases have been announced by the insurance companies. EFG International Group considers these increases in cost of insurance to be unjustified and have challenged their implementation in US courts.

The estimated 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 EFG International Group, it relies on actuaries and management judgement to set the cost of insurance assumptions. Management judgement is applied to this information.

(b) Loans and advances
Included in lombard loans in 2018 were gross exposures of CHF 337.8 million classified as stage 2 lombard loans and an expected credit loss of CHF 107.8 million. These loans were restructured in 2019 and the Group has taken possession of the collateral, and written off the loan and related expected credit loss. The result of this restructuring is that the exposure to life insurance and longevity risk at end-2019 is included within financial assets, compared to end-2018 when was included in Loans and advances to customers.

At end-2018, the average age of the underlying policy holders was 92 years old, the average life expectancy is just over 2 years and the combined net death benefit was CHF 577.7 million.

(c) Other liabilities - retirement benefit obligations
EFG International Group operates retirement benefit plans which under IFRS are classified as defined benefit plans. Three of these plans are in Switzerland for EFG Bank AG and one in the Channel Islands. The three Switzerland plans are considered as defined benefit plans under IFRS due to a minimum guaranteed return in Swiss pension legislation, EFG International Group having no obligation relative to these funds other than to provide the minimum guaranteed return.

The plans provide annuity options to individuals on retirement. These annuity options are calculated using a conversion rate which is established by the foundation and reviewed periodically.

The valuation of the liability recognised in the balance sheet for the net pension obligation includes actuarial assumptions (see note 52 for further details). One of the key assumptions relates to longevity. Actuarial assumptions are established as unbiased best estimates of future expectations.

10.3 Sensitivities

The following table presents the carrying value (and related death benefits) and the impact that a three month extension in life expectancies will have on the balance sheet valuations:

	Carrying value CHF millions	Net death benefits CHF millions	Sensitivity to 3 months extension in life expectancy: Life insurance CHF millions	Loans and advances CHF millions	Retirement benefit obligations CHF millions
31 December 2019					
Assets					
Derivatives	53.7	94.6	(0.2)		
Financial assets at fair value through profit and loss	952.8	2,050.1	(44.3)		
Liabilities					
Financial liabilities designated at fair value	(181.9)	(298.8)	5.3		
Other liabilities	(70.7)				12.3
31 December 2018					
Assets					
Derivatives	57.3	104.1			
Financial assets at fair value through profit and loss	720.5	1,735.3	(38.1)		
Loans and advances to customers	337.8	578.2		(16.1)	
Liabilities					
Financial liabilities designated at fair value	(190.0)	(324.1)	5.9		
Other liabilities	(164.9)				12.7

11. Liquidity risk

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crisis on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets.

As defined in the risk appetite framework, the liquidity risk strategies are defined as follows:
- EFG International holds sufficient liquid assets that it could survive a sustained and severe run on its deposit base without any recourse to mitigating actions beyond liquidating those assets, and without breaching regulatory liquidity limits
- EFG International funds the balance sheet primarily from customer deposits, using capital markets opportunistically, without being subject to funding concentration due to a small number of funding sources or clients

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

EFG International has a liquidity risk management process in place that includes contingency funding plans, and stress tests that are undertaken to highlight EFG International's liquidity profile in adverse conditions, analysing also intraday liquidity stress scenarios.

The liquidity excess is quite typical for EFG International's private banking activity.

As a result, liquidity risks are limited.

Financial assets are constantly monitored, and a significant portion of safe and highly liquid assets is maintained. Cash and balances with central banks represent 20% of total assets, to which additional 8% derive from high-quality liquid securities.

At the end of 2019, EFG International is well positioned with a liquidity coverage ratio of 182%.

11.1 Liquidity risk management process

EFG International's liquidity risk management process is carried out by the Asset & Liability Management Committee and monitored by the Financial Risk Committee, in accordance with the principles and the risk appetite defined in the liquidity risk policy, which defines the organisational structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors. The operative management is undertaken by Treasury. The liquidity risk management process includes:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- Managing the concentration and profile of funding

EFG International aims to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business through the liquidity transfer pricing model. The liquidity risk management process also includes EFG International's contingency funding plans. The contingency measures include, among other actions, the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or drawdowns on lines of credit (liquidity shortage financing) with the Swiss National Bank.

EFG International complies with all regulatory requirements.

11.2 Funding approach

Overall, EFG International, through its business units, enjoys a favourable funding base with stable and diversified customer deposits, which provide the vast majority of EFG International's total funding. The surplus of stable customer deposits over loans and other funding resources are placed by Treasury units in compliance with the local regulatory requirements and internal guidelines.

EFG International manages the liquidity and funding risks on an integrated basis. The liquidity positions of the business units are monitored and managed daily and internal limits are more conservative than the regulatory minimum levels, as required by EFG International's risk appetite framework and liquidity risk policy.

11.3 Concentration risk

The overall level of liquidity exposure and corresponding limits are tightly monitored by means of specific risk metrics approved by the Board of Directors and in line with EFG International's overall committed level of risk appetite. Sources of liquidity are regularly assessed in terms of diversification by currency, geography, provider, term and product.

EFG International's concentration risks are managed through the following mechanisms:
- Monitoring of compliance with asset and liability management (ALM), funding concentration and risk appetite limits assigned
- Informing approval bodies when ALM, concentration and risk appetite limits are exceeded
- Proposing risk mitigation measures for ALM, concentration and risk appetite thresholds

11.4 Liquidity transfer pricing model

EFG International's liquidity transfer pricing model enables the management of the balance sheet structure and the measurement of risk-adjusted profitability, taking into account liquidity risk, maturity transformation and interest rate risk. The liquidity allocation mechanism allows to credit providers of funds for the benefit of liquidity and to charge users of funds.

Customers' loans are charged for the usage of liquidity, based on the liquidity risk embedded in business activities. Short- and long-term loans receive differentiated charges for the cost of liquidity.

Liquidity adjustments are introduced for loans that have the same duration, but due to differing liquidity attributes are not of the same value or cost.

Customers' deposits are credited for the benefit of liquidity based on their likelihood of withdrawal. As a general rule, sticky money, such as term deposits, are less likely to be withdrawn and, therefore, receive larger credits than volatile money, such as demand deposits, savings and transaction accounts, which are more likely to be withdrawn at any time.

11.5 Financial liabilities cash flows

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

	Up to 1 month CHF millions	**1–3 months CHF millions**	**3–12 months CHF millions**	**1–5 years CHF millions**	**Over 5 years CHF millions**	**Total CHF millions**
31 December 2019						
Liabilities						
Due to other banks	258.8	137.9	0.5			397.2
Due to customers	27,253.6	2,316.2	1,016.4	119.5		30,705.7
Derivative financial instruments	15,060.6	11,129.9	9,403.4	3,208.8	926.5	39,729.2
Financial liabilities at fair value	23.9	0.2	2.5	84.8	440.6	552.0
Other financial liabilities	365.7	546.0	1,307.9	2,281.9	811.4	5,312.9
Provisions	3.0		22.2	118.9		144.1
Other liabilities	553.5	10.7	38.9	83.4	19.3	705.8
Subordinated loans	4.7	385.0				389.7
Total financial liabilities	**43,523.8**	**14,525.9**	**11,791.8**	**5,897.3**	**2,197.8**	**77,936.6**
Total off balance-sheet	**110.8**	**46.4**	**346.7**	**179.1**	**757.5**	**1,440.5**

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2018						
Liabilities						
Due to other banks	131.2	170.6	1.0			302.8
Due to customers	26,918.3	1,951.0	1,093.9	102.3		30,065.5
Derivative financial instruments	15,030.1	12,275.0	10,493.1	3,393.4	436.7	41,628.3
Financial liabilities at fair value	38.0				546.2	584.2
Other financial liabilities	16.5	813.4	1,281.6	2,281.9	811.4	5,204.8
Provisions			24.5	111.1		135.6
Other liabilities	506.6	35.1	24.6	1.9	0.6	568.8
Subordinated loans			4.9	391.7		396.6
Total financial liabilities	**42,640.7**	**15,245.1**	**12,923.6**	**6,282.3**	**1,794.9**	**78,886.6**
Total off balance-sheet	**966.9**	**–**	**–**	**–**	**–**	**966.9**

For more detailed information on off-balance sheet exposures by maturity, refer to note 58.

Although due to customers are mainly at sight from a contractual point of view, in practice and from an economical perspective, it has been observed that they provide a stable funding source, thereby reducing the exposure to liquidity risk.

12. Capital management

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

Capital adequacy
Capital adequacy and the use of regulatory capital are continually monitored and reported by the Group's management, using the framework developed by the Bank for International Settlements (BIS). The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority (FINMA).

The Group reports regulatory capital using Swiss GAAP as a basis. This is also the basis the Group uses to report to the FINMA. The Group will publish the Basel III Pillar 3 Disclosures for the year ended 31 December 2019 on the Group website by 30 April 2020, which will include a summary of regulatory capital under Swiss GAAP based on a set of Swiss GAAP financial statements that will be independently reviewed by 30 April 2020.

The Group's eligible capital comprises two tiers:
– Tier 1 capital: share capital (net of any book values of the treasury shares), non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of acquisition-related intangible assets net of acquisition-related liabilities is deducted in arriving at Tier 1 capital.
– Tier 2 capital: subordinated loans, collective impairment allowances and unrealised gains arising on the fair valuation of financial instruments at fair value through other comprehensive income.

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of credit risk, market risk, non-counterparty-related risk, settlement risk, and operational risk.

The following table summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2019 and 2018.

	Basel III – Fully applied Swiss GAAP	
	31 December 2019 Unaudited CHF millions	31 December 2018 Unaudited CHF millions
Tier 1 capital		
Share capital	145.8	145.1
Share premium	1,876.4	1,894.5
Retained earnings and other reserve	(112.0)	(61.0)
Non-controlling interests	41.3	28.4
Swiss GAAP: Total shareholders' equity	**1,951.5**	2,007.0
Less: Proposed dividend on Ordinary Shares	(87.3)	(86.9)
Less: Goodwill (net of acquisition-related liabilities) and intangibles	(72.0)	(70.6)
Less: Bons de Participation (included in Additional Tier 1)	(14.5)	(15.1)
Less: Other Basel III deductions	(138.1)	(61.8)
Common Equity Tier 1 (CET1)	**1,639.6**	1,772.6
Additional Tier 1	14.5	15.1
Total qualifying Tier 1 capital	**1,654.1**	1,787.7
Tier 2 capital		
Subordinated loan	385.0	393.7
Total regulatory capital	**2,039.1**	2,181.4
Risk-weighted assets		
Credit risk including settlement risk and credit value adjustment	7,008.4	7,016.0
Non-counterparty related risk	278.2	260.4
Market risk*	841.5	801.5
Operational risk*	2,008.0	2,005.3
Total risk-weighted assets	**10,136.1**	10,083.2

	31 December 2019 Unaudited %	31 December 2018 Unaudited %
Basel III – FINMA CET1 Ratio (after deducting proposed dividend on Ordinary Shares)	**16.2**	17.6
Basel III – FINMA Total Capital Ratio (after deducting proposed dividend on Ordinary Shares)	**20.1**	21.6

* Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement

In addition to the existing requirement for the Group to hold eligible capital proportionate to risk-weighted assets, the Group is required to report the leverage ratio. This is a non-risk-based metric, defined as the ratio between Total qualifying Tier 1 capital and total exposure. Total exposure includes balance sheet and off-balance sheet exposures. The Basel Committee on Banking Supervision defined the requirements at 3%.

	Basel III – Fully applied Swiss GAAP	
	31 December 2019 Unaudited CHF millions	31 December 2018 Unaudited CHF millions
On-balance sheet exposure (excluding derivatives and other adjustments)	39,651.0	38,722.0
Derivative exposures (including add-ons)	1,364.3	835.9
Securities financing transactions	1,413.7	1,204.6
Other off-balance sheet exposures	280.0	271.1
Total exposure	**42,709.0**	41,033.6
Total qualifying Tier 1 capital	**1,654.1**	1,787.7
Basel III – FINMA Leverage Ratio	**3.9%**	4.4%

13. Net interest income

	31 December 2019 CHF millions	31 December 2018 CHF millions
Banks and customers	536.9	520.7
Financial assets at fair value through other comprehensive income	125.1	112.7
Treasury bills and other eligible bills	18.3	14.9
Total interest and discount income	**680.3**	648.3
Banks and customers	(263.1)	(211.7)
Financial liabilities at amortised cost	(69.7)	(55.1)
Lease liabilities	(1.2)	
Subordinated loans	(20.4)	(20.2)
Total interest expense	**(354.4)**	(287.0)
Net interest income	**325.9**	361.3

Total interest expense on banks and customers includes negative interest on Swiss francs and Euro deposits placed by the Group at the Swiss National Bank and the European Central Bank amounts to CHF 35.5 million in the year ended 31 December 2019 (2018: CHF 35.0 million).

14. Net banking fee and commission income

	31 December 2019 CHF millions	31 December 2018 CHF millions
Advisory and management fees	346.5	336.9
Brokerage fees	200.8	150.5
Commission and fee income on other services	201.2	194.4
Banking fee and commission income	**748.5**	681.8
Commission and fee expenses on other services	(155.5)	(117.2)
Banking fee and commission expense	**(155.5)**	(117.2)
Net banking fee and commission income	**593.0**	564.6

15. Dividend income

	31 December 2019 CHF millions	31 December 2018 CHF millions
Financial assets at fair value through profit and loss	7.2	5.1
Dividend income	**7.2**	5.1

16. Net trading income and foreign exchange gains less losses

	31 December 2019 CHF millions	31 December 2018 CHF millions
Result of currency and precious metal operations	134.4	178.7
Client option premiums	25.7	(13.2)
Other trading operations		0.2
Net trading income and foreign exchange gains less losses	**160.1**	165.7

Result of currency and precious metal operations are primarily earned on a transaction basis. Derivative premiums are earned on a transaction basis and amortised over the life of the contract.

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

	31 December 2019 CHF millions	31 December 2018 CHF millions
Financial instruments measured at fair value		
Equity securities	2.2	43.5
Life insurance securities	38.7	(4.3)
Other	16.2	(14.7)
Fair value gains less losses on financial instruments measured at fair value	**57.1**	24.5

For changes in valuation of level 3 assets, see note 40.

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

	31 December 2019 CHF millions	31 December 2018 CHF millions
Debt securities	13.4	2.0
Gains less losses on disposal of financial assets at fair value through other comprehensive income	**13.4**	2.0

19. Operating expenses

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Staff costs	20	(696.9)	(708.3)
Professional services		(43.7)	(83.6)
Advertising and marketing		(12.0)	(13.6)
Administrative expenses		(90.2)	(93.6)
Operating lease rentals		(2.0)	(48.4)
Depreciation of property, plant and equipment	35	(18.0)	(23.8)
Depreciation of right-of-use assets	35	(38.7)	
Amortisation of intangible assets			
Computer software and licences	36	(11.6)	(8.6)
Other intangible assets	36	(11.4)	(10.0)
Legal and litigation expenses		(28.2)	(28.4)
Other		(45.6)	(46.0)
Operating expenses		**(998.3)**	(1,064.3)

Depreciation has increased in 2019 compared to 2018 as the Group has applied IFRS 16 from 01 January 2019, resulting in the recognition of depreciation of right-of-use assets. Operating lease payment are no longer recognised through the income statement, but are allocated between the lease liability and related finance cost (see note 3).

20. Staff costs

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Wages, salaries and staff bonuses		(565.8)	(557.1)
Social security costs		(45.7)	(44.9)
Pension costs			
Retirement benefits	52	4.2	(25.2)
Other net pension costs		(10.2)	(12.2)
Employee equity incentive plans	62	(31.9)	(31.2)
Other		(47.5)	(37.7)
Staff costs		**(696.9)**	(708.3)

As at 31 December 2019, the number of full-time equivalent employees (FTE's) of the Group was 3,312 (2018: 3,275) and the average for the year was 3,294 (2018: 3,320). The FTE's not in their notice period at 31 December 2019 was 3,151 (2018: 3,153).

21. Loss allowances expense

Loss allowance expense includes all expected credit losses movements with an income statement impact:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Change in loss allowance on lombards and other loans	(24.7)	(25.2)
Change in loss allowance on mortgages	(2.3)	6.5
Change in loss allowance on investment securities	(0.1)	
Change in loss allowance on off-balance sheet items	2.5	1.8
Total loss allowances expense	**(24.6)**	(16.9)

22. Income tax expense

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Current tax expense		(19.2)	(10.6)
Deferred income tax (expense)/gain	38	(3.9)	3.5
Total income tax expense		**(23.1)**	(7.1)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of the Group, as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Operating profit before tax	123.4	80.2
Tax at the weighted average applicable rate of 17% (2018: 17%)	(21.0)	(13.6)
Tax effect of:		
Unrecognised tax losses carried forward for the year	0.2	(0.1)
Profit not subject to tax	5.0	2.4
Different tax rates in different countries	(5.7)	(2.6)
Release of prior year tax over-provisions		5.5
Prior year losses recognised	1.1	
Creation for prior years tax under-provisions	(1.8)	
Other differences	(0.9)	1.3
Total income tax expense	**(23.1)**	(7.1)

The weighted average tax rate of 17% (2018: 17%) is based on the operating entities local tax rates relative to the taxable income in these jurisdictions.

23. Basic earnings per ordinary share

	31 December 2019 CHF millions	31 December 2018 CHF millions
Net profit for the year attributable to equity holders of the Group	94.2	70.3
Dividend on Bons de Participation	(0.2)	(0.1)
Net profit for the year attributable to ordinary shareholders	**94.0**	70.2
Weighted average number of ordinary shares ('000s of shares)	291,367	290,677
Basic earnings per ordinary share (CHF)	**0.32**	0.24
Diluted-weighted average number of ordinary shares ('000s of shares)	307,696	305,258
Diluted earnings per ordinary share (CHF)	**0.31**	0.23

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 4,842,780 (2018: 978,029).

For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by a dividend on the Bons de Participation.

The Group issued in 2019 restricted stock units related to 9,674,713 (2018: 5,470,063) 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 shareholder.

For information regarding the EFG International equity incentive plan, see note 62.

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24. Segmental reporting

The Group's segmental reporting is based on how the Executive Committee reviews the performance of the Group's operations.

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 Pacific

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).

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

	Private Banking and Wealth Management			
CHF millions	Switzerland & Italy	Continental Europe	Americas	United Kingdom
At 31 December 2019				
Segment revenue	299.2	196.6	108.4	146.3
Segment expenses	(264.0)	(168.1)	(103.6)	(122.4)
Tangible assets and software depreciation	(7.6)	(6.7)	(2.6)	(3.9)
Total operating margin	**27.6**	**21.8**	**2.2**	**20.0**
Cost to acquire intangible assets and impairment of intangible assets		(1.2)	0.6	-
Provisions	(0.1)	(3.0)		0.7
Loss allowances expense	1.5	0.4	0.7	(1.0)
Segment profit/(loss) before tax	**29.0**	**18.0**	**3.5**	**19.7**
Income tax expense	0.4	(1.6)	(1.3)	(5.9)
Profit for the year	**29.4**	**16.4**	**2.2**	**13.8**
Assets under Management	44,497	33,519	15,728	21,052
Employees (FTE's)	371	403	149	206

Corporate Overheads includes CHF 0 million (2018: CHF 64.0 million) of acquisition-related and integration costs related to the costs for the integration of the business acquired from BSI Group in 2016.

	Private Banking and Wealth Management			
CHF millions	Switzerland & Italy	Continental Europe	Americas	United Kingdom
At 31 December 2018				
Segment revenue	310.5	198.9	121.2	147.7
Segment expenses	(270.4)	(177.0)	(107.4)	(121.1)
Tangible assets and software depreciation	(7.7)	(6.7)	(2.9)	(3.8)
Total operating margin	**32.4**	**15.2**	**10.9**	**22.8**
Cost to acquire intangible assets and impairment of intangible assets		(1.1)		
Provisions	0.3	(0.5)	(0.2)	(1.7)
Loss allowances expense	(0.3)	0.3	(0.4)	4.1
Segment profit/(loss) before tax	**32.4**	**13.9**	**10.3**	**25.2**
Income tax expense	0.6	(3.6)	1.5	(4.8)
Profit for the year	**33.0**	**10.3**	**11.8**	**20.4**
Assets under Management	41,077	30,878	15,218	18,771
Employees (FTE's)	405	365	169	196

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia Pacific	Total					
146.3	896.8	109.9	133.6	30.6		1,170.9
(133.8)	(791.9)	(92.3)	(38.5)	(34.6)		(957.3)
(4.0)	(24.8)	(1.0)	(3.1)	(0.7)		(29.6)
8.5	**80.1**	**16.6**	**92.0**	**(4.7)**		**184.0**
(0.5)	(1.1)	0.1		(10.4)		(11.4)
	(2.4)			(22.2)		(24.6)
0.6	2.2	0.1		(26.9)		(24.6)
8.6	**78.8**	**16.8**	**92.0**	**(64.2)**		**123.4**
0.5	(7.9)	(0.3)	(0.1)	(14.8)		(23.1)
9.1	**70.9**	**16.5**	**91.9**	**(79.0)**		**100.3**
31,520	146,316.0	39,697		225	(32,421)	153,817
308	1,437	265	90	1,359		3,151

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia	Total					
141.6	919.9	99.3	135.4	(9.0)		1,145.6
(113.0)	(788.9)	(98.0)	(43.0)	(91.3)		(1,021.2)
(3.6)	(24.7)	(0.9)	(3.1)	(3.7)		(32.4)
25.0	**106.3**	**0.4**	**89.3**	**(104.0)**	**–**	**92.0**
(0.6)	(1.7)			(9.0)		(10.7)
(6.2)	(8.3)			24.1		15.8
0.5	4.2			(21.1)		(16.9)
18.7	100.5	0.4	89.3	(110.0)	–	80.2
1.5	**(4.8)**	**(1.5)**		**(0.8)**		**(7.1)**
20.2	**95.7**	**(1.1)**	**89.3**	**(110.8)**	**–**	**73.1**
18,424	124,368	34,744		358	(28,241)	131,229
206	1,342	272	93	1,447		3,153

25. Analysis of Swiss and foreign income and expenses

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2019			
Operating income	**554.4**	**616.5**	**1,170.9**
Operating expenses	(484.5)	(513.8)	(998.3)
Provisions	(15.4)	(9.2)	(24.6)
Loss allowances expense	(14.2)	(10.4)	(24.6)
Profit before tax	**40.3**	**83.1**	**123.4**
Income tax expense	(12.6)	(10.5)	(23.1)
Net profit for the year	**27.7**	**72.6**	**100.3**
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	27.5	66.7	94.2
Net profit attributable to non-controlling interests		6.1	6.1
	27.5	**72.8**	**100.3**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2018			
Operating income	**591.8**	**553.8**	**1,145.6**
Operating expenses	(572.7)	(491.6)	(1,064.3)
Provisions	28.0	(12.2)	15.8
Loss allowances expense	9.7	(26.6)	(16.9)
Profit before tax	**56.8**	**23.4**	**80.2**
Income tax expense	(1.4)	(5.7)	(7.1)
Net profit for the year	**55.4**	**17.7**	**73.1**
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	55.4	14.9	70.3
Net profit attributable to non-controlling interests		2.8	2.8
	55.4	**17.7**	**73.1**

26. Cash and balances with central banks

	31 December 2019 CHF millions	31 December 2018 CHF millions
Cash in hand	64.0	78.8
Balances with central banks	8,320.4	7,063.1
Cash and balances with central banks	**8,384.4**	7,141.9

27. Cash and cash equivalents

	31 December 2019 CHF millions	31 December 2018 CHF millions
Cash and balances with central banks	8,384.4	7,141.9
Treasury bills and other eligible bills	1,037.1	1,173.9
Due from other banks – at sight	1,315.8	1,904.5
Due from other banks – at term	859.5	953.9
Cash and cash equivalents with less than 90 days maturity	**11,596.8**	11,174.2

28. Treasury bills and other eligible bills

	31 December 2019 CHF millions	31 December 2018 CHF millions
Treasury bills	1,375.3	1,199.1
Treasury bills and other eligible bills	**1,375.3**	1,199.1
Pledged treasury bills with central banks and clearing system companies	*–*	*–*

29. Due from other banks

	31 December 2019 CHF millions	31 December 2018 CHF millions
At sight	1,315.8	1,904.5
At term – with maturity of less than 90 days	859.5	953.9
At term – with maturity of more than 90 days	446.8	347.3
Less: Loss allowance	(0.1)	(0.1)
Due from other banks	**2,622.0**	3,205.6
Pledged due from other banks	*283.5*	*275.6*

30. Derivative financial instruments

30.1 Derivatives

The Group's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.

The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of from time to time.

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

	31 December 2019		31 December 2018	
	Fair values Assets CHF millions	**Fair values Liabilities CHF millions**	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading				
Currency and precious metal derivatives				
Forward contracts	33.9	34.5	23.5	18.2
Currency swaps	192.6	224.0	215.0	223.3
OTC currency options	23.0	22.0	46.4	43.4
	249.5	**280.5**	284.9	284.9
Interest rate derivatives				
Interest rate swaps	19.0	24.6	17.8	42.9
OTC interest rate options			0.5	0.5
Interest rate futures	6.0	0.2	0.2	16.2
	25.0	**24.8**	18.5	59.6
Other derivatives				
Equity options and index futures	425.6	546.8	790.9	802.6
Credit default swaps	38.5	54.6	42.2	47.6
Total return swaps	53.7		57.3	
Commodity options and futures	5.8	5.8	10.5	10.6
	523.6	**607.2**	900.9	860.8
Total derivative assets/liabilities held for trading	**798.1**	**912.5**	1,204.3	1,205.3
Derivatives held for hedging				
Derivatives designated as fair value hedges				
Cross currency swap	0.7	2.2	1.6	0.9
Interest rate swaps	2.1	36.3	13.7	7.7
Total derivative assets/liabilities held for hedging	**2.8**	**38.5**	15.3	8.6
Total derivative assets/liabilities	**800.9**	**951.0**	1,219.6	1,213.9

30.2 Hedge accounting

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

Hedge effectiveness

The Group applies hedge accounting under IFRS 9 to interest rate risk on fixed rate bonds (fair value hedge). The Group holds a portfolio of long dated fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages the risk exposure by entering into cross currency swaps and interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates.

Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group enters into these transactions on a 'package basis', i.e. enters into the swap at the same time as purchasing the bond, and structures the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is 100% and there is no ineffectiveness.

	31 December 2019				
	Notional amount of hedging item CHF millions	**Fair value of assets CHF millions**	**Fair value liabilities CHF millions**	**Balance sheet line item**	**Change in fair value used for hedge ineffectiveness CHF millions**
Fair value hedge					
Cross currency swaps	93.3	0.7	2.2	Derivatives	0.1
Interest rate swaps	2,204.4	2.1	36.3	Derivatives	(26.4)
Total hedging item	**2,297.7**	**2.8**	**38.5**		**(26.3)**

	Carrying amount of hedged assets CHF millions	**Carrying amount of hedged liabilities CHF millions**	**Fair value adjustments on the hedged item CHF millions**	**Balance sheet line item**	**Change in fair value for hedge ineffectiveness CHF millions**
Fair value hedge					
Fixed rate bonds	2,318.3		20.2	Financial assets at FVTOCI	26.3
Total hedged item	**2,318.3**	**–**	**20.2**		**26.3**

	31 December 2018				
	Notional amount of hedging item CHF millions	Fair value of assets CHF millions	Fair value liabilities CHF millions	Balance sheet line item	Change in fair value for hedge ineffectiveness CHF millions
Fair value hedge					
Cross currency swaps	60.0	1.6	0.9	Derivatives	(1.4)
Interest rate swaps	2,913.7	13.6	7.7	Derivatives	6.3
Total hedging item	**2,973.7**	**15.2**	**8.6**		**4.9**

	Carrying amount of hedged assets CHF millions	Carrying amount of hedged liabilities CHF millions	Fair value adjustments on the hedged item CHF millions	Balance sheet line item	Change in fair value for hedge ineffectiveness CHF millions
Fair value hedge					
Fixed rate bonds	2,945.6		(21.3)	Financial assets at FVTOCI	(4.9)
Total hedged item	**2,945.6**	**–**	**(21.3)**		**(4.9)**

30.3 Net investment hedges

The Group has designated certain intra-Group loans as net investment hedges for the equity in banking subsidiaries. The revaluation of these loans is taken through other comprehensive income and is determined as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Change in net investment hedges denominated in GBP	1.1	(4.1)
Change in net investment hedges denominated in USD		0.2
Change in net investment hedge valuation	**1.1**	(3.9)

31. Financial assets at fair value through profit and loss

	31 December 2019 CHF millions	31 December 2018 CHF millions
Trading assets	869.6	814.9
Other mandatorily measured at fair value through profit and loss	1,530.1	1,226.0
Total	**2,399.7**	2,040.9

		31 December 2019 CHF millions	31 December 2018 CHF millions
Issued by non public issuers:	Banks	191.6	278.1
Issued by non public issuers:	Other	1,178.7	995.5
Issued by other issuers:	US life insurance companies	952.8	720.5
Commodities	Precious metals	76.6	46.8
Total		**2,399.7**	2,040.9

The movement in the account is as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	**2,040.9**	2,191.7
Additions	825.0	539.9
Addition on foreclosure of loans and advances to customers - see note 8.5 (ii)	225.1	
Disposals (sale and redemption)	(667.9)	(685.4)
Net losses from changes in fair value	9.3	4.7
Exchange differences	(32.7)	(10.0)
At 31 December	**2,399.7**	2,040.9

Pledged assets
The Group has pledged financial investment securities as collateral for CHF 44.6 million (2018: CHF 11.0 million) related to the Group's role as collateral provider in relation to structured products issued by a subsidiary.

The Group has pledged financial investment securities issued by US life insurance companies as collateral for CHF 152.9 million (2018: CHF 156.4 million) related to the Group's financial liabilities at fair value. See note 47.

Life insurance related assets
The Group holds the following life insurance related financial assets and liabilities as at 31 December 2019:

Classification	**31 December 2019 Number of insureds**	**31 December 2019 Average Age Years**	**31 December 2019 Average Life Expectancy**	**31 December 2019 Net death benefits CHF millions**	**31 December 2019 Fair value CHF millions**
Financial asset at fair value through profit and loss	309	90.5	4.8	2,050.1	952.8
Derivative financial instruments	87	89.9	7.8	94.6	53.7
Financial liabilities designated at fair value	(68)	(88.2)	(5.6)	(298.8)	(181.9)
Total	**328**			**1,845.9**	**824.6**

Classification	31 December 2018 Number of insureds	31 December 2018 Average Age Years	31 December 2018 Average Life Expectancy	31 December 2018 Net death benefits CHF millions	31 December 2018 Fair value CHF millions
Financial asset at fair value through profit and loss	205	89.0	5.5	1,735.3	720.5
Derivative financial instruments	94	89.4	7.4	104.1	57.3
Financial liabilities designated at fair value	(72)	(87.4)	(5.8)	(324.1)	(190.0)
Total	**227**			**1,515.3**	**587.8**

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 (see note 10)
– Changes in the premium streams (cost of insurance)
– Counterparty credit risk
– Interest rate risk

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 management judgement that is 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 judgement on the below valuation inputs:

(a) 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.

(b) Premium streams and cost of insurance
The determination of the best estimate cash flows included in the valuation of the life insurance for the fair value estimate of these assets under IFRS 13 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 considers the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances, additional increases have been announced by the insurance companies. The Group considers these increases in cost of insurance to be unjustified and have challenged their implementation in US courts.

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.

(c) 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.

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

Sensitivities
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%	+1%	–3 months	+3 months	–5%	+5%
		CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Life settlement sensitivities							
Financial assets at fair value through profit and loss	Physical policies	64.5	(58.1)	45.8	(44.3)	41.1	(41.0)
Derivative financial instruments	Synthetic policies	2.2	(2.0)	0.1	(0.2)		
Financial liabilities designated at fair value	Synthetic policies	(11.5)	10.4	(5.3)	5.3		
Profit and loss sensitivity		**55.2**	**(49.7)**	**40.6**	**(39.2)**	**41.1**	**(41.0)**

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. The development and ultimate resolution of these proceedings have an impact on the Group's fair value assumptions by CHF 107.5 million (2018: CHF 106.4 million).

The impact of counterparty credit risk for a 2-notch downgrade would be CHF 6.1 million (2018: CHF 4.5 million) decrease in fair value.

32. Financial assets at fair value through other comprehensive income

	31 December 2019 CHF millions	31 December 2018 CHF millions
Debt securities	5,388.4	5,798.3
Equity instruments	7.5	7.8
At 31 December	**5,395.9**	**5,806.1**

The following table presents the split by issuer and respective loss allowances (ECL):

	31 December 2019		31 December 2018	
	Carrying amount CHF millions	**Loss allowance CHF millions**	Carrying amount CHF millions	Loss allowance CHF millions
Government	1,679.8	(0.2)	1,570.9	(0.2)
Banks	2,844.3	(0.3)	3,332.3	(0.2)
Other issuers	864.3		895.1	
Equity instruments*	7.5		7.8	
Total	**5,395.9**	**(0.5)**	**5,806.1**	**(0.4)**

* The Equity instruments represent a holding in a entity currently in liquidation. The Group has received no dividend income on this position.

The movement in the account is as follow:

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	**5,806.1**	**5,210.6**
Additions	2,703.5	2,420.4
Disposals (sale and redemption)	(3,114.9)	(1,816.7)
Change in accrued interest	1.3	6.9
Transfer to the income statement of realised gains and losses	13.4	2.0
Gains less losses from changes in fair value through other comprehensive income	36.0	(5.6)
Exchange differences	(49.5)	(11.5)
At 31 December	**5,395.9**	**5,806.1**

33. Loans and advances to customers

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Mortgages		6,089.1	6,183.1
Lombard loans		12,201.9	11,946.1
Other loans		845.3	892.8
Gross loans and advances		**19,136.3**	19,022.0
Less: Loss allowance	34	(106.5)	(212.5)
Loans and advances to customers		**19,029.8**	18,809.5

The other loans include CHF 167.5 million (2018: CHF 224.6 million) of loans made with no collateral and CHF 85.3 million (2018: CHF 96.2 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.

34. Loss allowances on loans and advances to customers

	Note	2019 CHF millions	2018 CHF millions
At 01 January		**(212.5)**	(192.6)
Loss allowance increased through profit and loss	21	(24.6)	(16.9)
Utilisation of provision		133.0	(1.7)
Exchange differences		(2.4)	(1.3)
At 31 December		**(106.5)**	(212.5)

35. Property, plant and equipment

	Note	Land and Buildings CHF millions	Other tangible assets CHF millions	Right-of-use assets CHF millions	Total CHF millions
Year ended 31 December 2018					
Opening net book amount		196.4	58.6		255.0
Additions		0.9	12.4		13.3
Depreciation charge for the year	19	(8.5)	(15.3)		(23.8)
Disposal and write-offs		(35.4)	(6.4)		(41.8)
Exchange differences		(0.1)	(0.5)		(0.6)
At 31 December 2018		**153.3**	**48.8**	**–**	**202.1**
Change in accounting policy (note 3)		–	–	182.8	182.8
Net book value at 01 January 2019		**153.3**	**48.8**	**182.8**	**384.9**
Year ended 31 December 2019					
Opening net book amount		153.3	48.8	182.8	384.9
Additions		0.5	15.4	13.3	29.2
Depreciation charge for the year	19	(4.7)	(13.3)	(38.7)	(56.7)
Disposal, write-offs and lease modifications		(2.3)	(0.2)	(9.0)	(11.5)
Increase in scope of consolidation			1.0	2.9	3.9
Reclassification to other assets held for sale		(57.0)		(8.0)	(65.0)
Exchange differences			(0.2)	(2.5)	(2.7)
At 31 December 2019		**89.8**	**51.5**	**140.8**	**282.1**

Other tangible assets include leasehold improvements, furniture, equipment, motor vehicle and computer hardware. The right-of-use assets are composed of office premises for CHF 140.0 million.

36. Intangible assets

	Note	Computer software and licences CHF millions	Customer relationships and other intangible assets CHF millions	Goodwill CHF millions	Total intangible assets CHF millions
Year ended 31 December 2018					
Opening net book amount		38.0	117.8	47.0	202.8
Acquisitions/disposals of intangible assets		14.3	5.7	(0.6)	19.4
Amortisation of intangible assets	19	(8.6)	(10.0)		(18.6)
Exchange differences and other movements		(0.1)	(1.2)	(1.7)	(3.0)
Closing net book value		**43.6**	**112.3**	**44.7**	**200.6**
Year ended 31 December 2019					
Opening net book amount		43.6	112.3	44.7	200.6
Addition/decrease in scope of consolidation due to acquisition/disposal of business		0.3	28.9	29.2	58.4
Acquisitions/disposals of intangible assets		23.2	5.6		28.8
Amortisation of intangible assets	19	(11.6)	(11.4)		(23.0)
Reclassification between categories		1.0	(1.0)		–
Exchange differences and other movements		(0.2)	(2.3)	(3.4)	(5.9)
Closing net book value		**56.3**	**132.1**	**70.5**	**258.9**

37. Intangible assets – impairment tests

The Groups goodwill (together 'Intangibles') are reviewed for impairment by comparing the recoverable amount of each cash-generating unit (CGU) to which Intangibles have been allocated a carrying value.

Where the carrying values have been compared to recoverable amounts using the 'value in use' approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (15 years) for the relevant currencies plus a risk premium of 6.0% to 9.8% (2018: 6.8% to 8.0%). The risk premiums were determined using capital asset pricing models and are based on capital market data as of the date of impairment test. A period of 5 years is used for cash flow projections (and the remaining life of 10.8 years for the valuation of the BSI Group intangibles).

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

The carrying amounts of goodwill and intangible assets at 31 December 2019 allocated to each cash-generating unit are as follows:

Segment	Cash-generating unit	Discount rate / Growth rate	Period	Intangible assets CHF millions	Goodwill CHF millions	Total CHF millions
Value in use						
Continental Europe	Spain	10.7% / 1.8%	5 years	11.2	20.0	31.2
Asia	Shaw and Partners	7.6% / 2.5%	5 years	27.9	27.5	55.4
BSI Group	Various	9.9% / –5.8%	10.8 years	84.7	–	84.7
Fair value less costs to sell		**P/E**				
Continental Europe	Monaco	10.6x		0.9	21.0	21.9
Other						
Various	Other CGU's			7.4	2.0	9.4
Total carrying values				**132.1**	**70.5**	**202.6**

The BSI Group intangible assets have a remaining amortisation period of 10.8 years (2018: 11.8 years). The assessment for impairment of goodwill and intangibles of the Group considers the performance outlook of each cash-generating unit and the underlying business operations, to determine whether the recoverable amount for these cash-generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangible assets and goodwill remained recoverable at 31 December 2019. Earnings are estimated based on current and future business initiatives and forecast results derived therefrom.

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

Cash-generating unit	Impairment impact of 20% decline in forecast profit CHF millions	Impairment impact of 50% decline in forecast profit CHF millions	Impairment impact of 100 bp increase in discount rate CHF millions	Required decline in forecast profit to equal carrying value CHF millions
Monaco		21.9		57%
Spain	9.9	31.2	2.2	10%
Shaw and Partners		1.1		35%

The discount rate that would set the recoverable amount of the Spain CGU equal to its carrying value is 11.0%, and the discount rate that would set the recoverable amount of the Shaw and Partners CGU equal to its carrying value is 9.44%.

38. Deferred income tax assets and liabilities

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

	31 December 2019 CHF millions	31 December 2018 CHF millions
Deferred income tax assets	93.5	117.5
Deferred income tax liabilities	(25.4)	(19.7)
Net deferred income tax	**68.1**	97.8

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

At 01 January	**97.8**	76.7
Deferred income tax gain for the period in the income statement (note 22)	(3.9)	3.5
Acquisition of subsidiaries	(8.4)	
IAS 19 retirement benefits	(17.2)	17.7
Exchange differences	(0.2)	(0.1)
At 31 December	**68.1**	97.8

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

Gross deferred tax assets		
Tax losses carried forward	86.7	73.4
IAS 19 retirement benefits not applicable for local tax	13.9	38.1
Other differences between local tax rules and accounting standards	3.0	3.3
Employee equity incentive plans amortisation	7.6	20.8
Effect of deferred tax netting		
Tax losses carried forward	(17.7)	(15.4)
Employee equity incentive plans amortisation		(2.7)
Net deferred income tax assets	**93.5**	117.5
Gross deferred tax liabilities		
Arising from acquisition of intangible assets	(25.3)	(18.8)
Valuation of financial assets not reflected in local tax accounts	(17.7)	(18.7)
Sundry differences between local tax rules and accounting standards	(0.1)	(0.3)
Effect of deferred tax netting		
Arising from acquisition of intangible assets		18.1
Valuation of financial assets not reflected in local tax accounts	17.7	
Deferred income tax liabilities	**(25.4)**	(19.7)
Net deferred income tax	**68.1**	97.8

Certain entities within the Group have recognised deferred income tax assets, despite having incurred losses in 2018 or 2019, on the basis that such losses are considered to be temporary in nature. The relevant entities have already returned to profitability or are expected to do so in the near future. The deferred income tax gain in the income statement comprises the following temporary differences:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Utilisation of tax losses carried forward	(16.2)	(1.5)
Creation of deferred tax assets on tax losses carried forwards	30.2	1.5
Deferred tax liabilities related to intangible assets	1.7	2.0
Other temporary differences	(19.6)	1.5
Deferred income tax expense (note 22)	**(3.9)**	3.5

The Group has deferred tax assets related to tax losses carried forward of CHF 86.7 million (2018: CHF 58.0 million) as a result of Group companies with tax losses of CHF 424.8 million (2018: CHF 247.3 million) to carry forward against future taxable income. These tax losses will expire as summarised below:

	31 December 2019 CHF millions	**Tax rate**	**Carried forward losses CHF millions**	**Expiry in 1–3 years CHF millions**	**Expiry in 4–7 years CHF millions**	**Expiry after 7 years CHF millions**
EFG Bank AG, Switzerland	67.4	19.7%	343.0	86.2	256.8	
EFG Bank (Luxembourg) S.A., Luxembourg	13.0	25.0%	52.2			52.2
EFG Bank AG, Singapore Branch	3.8	17.0%	22.4			22.4
EFG Corredores de Bolsa SpA	1.7	35.0%	4.9			4.9
EFG Chile SpA	0.8	35.0%	2.3			2.3
Total	**86.7**		**424.8**	**86.2**	**256.8**	**81.8**

	31 December 2018 CHF millions	Tax rate	Carried forward losses CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG Bank AG, Switzerland	41.4	23.4%	177.0	83.4	93.6	
EFG Bank (Luxembourg) S.A., Luxembourg	12.4	26.0%	47.8	21.7	26.1	
EFG Corredores de Bolsa SpA	1.4	27.0%	5.1			5.1
EFG Bank AG, Singapore	1.5	17.0%	8.8			8.8
EFG Capital International Corp	0.8	21.0%	6.6		0.1	6.5
EFG Chile SpA	0.5	27.0%	2.0			2.0
Total	**58.0**		**247.3**	**105.1**	**119.8**	**22.4**

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

	31 December 2019 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG Bank AG, Switzerland	172.4		172.4	
EFG International AG, Switzerland	252.7	252.7		
EFG Bank (Luxembourg) SA, Luxembourg	184.6			184.6
EFG Bank AG, Singapore Branch	36.8			36.8
EFG Bank AG, Hong Kong Branch	14.4			14.4
BSI SA	2.6			2.6
Total	**663.5**	**252.7**	**172.4**	**238.4**

	31 December 2018 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG Bank AG, Switzerland	357.0		357.0	
EFG Bank (Luxembourg) S.A., Luxembourg	203.6			203.6
EFG International AG, Switzerland	14.2		14.2	
EFG Bank AG, Singapore	15.8			15.8
Asesores Y Gestores Financieros S.A.	0.7	0.7		
Total	**591.3**	**0.7**	**371.2**	**219.4**

39. Other assets

	31 December 2019 CHF millions	31 December 2018 CHF millions
Prepaid expenses	80.3	38.3
Accrued income	34.7	28.7
Settlement balances	54.8	63.1
Current income tax assets	6.4	2.6
Held for sale	70.5	
Other receivables	95.6	84.9
Other assets	**342.3**	217.6

Settlement balances of CHF 54.8 million (2018: CHF 63.1 million) reflect trade date versus settlement date accounting principle, which is applied on the issuance of structured products and is dependent on transactions executed over the year-end period.

Held for sale assets mainly reflect buildings in the process of being sold.

40. Valuation of financial assets and liabilities

40.1 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 year.

	31 December 2019			
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions
Derivative financial instruments (assets)				
Currency derivatives		250.2		250.2
Interest rate derivatives		27.1		27.1
Equity derivatives		425.6		425.6
Other derivatives		44.3		44.3
Life insurance related			53.7	53.7
Total derivatives assets	**–**	**747.2**	**53.7**	**800.9**
Financial assets at fair value through profit and loss				
Debt	712.6	516.3		1,228.9
Equity	21.0	0.8	98.0	119.8
Commodities		76.6		76.6
Life insurance related			952.8	952.8
Investment funds		0.5		0.5
Real estate - Repossessed properties		18.1	3.0	21.1
Total financial assets at fair value through profit and loss	**733.6**	**612.3**	**1,053.8**	**2,399.7**
Total assets measured at fair value through profit and loss	**733.6**	**1,359.5**	**1,107.5**	**3,200.6**
Financial assets at fair value through other comprehensive income				
Debt	5,388.4			5,388.4
Equity		7.5		7.5
Total financial assets measured at fair value through other comprehensive income	**5,388.4**	**7.5**	**–**	**5,395.9**
Total assets measured at fair value	**6,122.0**	**1,367.0**	**1,107.5**	**8,596.5**

	31 December 2019			
	Level 1 CHF millions	**Level 2 CHF millions**	**Level 3 CHF millions**	**Total CHF millions**
Derivative financial instruments (liabilities)				
Currency derivatives		(282.7)		(282.7)
Interest rate derivatives		(61.1)		(61.1)
Equity derivatives		(546.8)		(546.8)
Other derivatives		(60.4)		(60.4)
Total derivatives liabilities	**–**	**(951.0)**	**–**	**(951.0)**
Financial liabilities designated at fair value				
Equity	(20.0)	(1.6)		(21.6)
Debt	(80.5)	(2.4)		(82.9)
Structured products		(265.6)		(265.6)
Life insurance related			(181.9)	(181.9)
Total financial liabilities designated at fair value	**(100.5)**	**(269.6)**	**(181.9)**	**(552.0)**
Total liabilities measured at fair value	**(100.5)**	**(1,220.6)**	**(181.9)**	**(1,503.0)**
Assets less liabilities measured at fair value	**6,021.5**	**146.4**	**925.6**	**7,093.5**

	31 December 2018			
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions
Derivative financial instruments (assets)				
Currency derivatives		286.5		286.5
Interest rate derivatives		32.2		32.2
Equity derivatives		790.9		790.9
Other derivatives		52.7		52.7
Life insurance related			57.3	57.3
Total derivatives assets	**–**	**1,162.3**	**57.3**	**1,219.6**
Financial assets at fair value through profit and loss				
Debt	651.2	491.1		1,142.3
Equity	19.5	10.5	82.8	112.8
Commodities		46.8		46.8
Life insurance related			720.5	720.5
Investment funds		0.6		0.6
Real estate - Repossessed properties		17.9		17.9
Total financial assets at fair value through profit and loss	**670.7**	**566.9**	**803.3**	**2,040.9**
Financial assets at fair value through other comprehensive income				
Debt	5,798.3			5,798.3
Equity		7.8		7.8
Total financial assets at fair value through other comprehensive income	**5,798.3**	**7.8**	**–**	**5,806.1**
Total assets measured at fair value	**6,469.0**	**1,737.0**	**860.6**	**9,066.6**
Derivative financial instruments (liabilities)				
Currency derivatives		(285.8)		(285.8)
Interest rate derivatives		(67.3)		(67.3)
Equity derivatives		(802.6)		(802.6)
Other derivatives		(58.2)		(58.2)
Total derivatives liabilities	**–**	**(1,213.9)**	**–**	**(1,213.9)**
Financial liabilities designated at fair value				
Equity[1]	(2.9)	(0.1)	(38.0)	(41.0)
Debt	(186.7)	(1.3)		(188.0)
Structured products		(165.2)		(165.2)
Life insurance related			(190.0)	(190.0)
Total financial liabilities designated at fair value	**(189.6)**	**(166.6)**	**(228.0)**	**(584.2)**
Total liabilities measured at fair value	**(189.6)**	**(1,380.5)**	**(228.0)**	**(1,798.1)**
Assets less liabilities measured at fair value	**6,279.4**	**356.5**	**632.6**	**7,268.5**

1 Level 3 equity-related financial liabilities designated at fair value in 2018 of CHF 38.0 million comprised put options held by non-controlling interests with valuations based on contractual terms and therefore are not dependent on internal assumptions on inputs, but were classified as Level 3 due to the absence of quoted prices or observable inputs. These arrangements have been terminated in 2019.

(i) Financial instruments in level 1

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

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

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

(b) Movements of level 3 instruments

	Assets in level 3		
	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss CHF millions	Total assets in level 3 CHF millions
At 01 January 2019	57.3	803.3	860.6
Total gains or losses in the income statement – Net loss from changes in fair value	1.9	(5.2)	(3.3)
Purchases/Premiums paid	2.6	140.4	143.0
Addition on foreclosure of loans and advances to customers		225.1	225.1
Disposals/Premiums received	(7.1)	(92.1)	(99.2)
Exchange differences	(1.0)	(17.7)	(18.7)
At 31 December 2019	**53.7**	**1,053.8**	**1,107.5**
Change in unrealised gains or losses for the period included in the income statement for assets held at the end of the reporting period	1.9	(5.2)	(3.3)

	Liabilities in level 3	
	Financial liabilities designated at fair value CHF millions	Total liabilities in level 3 CHF millions
At 01 January 2019	228.0	228.0
Total gains or losses in the Income Statement – Net gains from change in fair value	(3.1)	(3.1)
Purchases/Premiums paid	(13.8)	(13.8)
Disposals/Premiums received	(25.8)	(25.8)
Exchange differences	(3.4)	(3.4)
At 31 December 2019	**181.9**	**181.9**
Change in unrealised gains or losses for the period included in the income statement for liabilities held at the end of the reporting period	(3.1)	(3.1)

	Assets in level 3		
	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss 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	0.4	(38.7)	(38.3)
Purchases/Premiums paid	2.4	123.1	125.5
Disposals/Premiums received	(5.7)	(54.3)	(60.0)
Exchange differences	0.5	6.3	6.8
At 31 December 2018	**57.3**	**803.3**	**860.6**
Change in unrealised gains or losses for the period included in the income statement for assets held at the end of the reporting period	0.4	(38.7)	(38.3)

	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 loss from changes in fair value	(3.8)	(3.8)
Purchases/Premiums paid	12.0	12.0
Disposals/Premiums received	(13.4)	(13.4)
Exchange differences	0.2	0.2
At 31 December 2018	**228.0**	**228.0**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	(3.8)	(3.8)

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

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

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

As a result of the above and in order to align with independent market information and accounting standards, valuation adjustments may be made to the 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 models
- Net asset values

Financial statement line item		31 December 2019 CHF millions	31 December 2018 CHF millions
Discounted cash flow analysis	**Products**		
Financial assets at fair value through profit and loss	Equities	98.0	82.8
Financial liabilities designated at fair value	Liability to purchase non-controlling interests		(38.0)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life insurance policies	53.7	57.3
Financial assets at fair value through profit and loss	Physical life insurance policies	952.8	720.5
Financial assets at fair value through profit and loss	Real estate	3.0	
Financial liabilities designated at fair value	Synthetic life insurance policies	(181.9)	(190.0)
Total		**925.6**	632.6

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) 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. See note 31 for further details.

(ii) Equities
Equities comprise primarily the holding in SIX Group for CHF 71.6 million (2018: CHF 63.6 million) and Aduno Group for CHF 14.9 million (2018: CHF 13.5 million).

The participation in SIX Group is based on a valuation using the expected net asset value of SIX Group at the end of December 2019 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group has not yet published its financial statements for 2019 at the time of preparing these consolidated financial statements, the Group has made an estimate of the net asset value. To determine the net asset value as of 31 December 2019, the Group estimated SIX Group year-end net profit. During 2018, SIX Group disposed of SIX Payment Services to Worldline in exchange for cash and listed shares in Worldline. Primarily as a result of this transaction, the net asset value of SIX Group increased materially and as a result the EFG International Group recorded a gain of CHF 10.4 million (2018: CHF 22.8 million) primarily as the final 2018 net asset value of SIX Group was higher than the Group estimated, due to the timing of availability of the net asset value.

The sensitivity to the valuation of SIX Group is primarily linked to the changes in the net asset value of SIX Group, and the gain/loss taken through profit and loss for a 10% higher and 10% lower SIX Group profit would be CHF 7.2 million gain or CHF 7.2 million loss on this position classified as fair value through profit and loss.

The participation in Aduno Group is based on a valuation using the expected net asset value of Aduno Group at the end of December 2019. The net asset value of Aduno Group was reviewed and as a result the EFG International Group has recorded a gain of CHF 1.4 million (2018: CHF 10.7 million) in the profit and loss as the asset is recorded at fair value through the profit and loss.

(iii) Put option over non-controlling interests – liability to purchase non-controlling interests
The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of nil (2018: CHF 38.0 million) that corresponded to the estimated discounted repurchase amount. This arrangement was terminated in 2019.

41. Financial assets and liabilities measured at amortised cost

The table below summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 31 December 2019:

	Note	**Carrying value CHF millions**	**Fair value CHF millions**	**Difference CHF millions**
31 December 2019				
Financial assets				
Due from other banks	(i)	2,622.0	2,618.9	(3.1)
Loans and advances to customers	(ii)	19,029.8	19,383.4	353.6
		21,651.8	**22,002.3**	**350.5**
Financial liabilities				
Due to other banks	(iii)	397.2	397.2	
Due to customers	(iii)	30,705.7	30,702.5	(3.2)
Subordinated loans	(iv)	389.7	390.3	0.6
Financial liabilities at amortised cost	(v)	5,312.9	5,336.5	23.6
		36,805.5	**36,826.5**	**21.0**
Net assets and liabilities not measured at fair value		**(15,153.7)**	**(14,824.2)**	**329.5**
As at 31 December 2018				
Financial assets				
Due from other banks	(i)	3,205.6	3,205.9	0.3
Loans and advances to customers	(ii)	18,809.5	19,073.5	264.0
		22,015.1	**22,279.4**	**264.3**
Financial liabilities				
Due to other banks	(iii)	302.8	302.7	(0.1)
Due to customers	(iii)	30,065.5	30,055.5	(10.0)
Subordinated loans	(iv)	396.6	421.8	25.2
Financial liabilities at amortised cost	(v)	5,204.8	5,171.6	(33.2)
		35,969.7	**35,951.6**	**(18.1)**
Net assets and liabilities not measured at fair value		**(13,954.6)**	**(13,672.2)**	**282.4**

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

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

(iii) 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.

Deferred day-1 profit or loss
The table reflects financial instruments for which fair value is determined using valuation models where not all inputs are market-observable. Such financial instruments are initially recognised in the Groups financial statements at their transaction price, although the values obtained from the relevant valuation model on day-1 may differ. The table shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period. In 2018, the related assets were disposed of and as a result the remaining balance has been recognised in the income statement.

	2019 **CHF millions**	2018 CHF millions
At 01 January		1.0
Recognised in the income statement		(1.0)
At 31 December	**–**	–

42. Offsetting

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

At 31 December 2019	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial assets subject to netting agreements	Cash collateral	Net exposure
Due from other banks	244.2		244.2		(244.2)	
Derivatives	800.9		800.9	(371.1)	(340.7)	89.1
FVTPL – Life insurance policies	152.9		152.9	(152.9)		
Total financial assets	**1,198.0**	**–**	**1,198.0**	**(524.0)**	**(584.9)**	**89.1**

At 31 December 2019	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	951.0		951.0	(317.3)	(335.8)	297.9
FVTPL – Synthetic life insurance	181.9		181.9	(152.9)	(318.4)	
Total financial liabilities	**1,132.9**	**–**	**1,132.9**	**(470.2)**	**(654.2)**	**297.9**

At 31 December 2018	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial assets subject to netting agreements	Cash collateral	Net exposure
Derivatives	1,220.3	(0.7)	1,219.6	(299.1)	(831.4)	89.1
FVTPL – Life insurance policies	156.4		156.4	(156.4)		
Total financial assets	**1,376.7**	**(0.7)**	**1,376.0**	**(455.5)**	**(831.4)**	**89.1**

At 31 December 2018	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	1,214.6	(0.7)	1,213.9	(241.7)	(765.7)	206.5
FVTPL – Synthetic life insurance	190.0		190.0	(156.4)	(147.1)	
Total financial liabilities	**1,404.6**	**(0.7)**	**1,403.9**	**(398.1)**	**(912.8)**	**206.5**

At the end of December 2019, no derivative financial instruments have been netted. In 2018, CHF 0.7 million was netted with derivative financial instruments with a negative value of CHF 6.4 million, for a net presentation of derivative financial instruments as a liability with a value of CHF 5.7 million.

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

43. Business combinations

Shaw and Partners Ltd

On 30 April 2019, the Group announced the completion of the acquisition of 51% of the Australian financial service provider Shaw and Partners Ltd. The acquisition will allow the Group access to a high-growth market, providing the Group an immediate access to the Australian market and enlarging the Group's coverage in the Asia Pacific region.

The total purchase consideration of CHF 46.2 million comprised of the following:
- Cash consideration of CHF 15.3 million
- Consideration payable in shares of CHF 12.0 million, representing 1.6 million of newly issued shares
- Deferred cash consideration of CHF 5.2 million
- Contingent consideration payable in shares of CHF 4.2 million and cash of CHF 9.5 million

The contingent cash consideration of CHF 9.5 million is to be settled between June 2020 and April 2022. The contingent consideration in shares is to be settled between June 2021 and April 2022. Both are subject to possible downward revision based on the achievement of agreed Assets under Management and revenue thresholds. In extreme case, the contingent consideration can be revised down to nil. The Group does not believe that any downward revision is likely.

The assets and liabilities recognised as a result of the acquisition are as follows:

	30 April 2019 Fair value CHF millions
Due from other banks*	13.6
Intangible assets	29.2
Property plant and equipment	3.5
Other assets	13.1
Deferred tax liability	(8.8)
Other Liabilities	(17.2)
Net identifiable assets acquired	**33.4**
Less: Non-controlling interests	(16.4)
Add: Goodwill	29.2
Net assets acquired	**46.2**

* There is no expected credit loss on due from other banks

The goodwill of CHF 29.2 million is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

The following transactions have been recorded separately from the acquisition of assets and assumption of liabilities in the business combination:
- Advisory costs of CHF 1.6 million
- Legal fees of CHF 1.1 million
- Insurance fees of CHF 0.2 million

These costs are recorded in Other operating expenses in the income statement.

For the non-controlling interests in Shaw and Partners Ltd, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets (see note 56).

The acquired business contributed revenues of CHF 30.5 million and net profit of CHF 2.4 million to the Group for the period from 01 May to 31 December 2019. If the Group had controlled Shaw and Partners Ltd for a full year, the acquired business would have contributed approximately CHF 45.7 million of revenue and CHF 3.6 million of profit.

The net outflow of cash related to the acquisition is CHF 1.7 million, comprising the cash consideration of CHF 15.3 million less the cash balance of the business acquired of CHF 13.6 million.

44. Shares in subsidiary undertakings

The following is a listing of the Group's main subsidiaries at 31 December 2019:

Name	Line of business	Country of incorporation	Ownership
Main subsidiaries			
EFG Bank AG, Zurich	Bank	Switzerland	100%
EFG Bank (Monaco), Monaco	Bank	Monaco	100%
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	100%
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	100%
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	100%
EFG Private Bank Ltd, London	Bank	England & Wales	100%
EFG Private Bank (Channel Island) Ltd, Guernsey	Bank	Guernsey	100%
Oudart SA, Paris	Asset Management Company	France	100%
EOS Servizi Fiduciari SpA, Milan	Fiduciary Company	Italy	100%
Patrimony 1873 SA, Lugano	Asset Management Company	Switzerland	100%
A&G Banca Privada S.A., Madrid	Bank	Spain	43%
EFG Capital International Corp, Miami	Broker dealer	USA	100%
Shaw and Partners Ltd, Sydney	Broker dealer	Australia	51%
Chestnut II Mortgage Financing PLC	Finance Company	England & Wales	100%
EFG International (Guernsey) Ltd	Finance Company	Guernsey	100%
EFG International Finance (Luxembourg) Sarl	Finance Company	Luxembourg	100%
EFG International Finance (Guernsey)	Structured product issuance	Guernsey	100%
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	100%

The main changes in the percentage shareholding are:
- the reduction to 43% (54% in 2018) of the stake in A&G Banca Privada S.A, however the control over this entity is maintained as EFG has the right to appoint the majority of the board of directors; and
- the acquisition of 51% of Shaw and Partners.

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

45. Due to other banks

	31 December 2019 CHF millions	31 December 2018 CHF millions
Due to other banks at sight	386.7	266.9
Due to other banks at term	10.5	35.9
Due to other banks	**397.2**	302.8

46. Due to customers

	31 December 2019 CHF millions	31 December 2018 CHF millions
Non-interest bearing	17,621.5	17,069.9
Interest bearing	13,084.2	12,995.6
Due to customers	**30,705.7**	30,065.5

47. Financial liabilities at fair value

	Valuation basis	31 December 2019 CHF millions	31 December 2018 CHF millions
Synthetic life insurance	Discounted cash flow analysis	181.9	190.0
Equity securities	Quoted	21.6	3.0
Debt securities	Quoted	82.9	188.0
Structured products	Unquoted	265.6	165.2
Equities securities (liabilities to purchase non-controlling interests)	Discounted cash flow analysis		38.0
Total financial liabilities at fair value		**552.0**	584.2

The movement in the account is as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	**584.2**	484.0
Accrued interest		
Additions	375.2	345.3
Disposals (sale and redemption)	(369.3)	(237.0)
Net gains from changes in fair value through profit and loss	(3.1)	(7.1)
Decrease through shareholders' equity	(29.7)	
Exchange differences	(5.3)	(1.0)
At 31 December	**552.0**	584.2

Synthetic life insurance
See note 31 for further details.

Liability to purchase non-controlling shareholders interests
Until 17 September 2019, the non-controlling shareholders of Asesores y Gestores Financieros SA had the right to sell their shares to a wholly owned subsidiary of EFG International AG. This put options gave rise to a financial liability that corresponded to the discounted repurchase amount. This financial liability, that amounted to EUR 33.7 million at 31 December 2018, was acquired by the Group for EUR 7.2 million. The difference of CHF 29.7 million (EUR 26.5 million) was credited to equity as an impact of transaction between shareholders (see Gain on settlement of put option).

As part of restructuring its shareholding in Asesores y Gestores Financieros SA, the Group disposed of 11.49% equity ownership for CHF 16.9 million on 17 September 2019, as further explained in note 57. Due to contractual arrangements between shareholders, the Group retains control of Asesores y Gestores Financieros SA even though the Groups' holding is below 50%.

48. Financial liabilities at amortised cost

	31 December 2019 CHF millions	31 December 2018 CHF millions
Structured products issued	5,312.9	5,204.8
Total financial liabilities at amortised cost	**5,312.9**	5,204.8

The movement in the account is as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	**5,204.8**	4,477.2
Additions	7,854.1	6,842.0
Disposals (sale and redemptions)	(7,466.4)	(5,776.5)
Net gains from changes in fair value	(268.0)	(337.9)
Exchange differences	(11.6)	
At 31 December	**5,312.9**	5,204.8

49. Provisions

	Provision for litigation risks CHF millions	Other provisions CHF millions	Total CHF millions
At 01 January 2018	**49.1**	**149.8**	**198.9**
Decrease in provisions recognised in the income statement – Loss allowance		(1.8)	(1.8)
Increase in provisions recognised in the income statement	13.0	11.8	24.8
Release of provisions recognised in the income statement	(20.2)	(20.4)	(40.6)
Provisions used during the year	(17.5)	(27.1)	(44.6)
Exchange differences	(0.1)	(1.0)	(1.1)
At 31 December 2018	**24.3**	**111.3**	**135.6**
At 01 January 2019	**24.3**	**111.3**	**135.6**
Decrease in provisions recognised in the income statement – Loss allowance		(2.5)	(2.5)
Increase in provisions recognised in the income statement	7.1	22.1	29.2
Decrease of provisions recognised in the income statement	(3.7)	(0.8)	(4.5)
Provisions used during the year	(15.2)	(4.1)	(19.3)
Reclassification from other liabilities		5.5	5.5
Exchange differences	0.1		0.1
At 31 December 2019	**12.6**	**131.5**	**144.1**
Expected payment within 12 months	1.2	8.2	9.4
Expected payment thereafter	11.4	123.3	134.7
	12.6	**131.5**	**144.1**

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 6.5 million (2018: CHF 6.0 million) relates to several client claims, following the discovery of irregularities in the management of clients' accounts by a former employee. The overall position is unlikely to be resolved within a year.

Other provisions of CHF 6.1 million remain for various small litigation cases.

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 appealed FINMA's decision prior to the acquisition and suspended the payment of the disgorgement of profits. With the acquisition of the BSI Group, the provision was maintained for the existing amount of CHF 95.0 million. On 3 December 2019, the Federal Administrative Court issued an opinion regarding the appeal from FINMA's 23 May 2016 decision. The court confirmed FINMA's determination of the occurrence of violations of supervisory provisions by BSI but vacated FINMA's ruling which set the disgorgement at CHF 95 million, and remanded that aspect of the decision to FINMA for further proceedings. The Group's financial results will not be

impacted by this court proceeding as any reduction in the amount of disgorgement would be reimbursed to the seller of the BSI Group. The overall position is unlikely to be resolved within a year.

A provision of CHF 8.2 million (2018: CHF 5.2 million) has been made for claims arising from fraudulent activity by an ex-CRO. In addition, the Group has been made aware that additional claims of approximately CHF 12.5 million may arise, against which the Group is not able to assess the potential loss (see contingent liabilities). The Group is assessing the legal and factual merits of all these claims. The overall position is likely to be resolved within a year.

The Group has a provision of CHF 13.3 million (2018: CHF 6.8 million) which represents the amount that would have to be paid if the Group succeeds in recovering excess life insurance premiums from insurers who increased premiums. The overall position is unlikely to be resolved within a year.

The Group has a provision of CHF 0.7 million (2018: CHF 2.9 million) 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. The profit and loss impact is reflected in the loss allowance expense, while for all other provision movements, the profit and loss impact is reflected in the provision expense line of the profit and loss.

The Group has a provision of CHF 10.6 million (2018: CHF 3.6 million) for restructuring costs.

Other provisions of CHF 3.7 million remain for various other potential cash outflows which are not expected to be settled within a year.

50. 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 (see note 49) 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 Group has differentiated the contingent liabilities into three categories as follows:

a) Group does not expect a material cash outflow
b) Group cannot reliably measure the obligation
c) Group cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received

(a) Group does not expect a material cash outflow

The following contingent liabilities that management is aware of relate 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) The Trustee of Bernard L Madoff Investment Securities LLC (BLMIS) has filed a complaint asserting that redemption payments totalling USD 411 million allegedly received by the Group on behalf of clients should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see next paragraph). The claims against the Group were dismissed in 2018 by the District Court in New York based on jurisdictional and international comity grounds. On 25 February 2019, however, the Court of Appeals for the Second Circuit issued an opinion reversing the decision of the District Court which had dismissed the claims made against the Group. The Group is seeking review of the Second Circuit's decision before the Supreme Court of the United States. Notwithstanding the decision of the Second Circuit, the Group believes itself to have strong defences to the claims and maintains its vigorous defence of the lawsuits.
ii) The Group has been named as a defendant in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. asserting that redemption payments received by the Group on behalf of clients should be returned. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 217 million. The Group maintains its vigorous defence of the remaining lawsuits and believes itself to have strong defences to the claims.
iii) Claims have been made against the Group in the Bahamas for approximately USD 9 million, which the

Group is vigorously defending. 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. The Group strongly believes that there has been no wrongdoing on its part and that it has strong defences to the claims.

iv) 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 wrongdoings, 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. In 2019, the Superior Court of Quebec dismissed the plaintiffs claims on jurisdictional grounds. The plaintiffs have appealed. The Group is vigorously defending the case and believes it has strong defences to the claims.

v) 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. A first judgment was favourable to the Group, and the liquidator appealed. In 2019, the Appeal Court condemned the Group to pay USD 25 million. The Group made an appeal to the French Supreme Court at the end of December 2019. The Group is vigorously defending the claim and believes it has strong defences to the claim.

vi) An Irish family (not a client of the Group) sued several unrelated defendants claiming they refused to return monies in the amount of EUR 6.9 million. The Group and several other parties were joined to these primary proceedings as a third party by one of the defendants. The allegation seems to be misrepresentation, negligent misstatement, breach of duty, negligence and unjust enrichment. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

(b) Group cannot reliably measure the obligation

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

i) The Group had two accounts in the name of an institutional client. This institutional client was designated by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury as Specially Designated Nationals on account of assisting drug-trafficking groups in money laundering. When an issue was raised as to whether the Group violated OFAC sanctions after the client's OFAC designation because of subsequent transactions and interactions between US persons at the Group and the institutional client, the Group promptly initiated an internal investigation of this and other potential OFAC violations, which covered all the Group's booking centres. The investigation has concluded and the Group is actively cooperating with OFAC on the matter.

ii) The Group has launched an investigation into possible fraudulent activities by a former employee. Certain claims have been provided for (see provisions note 49), whilst investigations are ongoing related to additional potential claims of approximately CHF 12.5 million. The Group is assessing the legal and factual merits of these claims, however currently there is no reliable estimate of the potential loss on these potential claims.

iii) The Italian tax authority, Agenzia Entrate, has sent questionnaires to the Group. The questionnaires request information for the period from 01 January 2012 to 31 December 2017 regarding (1) income from loans to Italian clients, and (2) the financial dealings the Group had with clients residing in Italy and the activities of the Group in the Italian market, geared towards assessing whether the Group has a "permanent establishment" in Italy. This would subject the Group to taxation on revenues from their Italian-related activities. In December 2019, the Italian tax authorities served a subsidiary of the Group with deeds of assessment which assessed corporate income taxes owed, interest and penalties totalling for a de minimis amount. At this point, the Italian tax authorities have not brought any proceedings against any other subsidiaries, and there is no reliable estimate of the potential loss on any potential claims. To the extent claims are asserted against BSI, which did more business with Italian resident clients than the other entities, EFG is of the view that such claims would be indemnifiable (see section c below).

iv) The Group has recently been made aware of a 2013 judgement against BSI apparently entered by default by a Brazilian court in the amount of approximately CHF 1.6 million arising out of a 1998 transaction involving a former BSI client. The litigation was commenced in 2005 and predates the Groups acquisition of BSl. ln November 2019 via Hague Convention procedures, the Group received notification of the 2013 default judgement, which together with accrued interest and expenses amounts to approximately CHF 3.1 million.

The Group is considering its legal rights in connection with this matter and cannot reliably measure its obligation, if any, at this time.

v) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital-protected, that the agreed investment strategy has not been followed and that unauthorised transactions were performed. The amount claimed is approximately EUR 49 million plus interest. Although the Group is vigorously defending the case and believes it has strong defences to the claims, it is difficult to determine at this stage whether the matter will ultimately result in liability and there is no reliable estimate of what losses might be sustained on the claims.

vi) In 2019, the Group was named as a defendant in a claim brought against over 20 defendants in the Commercial Court in London by the Public Institution for Social Security (PIFSS) of Kuwait. The allegations centre on the former Director General of PIFSS, who is alleged to have been paid secret commissions, and to have been an account holder at EFG beginning in 2008. The claim against the Group centres on allegations that, between 1995 and 2012, the former Director General of PIFSS procured the payment to another defendant of approximately USD 332.1 million of secret commissions, as well as USD 44.6 million in other payments representing proceeds of other schemes alleged in the claim. EFG is investigating the factual and legal merits of the claim. At present, the Group cannot reliably estimate its potential liability in the matter.

(c) Group cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received

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 BSI Group pre-acquisition by the EFG International Group, and are currently under review. DoJ has issued requests for assistance to the Swiss authorities in obtaining information on some of the 1MDB-related accounts. The US and Swiss authorities are also investigating whether the Group 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) The US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money laundering allegations involving officials of Fédération Internationale de Football Association (FIFA) and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review.
The 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 complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the US authorities in the ongoing investigations.

iii) The Group (through the acquisition of BSI) was the counterparty in a shareholder agreement, where the Group sold their holding in a company that was also a supplier of services to the Group. The buyer of the shareholding has brought a claim for losses of CHF 90 million allegedly suffered as a result of the Group terminating its contract with that supplier. In 2019, the Zurich Commercial Court rendered a judgement dismissing the claim in its entirely. The matter is currently on appeal.

iv) A client has brought legal claims against the Group for CHF 54 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.

v) 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 and believes it has strong defences to the claims.

vi) In August 2019, the Chilean tax authority made a tax liability determination arising out of BSIs' September 2015 sale of shares in Atacama Investment Ltd. to a third party. In its tax return filed in 2016, BSI requested a tax refund on the grounds that the sale of the Atacama shares had generated a tax loss. The Chilean tax authority, however, disputed the appropriate fair market value of the disposed shares, as well as the appropriate tax rate applicable to the transaction. The total outstanding tax liability as determined by the Chilean taxing authority amounts to CHF 24.0 million. The Group appealed the tax authorities' decision and is vigorously defending and believes it has strong defences to the claims.

vii) As described in b iii) above, the Italian tax authority has sent questionnaires to the Group geared towards assessing whether the Group has a "permanent establishment" in Italy. This would subject the Group to taxation on revenues from their Italian-related activities. To the extent claims are asserted against BSI, which did more business with Italian resident clients than the other entities, EFG is of the view that such claims would be indemnifiable.

51. Other liabilities

	Note	31 December 2019 CHF millions	31 December 2018 CHF millions
Deferred income and accrued expenses		331.8	283.3
Lease liabilities (see below)		141.8	
Settlement balances		97.9	49.3
Short term compensated absences		14.4	15.0
Retirement benefit obligations	52	70.7	164.9
Other liabilities		30.3	56.3
Deferred consideration - acquisition of Shaw and Partners Ltd	43	5.2	
Contingent consideration - acquisition of Shaw and Partners Ltd	43	13.7	
Total other liabilities		**705.8**	568.8

The maturity of lease liabilities is as follows:

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2019						
Lease liabilities	3.4	10.3	26.6	82.2	19.3	141.8
Total lease liabilities	**3.4**	**10.3**	**26.6**	**82.2**	**19.3**	**141.8**

52. Retirement benefit obligations

The Group operates four plans which under IFRS are classified as defined benefit plans. Three of these plans are in Switzerland ('the Swiss plans') for EFG Bank AG and one in the Channel Islands ('the Channel Islands plan'). The three Switzerland plans are considered as defined benefit plans under IFRS due to a minimum guaranteed return in Swiss pension legislation, the Group having no obligation relative to these funds other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ('the Channel Islands plan') which is not aggregated with the plans in Switzerland, due to its relative size. The Channel Islands plan has funded obligations of CHF 4.2

million; the fair value of plan assets is CHF 4.7 million, with a loss of CHF 0.4 million recognised through other comprehensive income in the current period.

The Swiss plans are contribution-based plans with guarantees, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits is at minimum as required by the Swiss law. Plan benefits are provided in case of retirement from service or on death or disability before retirement based on conversion rates established and reviewed regularly by the foundation. Pre-retirement death and disability benefits are covered by insurance contracts. When leaving the Group pre-retirement, the benefits vested according to the Swiss pension law will be transferred to the plan's participant's new pension scheme. Retirement benefits are based on the accumulation of defined contributions paid by employers and employees in individual accounts with interest. The plans provide limited guarantees of accumulated capital and interest.

The pension funds are organised as registered Swiss employee welfare foundations, as separate legal entities and are administered by the board of the foundation and professional fund administrators appointed by the board of the foundation. Plan assets are held in trusts that are governed by local regulations and practices, as is the nature of the relationship between the Group and the foundations or their boards. According to Swiss pension law, the responsibility for governance of the plans – including investment decisions and contribution schedules – lies jointly with the fund administrators and the boards of the pension foundations. The boards of the pension foundations must be composed of representatives of the companies and plan participants in accordance with the plan's regulations.

The disclosures below relate to the Swiss plans.

	Note	**31 December 2019 CHF millions**	31 December 2018 CHF millions
Net amount recognised in the balance sheet			
Present value of funded obligation		1,522.1	1,500.2
Fair value of plan assets		(1,451.4)	(1,335.3)
Liability recognised in the balance sheet		**70.7**	164.9
Liability at 01 January		**164.9**	167.2
Net amount recognised in the income statement	20	(4.2)	25.2
Net amount recognised in other comprehensive income		(56.8)	2.1
Company contribution paid in year		(33.2)	(29.6)
Liability at 31 December		**70.7**	164.9

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
At 01 January 2019	**1,500.2**	**(1,335.3)**	**164.9**
Current service cost	22.1		22.1
Past service cost-plan amendments	(28.4)		(28.4)
Interest expense/(income)	8.2	(7.4)	0.8
Administrative costs and insurance premiums	1.3		1.3
Net amount recognised in the income statement	**3.2**	**(7.4)**	**(4.2)**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)		(148.8)	(148.8)
Actuarial loss on defined benefit obligation	92.0		92.0
Net amount recognised in other comprehensive income	**92.0**	**(148.8)**	**(56.8)**
Plan participants contributions	16.3	(16.3)	–
Company contributions		(33.2)	(33.2)
Administrative costs and insurance premiums		1.4	1.4
Benefit payments	(89.6)	88.2	(1.4)
Total transactions with fund	**(73.3)**	**40.1**	**(33.2)**
At 31 December 2019	**1,522.1**	**(1,451.4)**	**70.7**

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
At 01 January 2018	1,602.2	(1,435.0)	167.2
Current service cost	25.1		25.1
Past service cost-plan amendments	(1.9)		(1.9)
Interest expense/(income)	9.5	(8.6)	0.9
Administrative costs and insurance premiums	1.1		1.1
Net amount recognised in the income statement	**33.8**	**(8.6)**	**25.2**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)		71.8	71.8
Actuarial gain on defined benefit obligation	(69.7)		(69.7)
Net amount recognised in other comprehensive income	**(69.7)**	**71.8**	**2.1**
Plan participants contributions	15.3	(15.3)	–
Company contributions		(29.6)	(29.6)
Administrative costs and insurance premiums		1.1	1.1
Benefit payments	(81.4)	80.3	(1.1)
Total transactions with fund	**(66.1)**	**36.5**	**(29.6)**
At 31 December 2018	**1,500.2**	**(1,335.3)**	**164.9**

	31 December 2019	31 December 2018	31 December 2017
Significant actuarial assumptions			
Discount rate	0.20%	0.71%	0.61%
Salary growth rate	1.25%	1.50%	1.50%
Pension growth rate	0.00%	0.00%	0.00%

	Years	Years	Years
Assumptions regarding future mortality			
Longevity at age 65 for current pensioners:			
male	21.8	21.7	21.7
female	23.7	23.6	23.6
Longevity at age 65 for future pensioners (aged 50):			
male	22.9	22.8	22.7
female	24.9	24.8	24.6

	Change in assumption	**Impact of an increase in assumption on present value of obligation CHF millions**	**Impact of a decrease in assumption on present value of obligation CHF millions**
2019 Sensitivity analysis			
Discount rate	0.10%	(18.8)	20.5
Salary growth rate	0.10%	1.8	(1.6)
Pension growth rate	0.10%	15.1	
Life expectancy	3 months	12.3	(12.2)

Actuarial assumptions of both financial and demographic nature are established as unbiased best estimates of future expectations. Assumptions are changed from time to time to reflect changes in the information available to use in formulating best estimates.

The expected mortality is based on the UK's Continuous Mortality Investigation (CMI) unit's model calibrated with historical Swiss mortality data (LPP2015 generational tables) and using a 1.25% long-term trend rate.

By applying the risk sharing provisions of IAS 19, the plan liabilities are calculated assuming that the pension conversion rate currently in effect will decrease in the next decade to a level based on 1.5% local funding discount rate and the mortality tables assumed for the current plan liabilities.

Financial assumptions include the discount rate, the expected rate of salary growth and the expected rate of pensions increases. The discount rate is set based on consideration of the yields of high-quality corporate debt of duration similar to that of the pension liabilities. Where availability of such data is limited, the company considers yields available on government bonds and allowing for credit spreads available in other deeper and more liquid markets for high-quality corporate debt. The salary growth assumption is set based on the employer's expectation for inflation and market forces on salaries.

The actuarial loss for the year of CHF 92.0 million mainly includes
- CHF (1.6) million loss due to experience adjustments to assumptions
- CHF (90.4) million loss due to changes in discount rates and other financial assumptions

The plans do not guarantee any pension increases, although in the event that the plan developed a surplus according to Swiss pension law, then a discretionary pension adjustment could be possible. At the present time, projections for the plans development do not indicate a pension adjustment is likely and so it is assumed that pensions are fixed.

The sensitivity of the valuation result to changes in assumptions is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change. This is separately illustrated for changes in the discount rate and the expected rate of future salary increases. In practice, there may be some correlation in changes of assumptions, but for the purposes of the valuation the effect is ignored.

The operation of the pension plans involves exposure to a range of risks most significant being presented further below. The impact of these risks is shared between the Group and the plan participants in case of negative effects. In situations where the pension funds will accumulate surplus assets after providing the target benefits, the boards of the foundation may consider a distribution of the surplus to participants. No part of the surplus may be attributed to the Group.

(i) Investment risk
Plan assets are invested to achieve a target return. The actual returns earned each year are likely to vary with a result higher or lower than the target. There is a risk that the long-term average return may be higher or lower than the target. If the long-term return is lower than the target, then the fund will not have sufficient assets for plan benefits. The year-on-year variation in the return will generally be reflected directly in the defined benefit remeasurements.

A component of the return earned each year is derived from investment in bonds, and these bond returns are reflected in changes in the discount rate used to measure the defined benefit obligation. As a result, benefit remeasurements through other comprehensive income resulting from asset volatility may be reduced by changes in the related obligation resulting from changes in the discount rate.

(ii) Longevity risk
The plans provide annuity options to individuals on retirement. These annuity options are calculated using a conversion rate which is established by the foundation and reviewed periodically.

The conversion rate is calculated with an assumption for the target rate of return and the life expectancy of the pensioner. Historic experience is that life expectancy improved faster than actuarial tables predicted, and so longevity risk tended to be 'loss generating'.

(iii) Interest volatility risk
There is a substantial year-on-year liability volatility due to the volatility of the discount rate used in the model which is based on market yields on bonds of a specified type. The funds allocate a substantial proportion of assets to bonds, but the availability of bonds of duration and characteristics similar in nature to the discount rate is limited so that the interest rate volatility risk cannot be eliminated. Interest rate volatility does not result in any effect on the Group performance but rather on the remeasurements recognised in other comprehensive income.

(iv) Death and disability risk
The number of cases of death and disability of active employees may fluctuate considerably from year to year. To mitigate the effect of this risk, the Swiss plans have contracted insurance contracts covering the cost of death and disability benefits arising each year.

Plan asset
The pension funds have established written investment policies whereby the fund periodically establishes an allocation strategy with target allocations and tactical ranges for the principal classes of investments (equity, fixed income, real estate and liquidity) which aims to maximise the returns on plan assets.

Plan assets are invested under mandates to a number of investment portfolio managers. Investment portfolio managers' performance is regularly evaluated against its established strategy. The actual return on plan assets was a gain of CHF 156.2 million in 2019 (2018: loss of CHF 63.2 million). The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

The plan assets do not include any shares of the EFG International Group or of any of its subsidiaries.

The plan asset allocation is as follows:

	Quoted CHF millions	Unquoted CHF millions	2019 Total CHF millions	2019 in %
Cash and cash equivalents	70.6		70.6	4.9%
Equity instruments	534.6		534.6	36.8%
Debt instruments	511.6		511.6	35.2%
Real estate	113.8	195.7	309.5	21.3%
Other	19.6	5.5	25.1	1.8%
Total plan assets at the end of the year	**1,250.2**	**201.2**	**1,451.4**	**100.0%**

	Quoted CHF millions	Unquoted CHF millions	2018 Total CHF millions	2018 in %
Cash and cash equivalents	125.4		125.4	9.4%
Equity instruments	425.0		425.0	31.8%
Debt instruments	470.3		470.3	35.2%
Real estate	102.3	189.8	292.1	21.9%
Other	6.6	15.9	22.5	1.7%
Total plan assets at the end of the year	**1,129.6**	**205.7**	**1,335.3**	**100.0%**

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2020 are CHF 36.0 million. The weighted average duration of the defined benefit obligation is 13.2 years. The expected maturity analysis of undiscounted pension benefits is as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Expected maturity analysis of undiscounted pension benefits		
Less than 1 year	87.7	81.7
Between 1–2 years	74.7	73.5
Between 2–5 years	203.9	211.3
Over 5 years	1,198.3	1,290.3
Total	**1,564.6**	1,656.8

53. Subordinated loans

	Weighted average interest rate %	Due dates	31 December 2019 CHF millions	31 December 2018 CHF millions
Subordinated loans				
Issued by EFG International (Guernsey) Ltd – USD 400,000,000	5.00% p.a.	March 2027	389.7	396.6
Total subordinated loans			**389.7**	396.6

Subordinated loans are presented net of unamortised discount on issuance of CHF 1.6 million (2018: CHF 2.1 million).

The movement in subordinated loans is as follows:

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	**396.6**	580.7
Subordinated loan redeemed		(180.0)
Accrued interest and amortisation of discount	0.6	(7.6)
Exchange differences	(7.5)	3.5
At 31 December	**389.7**	396.6

54. Share capital

The following is an analysis of the movement of share capital and share premium. The par value of EFG International AG registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation (Preference shares) is CHF 15.00.

All EFG International AG shares and Bons de Participation are fully paid.

Number of shares
The following is an analysis of the movement in the number of shares issued by the Group:

	Ordinary shares with voting right	Bons de Participation without voting right	Treasury shares Ordinary shares	Treasury shares Bons de Participation	Net
Nominal	CHF 0.50	CHF 15.00	CHF 0.50	CHF 15.00	
At 01 January 2018	**289,717,268**	**13,382**	**(40,223)**	**(750)**	
Ordinary shares sold					
Ordinary shares repurchased			(4,362,873)		
Employee equity incentive plans exercised	4,357,323				
At 31 December 2018	**294,074,591**	**13,382**	**(4,403,096)**	**(750)**	
Ordinary shares repurchased			(5,055,852)		
Employee equity incentive plans exercised	999,335		3,839,014		
New shares issued	2,124,577		(554,834)		
At 31 December 2019	**297,198,503**	**13,382**	**(6,174,768)**	**(750)**	
Net share capital (CHF millions)	**148.6**	**0.2**	**(3.0)**	**–**	**145.8**

On an annual basis, the Group prepares a corporate governance statement which includes a description of the capital structure.

Information relating to the EFG fiduciary certificates in circulation
The Group has EUR 13,382,000 notional amount of outstanding EFG Fiduciary Certificates. These were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates. Banque de Luxembourg holds 13,382 Class B Bons de Participation issued by EFG International AG and 13,382 Class B Shares issued by EFG Finance (Guernsey) Limited.

55. Other reserves

	IFRS 9 CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
At 01 January 2018	7.6	133.7	107.1	248.4
Employee equity incentive plans vested		31.2		31.2
Employee equity incentive plans exercised		(2.1)		(2.1)
Net loss on investments in debt instruments measured at fair value through other comprehensive income	(5.6)			(5.6)
Retirement benefit loss			(2.1)	(2.1)
Tax effect on retirement benefit loss			0.5	0.5
Net loss on hedge of net investments in foreign operations, with no tax effect			(3.9)	(3.9)
Currency translation differences net of non-controlling interests			(60.0)	(60.0)
At 31 December 2018	**2.0**	**162.8**	**41.6**	**206.4**
At 01 January 2019	2.0	162.8	41.6	206.4
Employee equity incentive plans vested		31.9		31.9
Employee equity incentive plans exercised		(2.4)		(2.4)
Net gain on investments in debt instruments measured at fair value through other comprehensive income	15.3			15.3
Retirement benefit gain			56.4	56.4
Tax effect on retirement benefit gain			(17.2)	(17.2)
Net gain on hedge of net investments in foreign operations, with no tax effect			1.1	1.1
Currency translation differences net of non-controlling interests			(15.4)	(15.4)
Changes in ownership interests with no loss of control			9.9	9.9
At 31 December 2019	**17.3**	**192.3**	**76.4**	**286.0**

56. Dividends

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting in April. A dividend in respect of 2019 of CHF 0.30 (2018: CHF 0.30) per share amounting to approximately CHF 87.3 million (2018: CHF 86.7 million), net of dividends, not payable on treasury shares is to be proposed.

The financial statements for the year ended 31 December 2019 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2019, with no tax effect for the Group.

	31 December 2019 CHF millions	31 December 2018 CHF millions
Dividends on ordinary shares		
CHF 0.25 per share related to 2017 paid in 2018		72.4
CHF 0.30 per share related to 2018 paid in 2019	86.7	
	86.7	72.4
Dividends on Bons de Participation		
For the period 31 October 2017 to 30 April 2018 at 1.138%		0.1
For the period 1 May 2018 to 30 October 2018 at 1.262%		
For the period 31 October 2018 to 30 April 2019 1.267%	0.1	
For the period 1 May 2019 to 30 October 2019 at 0.791%	0.1	
	0.2	0.1

57. Non-controlling interests

	31 December 2019 CHF millions	31 December 2018 CHF millions
Asesores Y Gestores Financieros S.A.	36.5	27.6
Shaw and Partners Ltd	16.8	
Other	0.8	0.8
Total non-controlling interests	**54.1**	28.4

The total non-controlling interest primarily relates to the 57.5% interest in Asesores Y Gestores Financieros S.A. and the 49% interest in Shaw and Partners Ltd not held by the Group. Asesores Y Gestores Financieros S.A. is the holding company for A&G Banca Privada S.A. in Spain.

During 2019, the Group sold 11.49% of its shares to non-controlling interests for EUR 15.2 million without losing control of Asesores Y Gestores Financieros S.A.

There are no significant restrictions on the parent company or its subsidiaries, ability to access or use the assets and settle the liabilities of the Group, other than those that exist as a result of the subsidiaries being individually regulated.

During 2019, CHF 3.8 million of profit has been allocated to the non-controlling interests of Asesores Y Gestores Financieros S.A. and CHF 2.3 million has been allocated to the non-controlling interests of Shaw and Partners Ltd.

The summarised information for Asesores Y Gestores Financieros S.A. and Shaw and Partners Ltd, which are the only non-controlling interest that are material for the Group, is as follows:

	Asesores Y Gestores Financieros S.A.		Shaw and Partners Ltd
	31 December 2019 CHF millions	31 December 2018 CHF millions	31 December 2019 CHF millions
Total assets	541.8	500.2	44.4
Total liabilities	478.6	440.1	27.1
Operating income	61.7	57.3	30.5
Net profit for the year (before non-controlling interests)	7.7	6.0	4.0

58. Off-balance sheet items

	31 December 2019 CHF millions	31 December 2018 CHF millions
Guarantees issued in favour of third parties	1,158.1	767.8
Irrevocable commitments	282.4	199.1
Operating lease commitments (see note 3)		173.9
Total	**1,440.5**	1,140.8

The following table summarises the Group's off-balance sheet items by maturity:

	Not later than 1 year CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2019				
Guarantees issued in favour of third parties	361.2	65.5	731.4	1,158.1
Irrevocable commitments	142.7	113.6	26.1	282.4
Total	**503.9**	**179.1**	**757.5**	**1,440.5**
31 December 2018				
Guarantees issued in favour of third parties	178.5	44.7	544.6	767.8
Irrevocable commitments	114.3	79.2	5.6	199.1
Operating lease commitments	40.0	103.5	30.4	173.9
Total	**332.8**	**227.4**	**580.6**	**1,140.8**

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases are disclosed in the table above for 2018. For 2019 these are included in the lease liability in Note 51 following the adoption of IFRS 16.

59. Securities repurchase and reverse purchase agreements

	31 December 2019 CHF millions	31 December 2018 CHF millions
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	244.2	253.6
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	1,192.5	861.5
with unrestricted right to resell or pledge	*1,192.5*	*861.5*
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing, as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,524.3	1,145.0
of which repledged securities	*1,131.2*	*858.9*

* Before netting agreements

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

60. Fiduciary transactions

	31 December 2019 CHF millions	31 December 2018 CHF millions
Fiduciary transactions with third-party banks	1,431.8	1,631.3
Total	**1,431.8**	1,631.3

61. Analysis of Swiss and foreign assets, liabilities and shareholders' equity

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2019			
Total assets	11,732.1	29,252.7	40,984.8
Total liabilities	(5,485.8)	(33,718.2)	(39,204.0)
Equity	**6,246.3**	**(4,519.6)**	**1,726.7**
Non-controlling interests		54.1	54.1
Total shareholders' equity	**6,246.3**	**(4,465.5)**	**1,780.8**
Total equity and liabilities	**11,732.1**	**29,252.7**	**40,984.8**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2018			
Assets	16,425.8	23,734.7	40,160.5
Liabilities	(14,110.5)	(24,393.9)	(38,504.4)
Equity	**4,360.0**	**(2,732.3)**	**1,627.7**
Non-controlling interests		28.4	28.4
Total shareholders' equity	**4,360.0**	**(2,703.9)**	**1,656.1**
Total equity and liabilities	**18,470.5**	**21,690.0**	**40,160.5**

62. Employee equity incentive plans

The EFG International Employee Equity Incentive Plan (the 'Plan') has different classes of options and restricted stock units, which have a vesting period of one, two and three years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

The expense recorded in the income statement spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the income statement for the period ended 31 December 2019 was CHF 31.9 million (2018: CHF 31.2 million).

The Plan has been developed internally by the Group without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The following table summarises the outstanding options and restricted stock units at 31 December 2019 which, when exercised, will each result in the issuance of one ordinary share:

	31 December 2019	31 December 2018
At 01 January	**13,584,132**	13,145,186
Granted – Restricted stock units	5,143,311	5,470,063
Granted – Long term incentive plan units	4,531,402	
Lapsed	(193,442)	(557,290)
Exercised	(4,737,190)	(4,473,827)
At 31 December	**18,328,213**	13,584,132

62.1 2019 incentive plan

EFG International granted 5,143,311 (2018: 5,470,063) restricted stock units in the year. There are two classes of restricted stock units as follows:
– With a 3-year lock-up restriction ('Restricted stock units with 3- year lock-up'),
– With no lock-up condition attached ('Restricted stock units with 1/3 exercisable annually').

Both of the classes vest 1/3 every year over the next three years. All restricted stock units have no exercise price.

In addition, the Group has granted 4,531,402 long-term incentive plan units, which have a vesting period of three, four and five years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

The weighted average deemed value of each restricted stock unit and each long-term incentive plan units granted in 2019 is CHF 5.32. The values of the restricted stock units and long-term incentive plan units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.65) and the discount determined by management (20%) based on the expected life of the restricted stock units and the long-term incentive plan units (12 to 60 months).

62.2 2020 incentive plan

EFG International will grant restricted stock units in April 2020 at prices to be determined based on the relevant valuation inputs on the date of issue.

63. Related party transactions

	Significant shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2019			
Assets			
Derivatives		2.1	
Loans and advances to customers			
Other assets	7.0	1.6	
Liabilities			
Due to other banks		8.4	
Due to customers	62.3	1.1	20.8
Other liabilities	0.2	0.3	
Year ended 31 December 2019			
Interest income			0.2
Commission income	2.6	1.1	0.1
Net other income	3.9	1.7	
Operating expenses		(1.1)	

	Significant shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2018			
Assets			
Due from other banks		0.3	
Derivatives		1.0	
Loans and advances to customers	22.5		9.7
Other assets	4.2	1.5	
Liabilities			
Due to other banks		3.8	
Due to customers	67.3	1.2	2.8
Other liabilities	0.1	0.3	
Year ended 31 December 2018			
Interest income	0.4		
Commission income	2.2	1.0	
Net other income		1.6	
Operating expenses	(2.2)	(0.5)	

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third-party amounts classified as due from other banks are unsecured.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans granted to related parties (2018: nil).

64. Key management compensation

	31 December 2019 CHF	31 December 2018 CHF
Executive Committee and Board of Directors		
Cash compensation	9,349,332	12,375,505
Pension contributions	567,041	653,742
Other compensation and social charges	1,100,186	1,105,825
Restricted stock units	17,417,497	2,878,077
Total	**28,434,056**	17,013,149

Cash compensation includes fixed and variable cash compensation.

On an annual basis, the Group prepares a compensation report which includes description of the key management compensation.

65. Assets under management and assets under administration

	31 December 2019 CHF millions	31 December 2018 CHF millions
Character of client assets		
Equities	45,807	26,854
Deposits	33,372	31,026
Bonds	35,271	32,333
Loans	19,778	18,726
Structured notes	4,701	4,035
Hedge funds/Fund of hedge funds	2,920	3,281
Fiduciary deposits	1,401	1,431
Other	10,567	13,543
Total Revenue Generating Assets under Management	**153,817**	131,229
Total Assets under Administration	**18,876**	18,479
Total Assets under Management and Administration	**172,693**	149,708

Assets under Administration are trust assets administered by the Group. The Group has CHF 7,004 million (2018: CHF 7,680 million) of Assets under Custody not included in the above.

The Group calculates Total Revenue Generating Assets under Management (AUM) as the total market value of the assets and liabilities that the Group manages on behalf of clients. AuM include all assets and liabilities managed by or deposited with the Group on which the Group earns revenue. Assets under Custody excluded from AuM, are assets deposited with the Group held solely for safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested. AUM includes lombard loans and mortgages, though does not include the real estate that is security for the mortgage.

When AUM is subject to more than one level of asset management services, double counting arises within the total AUM. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group. Double counts primarily include the self-managed collective investment schemes and structured products issued by Group companies which are also included in customer portfolios and already included in AUM.

	31 December 2019 CHF millions	31 December 2018 CHF millions
Assets under Management		
Character of Assets under Management:		
Assets in own administrated collective investment schemes	10,266	10,696
Assets under discretionary management agreements	25,755	21,681
Other assets under management	98,018	80,126
Total Assets under Management (including double counts)	**134,039**	112,503
Thereof double counts	*5,189*	*5,327*
Loans	19,778	18,726
Total Assets under Administration	18,876	18,479
Total Assets under Management and Administration	**172,693**	149,708
Net new asset inflows/(outflows) (including double counts)	**5,203**	(2,132)

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	112,503	123,050
Net new money inflows/(outflows)	3,665	(2,682)
Market performance and currency impact	6,935	(6,998)
Increase in scope of consolidation due to acquisition	10,936	
Other effects		(867)
At 31 December	**134,039**	112,503

Net new money consists of new client acquisition, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of Group companies are not included in net new money.

66. Events occurring after the reporting period

No material events occurred after the balance sheet date that could have a material impact on the consolidated financial position of the Group as of 31 December 2019.

67. Swiss banking law requirements

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, changes in the fair value of financial assets at fair value through other comprehensive income are recorded as increases or decreases to shareholders' equity (refer to consolidated statement of other comprehensive income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. On disposal of a debt financial instrument at fair value through other comprehensive income, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported in other comprehensive income, is included in the income statement for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value. Positive and negative balance of market-related and/or credit worthiness-related value adjustments to financial investments valued according to the lower of cost or market value principle are included in the income statement as sundry ordinary income and sundry ordinary expenses respectively. Gains or losses on disposals are recognised in the income statement as income from the sale of financial investments.

(b) Fair value option

Even if an instrument meets the requirements to be measured at amortised cost or fair value through other comprehensive income, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at fair value through profit and loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities (or recognising the gains and losses on them) on different bases.

Under Swiss law, this option is not available. Only the financial assets held for trading are reflected on the balance sheet at fair value. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortised cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under IFRS 9, derivatives are recorded in the balance sheet at fair value with changes in fair value being recognised in fair value gains less losses on financial instruments measured at fair value.

Under Swiss law, the Group's derivative instruments are recorded on balance sheet at their market values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable. Hedging transactions are valued using the same principles as those for the underlying transactions being hedged.

(d) Goodwill and intangible assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalised in the balance sheet.

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the income statement.

(e) Extraordinary income and expense

Under IFRS, items of income and expense shall not be classified as extraordinary items, in the income statement or the separate income statement (if presented), or in the notes.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment), are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

(g) Retirement benefit obligations

Under IFRS and the specific rules of IAS 19R, the Group records a liability for the Swiss pension funds as if they were defined benefit schemes.

Under Swiss law, the funds are classified as defined contribution schemes and the Group's liability for a fully funded pension fund is limited and as a result no liability exists for any amounts other than unpaid employers' contributions.

(h) Expected credit losses

Under IFRS, the Group records a loss allowance for all financial assets measured on amortised cost basis and debt instruments at fair value through other comprehensive income, reflecting a forward-looking expectation of future losses even where there is no loss incurred.

Under Swiss law, impairments are only recorded on an incurred basis.

(i) Lease accounting

Under IFRS, the Group records a right-of-use asset and a lease liability in the balance sheet for leases. The right-of-use asset is then amortised over the period of the lease.

Under Swiss law, lease expenses are charged to income statement on a straight-line basis over the life of the lease.

Auditor’s Report

Report of the statutory auditor

to the General Meeting of EFG International AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EFG International AG and its subsidiaries ('the Group'), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019 and the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 68 to 197) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

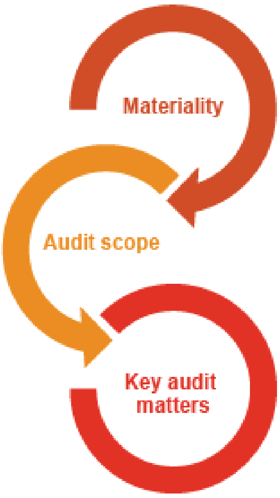
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 6'170'000

We concluded full scope audit work at 12 reporting units in 10 countries. Our audit scope addressed 83% of the Group's profit before tax and 88% of the Group's total assets.

As key audit matters the following areas of focus have been identified:

- Impairment of loans and advances to customers
- Valuation of investments in life insurance policies
- Provisions and contingent liabilities in respect of ongoing disputes and litigations

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 6'170'000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 250'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organized in seven business segments, in addition to Corporate Overheads: Americas, Asia, United Kingdom, Continental Europe, Switzerland and Italy, Investment Solutions, Global Markets and Treasury. The Group financial statements are a consolidation of 70 reporting units. When scoping the reporting units for Group audit, we aimed to achieve adequate coverage of Group profit before tax, revenues and assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

Key audit matter	How our audit addressed the key audit matter
The impairment of loans and advances to customers is considered a key audit matter due to the size of the balance of loans and advances to customers (CHF 19,029.8 million, predominantly Lombard loans and mortgage loans) as well as Management’s judgements involved in the estimation of the expected credit losses (ECLs). The ECL allowance amounts to CHF 106.5 million. In order to limit the losses from its lending business, the Group has set loan-to-value limits that are tailored to the nature of the supporting collateral. The key judgement made by Management when estimating the ECLs involves	We assessed and tested the design and operating effectiveness of the controls for identification of credit impaired loans and loans with increased credit risks, as well as the calculation of ECLs. As part of our work, on a sample basis, we: • checked that the assigned pledges are available in order to confirm that the Group could realise collateral in order to recover the loans; • tested the controls over the automated sourcing of the market prices for financial assets pledged by the customers as collateral in order to ensure that up-to-

assessing whether the realisable value of collateral will be sufficient to cover the exposure.

Management has put in place a comprehensive set of controls in order to monitor the market value of collateral on an ongoing basis, as well as to identify ‘Significant Increases in Credit Risk (SICR’).

There are credit impaired customer advances with a gross carrying value of approximately CHF 194.0 million as at 31 December 2019, which require significant management judgement to determine recoverability:

- the advances were secured by cash owned by a pledger whose parent company has been placed into receivership.
- the receiver has raised an objection as to the validity and enforceability of the pledge and has obtained a ruling by an arbitrator requesting the Group to release the pledged assets.
- the Group believes that the pledge is fully enforceable but has calculated the recoverable amount by judgmentally weighting the outcomes of several scenarios developed with the assistance of external legal counsel. Management recorded an ECL of CHF 88.3 million against these advances.

Also refer to Note 2 (i), Note 4 (b), Note 6, Note 8.5, Note 33, Note 34.

date market values are used when assessing SICR and estimating ECLs; and

- tested the controls over the generation of credit excess list and shortfall reports to ensure that these reports were complete and accurate.

In addition, we carried out the following procedures:

- on a sample basis, inspected documents used in the valuation of unquoted collateral (e.g. independent valuation reports for mortgage loans and cash surrender value assessments for life insurance policies) in order to ensure that the reports were sufficiently current and that they supported Management’s assessment of the adequacy of collateral;
- checked the completeness and accuracy flows of data into the reports used for estimating ECLs by tracing, on a sample basis, key data elements from the reports back to the core banking system and the supporting documents;
- on a sample basis, checked the detailed loan data to ensure that loans with SICR indicators had been classified as either stage 2 or stage 3;
- inspected the credit excess list and shortfall reports to identify potentially underprovided loans; and
- carried out an overall analytical assessment of ECLs.

In respect of the gross customer advances of CHF 194.0 million requiring significant management judgement, we performed the following procedures:

- reviewed Management’s scenario analysis and challenged its assessment of the recoverability of the advances by analysing the completeness of scenarios and the reasonableness of the assigned probabilities against the statements obtained from external legal counsel and other available evidence; and
- reviewed the legal opinions commissioned by management on this matter and obtained confirmation letters directly from external legal counsel.

We found the approach applied by the Group to be reasonable.

Valuation of investments in life insurance policies

Key audit matter	How our audit addressed the key audit matter
The Group holds life insurance policies (LIPs) with a carrying value of CHF 952.8 million which it classifies as financial assets at fair value through profit or loss (FVTPL). Management uses a mark-to-model approach for fair valuation of LIPs and related derivatives. This approach requires significant judgement with respect to (a) the choice of valuation models and (b) the choice of assumptions (for instance choice of mortality table, life expectancy, premiums, death benefits) used in the models. Consequently, we considered this area to be a key audit matter. During the 2015-2018 period, several insurance carriers notified the Group of increases in insurance premiums ('cost of insurance' or 'CoI'). These increases have attracted interests from US consumers associations and regulators and the Group has filed legal claims in dispute of these increases. The Group factored these increases into its assessment of the fair value of the LIPs by assuming that market participants would also take into consideration the legal dispute when determining the fair value. Management developed a number of discrete scenarios starting with a base case and relying on expert opinions. On the basis of the review of these scenarios, Management decided to assume premiums would increase for all policies subject to a notification of increase by the insurance carriers, but at a rate significantly lower than that notified by the insurers. For LIPs with insurance carriers that have not notified CoI increase, the Group maintained CoI estimates consistent with the previous year. Please refer to Notes 4 (c), 10, 31 and 40.1 (c).	In order to ensure completeness of the LIP population, we have, on a sample basis, tested census data based on external confirmations obtained from servicers and custodians. We assessed with the involvement of our specialists the adequacy of the fair value model in light of IFRS 13 requirements. We also reviewed the methodology for the models used, checked that the assumptions are correctly entered in the Group's model, and assessed whether the main assumptions used by Management are in line with historic experience or a market participant's view. We further checked that the assumptions and risk factors used in the model were consistent with the ones used by the life insurance industry for valuing LIPs. This included (a) assessing whether the choice of mortality table was appropriate, (b) reviewing of the key assumptions (life expectancy, premiums, death benefits), and (c) checking the mathematical accuracy of the model. We found the approach applied by the Group to be reasonable.

Provisions and contingent liabilities in respect of ongoing disputes and litigations

Key audit matter	How our audit addressed the key audit matter
We considered this area a key audit matter because the Group is a defendant in a number of disputes where, as disclosed in Note 49 and Note 50, the amount of compensation claimed is significant and the impact of the these pending cases on the financial statements depends on Management's judgement. On the basis of information from internal and external legal counsels, Management makes judgements about the probability of the outcomes of the pending legal proceedings and magnitude of the potential liabilities arising from claims subject to these future outcomes. As per Note 49, the Group had recognised provisions of CHF 144.1 million for litigations and other claims as of 31	In view of the significant judgements required, we discussed the outstanding claims against the Group with Management (including in-house counsel), evaluated the management's assessment of the nature and expected developments of claims and sought additional evidence we considered appropriate. We challenged Management's conclusions with respect to the provisions and disclosures made for significant cases, by considering the correspondence between the Group and its external legal counsel and obtaining confirmation letters (concerning the status and outlook of the case) directly from the external legal counsel and ensuring that these were consistent with Management's conclusions. We further audited the disclosures relating to cases provided

December 2019. Please refer to Notes 2 (o), 4 (f), 49 and 50.	for (Note 49) and contingent liabilities (Note 50) to ensure that they were in line with the reports provided by the external legal counsels. We concluded that the judgements and disclosures made were reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of EFG International AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Thomas Romer	Omar Grossi
Audit expert Auditor in charge	Audit expert

Geneva, 25 February 2020

EFG International, Zurich
Parent Company Financial Statements

for the year ended 31 December 2019

Income statement for the year ended 31 December 2019
EFG International, Zurich

	Note	Year ended 31 December 2019 CHF millions	Year ended 31 December 2018 CHF millions
Income			
Interest income from subsidiaries		36.3	36.4
Income from subsidiaries	14	60.0	68.9
Other income	15	2.7	
Total income		**99.0**	105.3
Expenses			
Staff expenses		(13.0)	(11.9)
Operating expenses	16	(35.5)	(34.9)
Interest expenses paid to subsidiaries		(4.4)	(1.3)
Foreign exchange losses		(1.6)	(12.5)
Impairment of investments in subsidiaries	8	(27.1)	(9.9)
Provision for guarantees	17	(9.8)	(72.8)
Total expenses		**(91.4)**	(143.3)
Net profit/(loss) before tax		**7.6**	(38.0)
Tax (expense)/gain		(1.4)	1.1
Net profit/(loss) for the period		**6.2**	(36.9)

Balance sheet as at 31 December 2019
EFG International, Zurich

	Note	Year ended 31 December 2019 CHF millions	Year ended 31 December 2018 CHF millions
Assets			
Due from subsidiaries		183.3	39.1
Other assets		11.1	10.7
Current assets		**194.4**	**49.8**
Investments in subsidiaries		1,748.7	1,761.4
Subordinated loans to subsidiaries		450.0	457.6
Non-current assets		**2,198.7**	**2,219.0**
Total assets		**2,393.1**	**2,268.8**
Liabilities			
Due to subsidiaries		781.6	501.5
Accrued expenses and deferred income		24.6	6.5
Other liabilities		0.2	0.3
Current liabilities		**806.4**	**508.3**
Provisions	17	329.3	436.6
Non-current liabilities		**329.3**	**436.6**
Total liabilities		**1,135.7**	**944.9**
Equity			
Share capital	12	148.6	147.0
Non-voting equity securities (Participation certificates)	12	0.2	0.2
Legal reserves		2,129.6	2,203.9
of which Reserve from capital contributions	*18*	*2,090.3*	*2,173.1*
of which Reserve for own shares from capital contributions		*39.3*	*30.8*
Retained earnings	19	(1,027.2)	(990.3)
Net profit/(loss) for the period		6.2	(36.9)
Total shareholders' equity		**1,257.4**	**1,323.9**
Total shareholders' equity and liabilities		**2,393.1**	**2,268.8**

Notes to the financial statements
EFG International, Zurich

1. General information

EFG International AG is incorporated and domiciled in Switzerland. Its registered office is at Bleicherweg 8, 8022 Zurich.

2. Accounting policies

The EFG International AG stand alone financial statements are prepared in accordance with the principles of the Swiss Law on Accounting Law (art. 957 to 963b of the Swiss Code of Obligations). As the Group is preparing its consolidated financial statements in accordance with IFRS, EFG International AG (stand alone) is exempt from various disclosures in the stand alone financial statements.

The stand alone financial statements of EFG International AG are presented in CHF, its functional currency. Assets and liabilities denominated in foreign currencies are converted at rates of exchange prevailing at year-end, which are presented in note 2 (c) of the consolidated financial statements.

Investments in subsidiaries
Investments in subsidiaries are equity interests and are directly held subsidiaries through which EFG International conducts its business on a global basis. They are measured individually and carried at historical cost less any impairments.

Provisions
Provisions are recognised when:
a) There is a present legal or constructive obligation as a result of past events
b) It is probable that an outflow of economic benefits will be required to settle the obligation
c) Reliable estimates of the amount of the obligation can be made

3. Contingent liabilities

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 4,521 million (2018: CHF 3,746 million). Included in this amount is CHF 3,856 million (2018: CHF 3,075 million) related to structured products issued by a fellow subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). The risks related to these liabilities of the subsidiary are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

4. Balance sheet assets with retention of title to secure own obligations

There are no such assets.

5. Off-balance sheet obligations relating to leasing contracts

There are no such obligations.

6. Liabilities relating to pension plans and other retirement benefit obligations

There are no such liabilities.

7. Subordinated debt

There are no such liabilities.

8. Principal participations

The company's principal participations are shown in the note 44 to the consolidated financial statements.

In the current year, the company impaired the carrying value of investments in subsidiaries by CHF 27.1 million (2018: CHF 9.9 million) where capital was invested in subsidiaries with net asset values below the carrying value of the subsidiaries. The existing carrying value is still below its original acquisition cost.

9. Release of undisclosed reserves

During the period, no undisclosed reserves were released (2018: nil).

10. Revaluation of long-term assets to higher than cost

There was no such revaluation.

11. Own shares held by the company and by Group companies

In the statutory financial statements of EFG International AG, treasury shares held by EFG International AG itself are deducted directly from equity. For treasury shares held by other Group companies, a reserve for treasury shares is stated in equity.

While EFG International AG did not hold any treasury shares in 2019 and 2018, different Group entities held 6,174,768 registered shares in 2019 (2018: 4,403,096).

A share buyback programme was announced on 26 April 2019 with the intention to repurchase up to a total of 8,000,000 registered shares on the SIX Swiss Exchange through its wholly owned subsidiary EFG Bank AG, Cayman branch. The repurchased shares will be used to fund restricted stock units relating to employee incentive plans.

750 (2018: 750) Bons de Participation B were held by subsidiaries.

See note 54 of the consolidated financial statements.

12. Share capital

	31 December 2019 CHF millions	31 December 2018 CHF millions
297,198,503 (2018: 294,074,591) registered shares at the nominal value of CHF 0.50	148.6	147.0
13,382 (2018: 13,382) Bons de Participation B at the nominal value of CHF 15.00	0.2	0.2
Total share capital	**148.8**	147.2

Conditional share capital

The share capital may be increased by no more than CHF 2,752,829 (2018: CHF 3,252,496.50) by issuing no more than 5,505,658 (2018: 6,504,993) fully paid-up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to employees of all levels of EFG International Group. The pre-emptive rights and the advance subscription rights of the shareholders and the participants are excluded in favour of the holders of the RSUs. The conditions for the allocation and the exercise of the options rights and similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price.

In addition, the share capital may be increased by no more than CHF 10,000,000 by issuing no more than 20,000,000 fully paid-in registered shares with a par value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures, debentures with option rights or other financing instruments by the Company or one of its subsidiaries. The preferential subscription rights of the shareholders and the participants are excluded in favour of the holders of conversion and/or option rights.

Authorised share capital

The Board of Directors is authorised, at any time until 27 April 2020, to increase the share capital by no more than CHF 23,937,711.5 by issuing no more than 47,875,423 fully paid-in registered shares with a par value of CHF 0.50 each. Partial increases are permissible. The Board of Directors is empowered to determine the issue price, the starting date of the dividend entitlement and the type of contribution for any shares issued out of authorised share capital.

13. Significant shareholders

The significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are:

	31 December 2019		31 December 2018	
	Shares	**Participation of %**	Shares	Participation of %
EFG Bank European Financial Group SA, Geneva	129,922,888	43.7%	127,922,888	43.5%
BTGP-BSI Limited, London	86,178,609	29.0%	79,378,609	27.0%

EFG Bank European Financial Group SA is controlled by the Latsis Family interests through several intermediate parent companies. BTGP-BSI Limited is a wholly-owned subsidiary of Banco BTG Pactual SA, Rio de Janeiro, a bank listed on the BOVESPA Sao Paulo Stock Exchange in Brazil.

14. Income from subsidiaries

Income from subsidiaries consists of the following:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Dividends	19.0	17.7
Royalties	5.1	4.6
Management service fees	4.4	5.9
Administrator fees	16.9	17.4
Other services	14.6	23.3
Total	**60.0**	68.9

15. Other income

Other income consists of the following:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Indemnification amounts receivables	2.1	
Other	0.6	
Other income	**2.7**	–

16. Operating expenses

Operating expenses consist of the following:

	31 December 2019 CHF millions	31 December 2018 CHF millions
Acquisition-related expenses	(9.3)	(3.7)
Other operating expenses	(12.1)	(15.7)
Services provided by subsidiaries	(14.1)	(15.5)
Total	**(35.5)**	(34.9)

17. Provisions

Guarantees of CHF 907.4 million were provided to subsidiaries (2018: CHF 648.9 million), related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 329.3 million (2018: CHF 436.6 million) exists at year-end, assuming the guarantees are called.

	31 December 2019 CHF millions	31 December 2018 CHF millions
Increase in provision for guarantees	(12.7)	(8.7)
Release of provision for guarantees	12.5	4.0
Provision for guarantee covering loans collateralised by life insurance policies	(9.6)	(68.1)
Total	**(9.8)**	(72.8)

18. Legal reserves

In 2019, a dividend distribution of CHF 86.7 million (2018: CHF 72.4 million) has been paid from the Reserve from capital contributions representing CHF 0.30 per registered share (2018: CHF 0.25 per registered share).

19. Retained earnings

	31 December 2019 CHF millions	31 December 2018 CHF millions
At 01 January	(990.3)	(1,212.7)
Net result of prior period	(36.9)	222.4
Transfer from Reserve from capital contributions	86.7	72.4
Dividend paid	(86.7)	(72.4)
At 31 December	**(1,027.2)**	(990.3)

20. Proposed appropriation of available reserves

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the profit of the year of CHF 6.2 million as cumulative negative retained earnings and to proceed to a distribution to shareholders of CHF 0.30 per share, which will amount to a total distribution of CHF 87.3 million. The Board of Directors proposes to fully charge the proposed distribution for 2019 of CHF 0.30 per share to the balance sheet item 'Reserve from capital contributions'. Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

21. Risk management

See notes 5 to 11 of consolidated financial statements.

22. Compensation of Board of Directors and Executive Committee

(i) Compensation year ended 2019

	Fixed compensation (1)		*Variable compensation (2)*		**LTIP (4)**	*Other compensation*		**Social charges (5)**	**Total**
	Cash	**RSUs**	**Cash bonus**	**RSUs (3)**	**RSUs**	**Cash**	**RSUs**		**2019**
	CHF	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**
Board of Directors									
John A. Williamson, Chair	1,000,000							203,878	1,203,878
Niccolò H. Burki, Vice-Chair	220,000	30,000						12,254	262,254
Susanne Brandenberger, member	205,000	30,000						42,294	277,294
Emmanuel L. Bussetil, member (6)									–
Michael N. Higgin, member*/***	107,987							13,160	121,147
Roberto Isolani, member	125,000	30,000						28,496	183,496
Steven M. Jacobs, member	150,000	30,000						31,184	211,184
Spiro J. Latsis, member (6)									–
John S. Latsis, member (6)									–
Bernd-A. von Maltzan, member**	326,128	30,000						9,541	365,669
Périclès Petalas, member (6)									–
Stuart M. Robertson, member***	269,147	30,000						45,703	344,850
Fong Seng Tee, member* (7)	72,678							9,552	82,230
Daniel Zuberbühler, member*	50,000							7,203	57,203
Total Board of Directors	**2,525,940**	**180,000**	**–**	**–**	**–**	**–**	**–**	**403,265**	**3,109,205**
Executive Committee									
Total Executive Committee**(8,9)**	**5,823,392**	**–**	**1,000,000**	**1,500,000**	**p.m. (4)**	**223,541**	**155,497**	**1,040,421**	**9,742,851**
of which highest paid:									
Piergiorgio Pradelli, CEO EFG International (10)	1,580,801		320,000	480,000	p.m. (4)	23,459		261,046	2,665,306

* Left in April 2019

** Includes Luxembourg and Spain subsidiaries Board of Directors' fees

*** Includes UK subsidiary Board of Directors' fees

**** Including members of the Executive Committee who joined and left in 2019. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes

1 Including employees' contributions for social charges. Including payment of untaken holidays balance to a member of the Executive Committee who left in 2019.

2 Subject to approval by the shareholders at the Annual General Meeting 2020

3 The amount represents the value of RSUs to be granted in 2020. For specific valuation of the Employee Equity Incentive Plans, refer to note 61 of the consolidated financial statements.

4 Under the LTIP (see further details in section 5.2.2. of the Compensation Report on page 51), a total maximum award of 2,600,000 RSUs has been allocated to the Executive Committee (CHF 17,290,000) as approved by the Annual General Meeting 2019, of which a maximum of 630,000 RSUs have been allocated to the CEO.

5 Employer social charges of the Executive Committee of CHF 1,040,421 include an amount of CHF 411,607 of pension contributions.

6 No compensation has been paid to this member of the Board of Directors.

7 The compensation for this member of the Board of Directors includes the additional fee for his membership to the EFG Advisory Board for Asia.

8 The Annual General Meeting 2019 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2019 of CHF 7,600,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2019 has not exceeded that amount.

9 Other compensation for the Executive Committee includes a sign-on payment to a member of the Executive Committee who joined in 2019.

10 Other compensation for this member of the Executive Committee represents health care coverage.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

(ii) Compensation year ended 2018

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

	Fixed compensation (1)		*Variable compensation (2)*		LTIP	*Other compensation*		Social charges (4)	Total
	Cash	RSUs	Cash bonus	RSUs (3)	RSUs	Cash	RSUs		2018
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors									
John A. Williamson, Chair	1,000,000							169,642	1,169,642
Niccolò H. Burki, Vice-Chair	220,000	30,000						12,254	262,254
Susanne Brandenberger, member	205,000	30,000						42,296	277,296
Emmanuel L. Bussetil, member (5)									–
Michael N. Higgin, member*	302,944	30,000						23,361	356,305
Roberto Isolani, member	125,000	30,000						25,997	180,997
Steven M. Jacobs, member	150,000	30,000						31,186	211,186
Spiro J. Latsis, member (5)									–
John S. Latsis, member** (5)									–
Bernd-A. von Maltzan, member***	307,847	30,000						9,541	347,388
Périclès Petalas, member (5)									–
Stuart M. Robertson, member****	37,500	17,500						8,359	63,359
Fong Seng Tee, member** (6)	184,175	30,000						14,865	229,040
Daniel Zuberbühler, member	150,000	30,000						8,033	188,033
Total Board of Directors	**2,682,466**	**257,500**	**–**	**–**	**–**	**–**	**–**	**345,534**	**3,285,500**
Executive Committee									
Total Executive Committee***(7)**	**7,995,987**	**–**	**1,697,052**	**2,620,577**	**–**	**18,036**	**–**	**1,395,997**	**13,727,649**
of which highest paid:									
Piergiorgio Pradelli,									
CEO EFG International (8)	1,580,801		400,000	600,000		18,036		221,579	2,820,416

* Includes UK subsidiary Board of Directors' fees

** Joined in April 2018

*** Includes Luxembourg subsidiaries Board of Directors' fees

**** Joined in October 2018 (approved by the Annual General Meeting on 27 April 2018)

***** Including members of the Executive Committee who joined and left in 2018. For those members, the compensation disclosed represents the amounts received as Executive Committee members. On 01 January 2018, the Executive Committee comprised of 13 members, 7 members transferred from the Executive Committee to the Global Business Committee as of 01 July 2018. For details, refer to section 5.1 of the corporate governance section

Notes

1 Including employees' contributions for social charges
2 Subject to approval by the shareholders at the Annual General Meeting 2019
3 The amount represents the value of RSUs to be granted in 2019. For specific valuation of the Employee Equity Incentive Plans, refer to note 61 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,395,997 include an amount of CHF 512,807 of pension contributions.
5 No compensation has been paid to this member of the Board of Directors.
6 The compensation for this member of the Board of Directors includes the additional fee for his membership to the EFG Advisory Board for Asia.
7 The Annual General Meeting 2018 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2018 of CHF 13,800,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2018 has not exceeded that amount.
8 Other compensation for this member of the Executive Committee represents health care coverage.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(iii) Loans and credits
There were no loans and credits to members of the Board of Directors outstanding at the end of the year 2019 (2018: CHF 3,584,588 for Mr. Fong Seng Tee who left in April 2019).

There were no loans and credits to members of the Executive Committee outstanding at the end of the year 2019 (2018: total of CHF 6,117,196 relating to members who transferred from the Executive Committee to the Global Business Committee as of 01 July 2018).

There were no loans and credits to related parties of members of the Board of Directors and the Executive Committee outstanding at the end of the year 2019 (2018: CHF 22,541,756).

(iv) Shareholdings
At 31 December 2019, the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2019	Shares 2018	2019 Vested RSUs	2019 Stock of granted RSUs	2018 Vested RSUs	2018 Stock of granted RSUs
Board of Directors						
John A. Williamson, Chair	517,726	389,659			116,978	58,489
Niccolò H. Burki, Vice-Chair			5,595	10,782	2,038	8,636
Susanne Brandenberger			5,595	10,782	2,038	8,636
Emmanuel L. Bussetil						
Michael N. Higgin**					2,038	8,636
Roberto Isolani			5,595	10,782	2,038	8,636
Steven M. Jacobs			5,595	10,782	2,038	8,636
Spiro J. Latsis	134,359,132*	127,922,888*				
John S. Latsis						
Bernd-A. von Maltzan			5,595	10,782	2,038	8,636
Périclès Petalas						
Stuart M. Robertson			886	7,477		2,660
Fong Seng Tee**						4,559
Daniel Zuberbühler**					2,038	8,636
Total Board of Directors	**134,876,858**	128,312,547	**28,861**	**61,387**	131,244	126,160

* Total number of shares controlled by the Latsis family interests
** Left in 2019. RSUs converted into shares at leave date.

	Shares 2019	Shares 2018	2019 Vested RSUs	2019 Stock of granted RSUs	2018 Vested RSUs	2018 Stock of granted RSUs
Executive Committee						
Total Executive Committee*	**250,463**	783,970	**212,726**	**3,171,301**	987,950	1,597,002
Piergiorgio Pradelli	250,463	93,796				
Renato Cohn						
Yves Aeschlimann**						
Vittorio Ferrario***		1,107				
Christian Flemming						
Dimitris Politis						
Ranjit Singh**						

* 2018 totals including members of the Executive Committee who left in 2018
** Joined in 2019
*** Executive Committee member until 31 March 2019

The members of the Executive Committee have been granted 3,171,301 restricted stock units which are currently subject to vesting criteria (2018: 1,597,002 restricted stock units). 574,301 restricted stock units would vest in the period 2020 to 2022 and 2,597,000 long term incentive plan units would vest in the period 2022 to 2024.

23. Post balance sheet events

No material events occurred after the balance sheet date that could have a material impact on the financial position of the Company as of 31 December 2019.

Report of the statutory auditor

to the General Meeting of EFG International AG

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EFG International AG, which comprise the income statement for the year ended 31 December 2019, balance sheet as at 31 December 2019 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 206 to 218) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 12'570'000
How we determined it	1% of Net assets
Rationale for the materiality benchmark applied	We chose this benchmark because, in our view, it is the one typically used to measure the result of a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 250'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As

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in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Thomas Romer	Omar Grossi
Audit expert Auditor in charge	Audit expert

Geneva, 25 February 2020

Alternative Performance Measures

Assets under Management
Total revenue-generating Assets under Management is the total market value of the assets and liabilities that EFG manages on behalf of clients. Assets under Management include all assets and liabilities managed by or deposited with EFG on which it earns revenues. Assets under Custody, excluded from Assets under Management, are assets deposited with EFG held solely for safekeeping/custody purposes, and for which EFG does not offer advice on how the assets should be invested. Assets under Management includes lombard loans and mortgages but does not include the real estate that is security for the mortgage.

When Assets under Management is subject to more than one level of asset management service, double counting arises within total Assets under Management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue for EFG. Double counts primarily include self-managed collective investment schemes and structured products issued by EFG, which are also included in customer portfolios and already included in Assets under Management.

EFG discloses Assets under Management on an annual basis in its Annual Report in accordance with the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting. See note 65 of the 2019 Annual Report.

Average Assets under Management
Average Assets under Management is the monthly average of total Assets under Management.

Net new assets
Net new assets consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients, including new or additional drawdowns of loans and mortgages. Net new assets can be in cash or securities transferred to the bank. Interest and dividend income from Assets under Management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of EFG's companies are not included in net new assets.

Net new asset growth rate
Net new asset growth rate is calculated by dividing the net new assets of the period by the total Assets under Management at the beginning of the period.

Non-underlying impacts
Non-underlying impacts include the following:

- Revenues, expenses, loss allowance expenses and provisions arising from the legacy life insurance portfolio.
- Acquisition related intangible amortisation from the BSI and Shaw and Partners acquisitions.
- Interest income, exceptional legal costs and expected credit loss allowance expense from the loan exposure to a Taiwanese insurance company.

Underlying operating income
Underlying operating income is operating income (as presented in IFRS financial statements) excluding non-underlying impacts.

Revenue margin
Revenue margin comprises underlying operating income divided by the average Assets under Management.

Underlying operating expenses
Underlying operating expenses are operating expenses (as presented in IFRS financial statements) excluding non-underlying impacts.

Cumulative cost synergies
Cost synergies capture the operating cost reduction arising from the BSI acquisition, over the period from 2016 to 2019. The measurement of cost synergies is based on an assessment of the current underlying operating expense base adjusted for factors that have impacted the post-acquisition operating expense base (e.g. subsequent acquisitions, non-recurring costs and Client Relationship Officer recruitment), compared to the sum of the operating expense bases of the former BSI and the former EFG groups at the date of the acquisition. This is assessed annually and cumulative synergies represent the sum of the annual impacts.

Pre-tax operating profit
Pre-tax operating profit is operating income less operating expenses as disclosed for IFRS purposes.

Cost/income ratio
Cost/income ratio is underlying operating expenses less acquisition related intangible asset amortisation divided by underlying operating income. Acquisition related intangible asset amortisation comprises the total acquisition related intangible asset amortisation less what is classified as a non-underlying impact (i.e. related to BSI and Shaw and Partners).

Underlying net profit
Underlying net profit is the net profit attributable to equity holders of EFG adjusted for the non-underlying impacts.

Return on tangible equity
Return on tangible equity is underlying net profit divided by average tangible equity. Average tangible equity is the monthly average of total equity, less the monthly average of non-controlling interests, less the monthly average of Intangible assets.
All these are as defined under IFRS and on the basis as presented in the IFRS balance sheet.

Return on shareholders' equity
Return on shareholders' equity is underlying net profit divided by average shareholders' equity. Average shareholders' equity is the monthly average of total equity, less the monthly average of non-controlling interests.
All these are as defined under IFRS and on the basis as presented in the IFRS balance sheet.

Liquidity Coverage Ratio
The Liquidity Coverage Ratio is defined by the FINMA as part of the Basel III framework. EFG is required to hold enough high-quality liquid assets– such as short-term government debt – that can be sold to fund EFG during a 30-day stress scenario designed by regulators. Banks are required to hold high-quality liquid assets quivalent to at least 100% of projected cash outflows during the stress scenario.

Loan/deposit ratio
The loan to deposit ratio is the ratio of loans and advances to customers divided by the total of the sum of 'due to customers and financial liabilities at amortised cost on the basis as presented in the IFRS balance sheet.

The reconciliation of underlying results to IFRS results as at 31 December 2019 and 2018 is as follows:

	Underlying year ended 31 December 2019 CHF millions	Life Insurance CHF millions	Acquisition related Intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS year ended 31 December 2019 CHF millions
Net interest income	336.4	(14.1)		3.6	325.9
Net banking fee and commission income	593.0				593.0
Net other income	213.4	38.6			252.0
Operating income	**1,142.8**	**24.5**	**–**	**3.6**	**1,170.9**
Operating expenses	(975.9)	(4.5)	(9.3)	(8.6)	(998.3)
Provisions	(18.4)	(6.2)			(24.6)
Loss allowance expense	(8.7)	(2.1)		(13.8)	(24.6)
Profit before tax	**139.8**	**11.7**	**(9.3)**	**(18.8)**	**123.4**
Income tax expense	(25.0)		1.9		(23.1)
Net profit for the period	**114.8**	**11.7**	**(7.4)**	**(18.8)**	**100.3**
Net profit attributable to non-controlling interests	(6.1)				(6.1)
Net profit attributable to equity holders of the Group	**108.7**	**11.7**	**(7.4)**	**(18.8)**	**94.2**

	Underlying year ended 31 December 2018 CHF millions	Life Insurance CHF millions	Integration costs CHF millions	Acquisition related Intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS year ended 31 December 2018 CHF millions
Net interest income	372.7	(11.4)				361.3
Net banking fee and commission income	564.6					564.6
Net other income	227.8	(8.1)				219.7
Operating income	**1,165.1**	**(19.5)**	**–**	**–**	**–**	**1,145.6**
Operating expenses	(966.5)	(6.3)	(73.5)	(7.9)	(10.1)	(1,064.3)
Provisions	18.7	(1.1)	(1.8)			15.8
Loss allowance expense	(14.1)				(2.8)	(16.9)
Profit before tax	**203.2**	**(26.9)**	**(75.3)**	**(7.9)**	**(12.9)**	**80.2**
Income tax expense	(8.6)			1.5		(7.1)
Net profit for the period	**194.6**	**(26.9)**	**(75.3)**	**(6.4)**	**(12.9)**	**73.1**
Net profit attributable to non-controlling interests	(2.8)					(2.8)
Net profit attributable to equity holders of the Group	**191.8**	**(26.9)**	**(75.3)**	**(6.4)**	**(12.9)**	**70.3**

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