Half-Year Report

2021

EFG

Entrepreneurial thinking.
Private banking.

Key figures

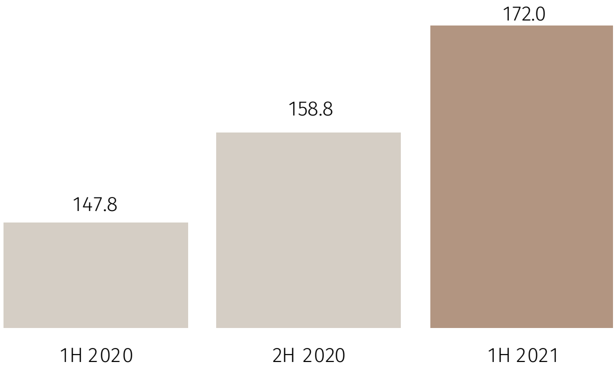
Assets under Management

In CHF billion

172.0

AuM evolution

In CHF billion



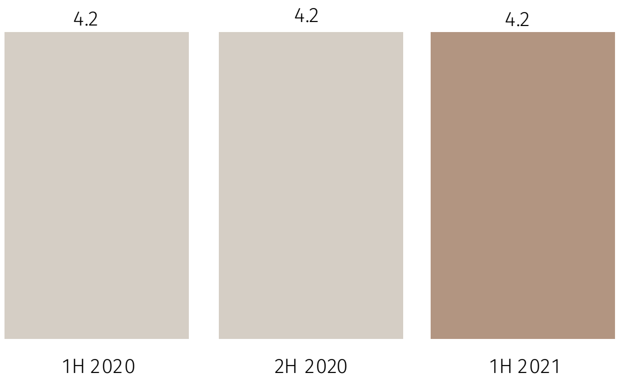
Net new asset growth rate

Annualised in %

5.3

NNA growth evolution

In CHF billion



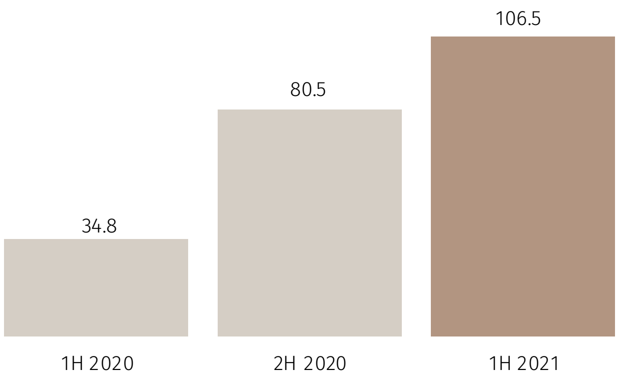
IFRS net profit

Year-on-year increase

3x

IFRS net profit evolution

In CHF million



About EFG

EFG International is a global private banking group offering private banking and asset management services and is headquartered in Zurich. Its registered shares (EFGN) are listed on the SIX Swiss Exchange.

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.

Content

Chair and CEO message

EFG delivered a strong operational performance in the first half of 2021 and continued to execute on its 2022 strategic plan. Against this backdrop, EFG International's Chairman Peter Fanconi and CEO Giorgio Pradelli discussed the progress achieved in the first six months of this year and considered the challenges and opportunities that lie ahead. In particular, they agreed that this is the right time to reaffirm the bank's future course in order to unlock EFG's full potential.

> "We remain on course to realise our ambitious goals"

Q: After the step change in profitability in the second half of 2020, EFG recorded a further improvement in profits in the first six months of 2021 and continued to attract strong net new asset inflows totalling CHF 4.2 billion. What were the highlights during this reporting period?

Giorgio Pradelli: What pleased me the most is that we maintained our strong growth momentum. We now have recorded net new asset inflows for nine consecutive quarters and Assets under Management have reached a record CHF 172 billion. With the doubling of our underlying net profit for the period, we have taken our profitability to a new level. Our efforts to deliver our entire investment expertise and full range of products and services to our clients are proving increasingly successful and we are seeing the positive impact of our growth initiatives and the increased client take-up of our higher-margin products and services on revenues. In particular, net commission income increased significantly compared to last year. At the same time, we have kept costs under control thanks to our disciplined cost management.

Q: After achieving strong growth and increased profitability last year, how difficult is it to maintain this momentum in 2021?

Peter Fanconi: We are fully focused on generating profitable and sustainable growth. We have attracted continued strong net new asset inflows, corresponding to an annualised growth rate of 5.3%. That is well within our target range of 4% to 6% and shows that we have managed to maintain our strong growth momentum. I would like to thank our employees and management teams for achieving this great result. It is only with their dedication and determination that we have been able to drive our business forward in this way. After the extraordinary challenges we faced last year due to the pandemic, this type of performance can't be taken for granted. Personally, I believe that the challenges we experienced in 2020 during the pandemic have made us even stronger as a company and even closer as a team. We are all pulling together and working hard to achieve our ambitious goals for 2021 and beyond.

Q: The continued low interest rate environment has created major headwinds in recent years, putting gross margins and especially net interest income under pressure. Is there any indication that interest rate pressures will ease in the near future?

Giorgio Pradelli: No, I don't expect us to see a material change in interest rates globally during the current year and possibly for most of next year. Inflation and employment trends will determine the level of interest rates going forward and we will follow those developments closely.

Q: What measures are you taking to counter the decline in net interest margins?

Giorgio Pradelli: We have implemented a clear set of revenue management actions to focus on high-value premium products and services with attractive margins. As a result, we have significantly improved our commission income, which now accounts for approximately two-thirds of overall revenues. We aim to further grow recurring revenues through our efforts to increase the client take-up of our high-value solutions and by further leveraging our investment content, which is increasingly recognised in the market and by clients. This is underscored by successful product launches in the first half of the year. For example, our new Healthcare Disruptors Fund. In addition, our ongoing efforts to deliver our full range of private banking solutions to our clients will continue to have a positive impact.

Q: The other side of the coin is costs. The second half of 2020 seems to have been a turning point in terms of efficiency and this positive trend continued into the first half of 2021. How do you plan to close the gap to the 72% to 75% cost/income target range?

Giorgio Pradelli: We have already made big strides on the cost side and our cost reduction measures are bearing fruit. Going forward, we will continue to take a disciplined approach to cost management. To optimise efficiency, we will further streamline our target operating model and centralise processes and support functions. We will also accelerate automation and digitalisation, as well as streamlining our footprint and simplifying our global set-up. As part of these efforts, we completed the sale of our Oudart business in France and our Ticino-based retail business. We have also agreed the sale of our Luxembourg fund management company and the sale of our stake in Spanish private bank A&G.

Q: The progress EFG has made is also increasingly recognised by the market. What are the expectations of the investors?

Giorgio Pradelli: Over the past two years, we have established a positive track record that supports our equity story. Our strong operational performance and higher profitability in the first half of the year are evidence that our business is gaining traction and that we remain on course to realise our ambitious goals and to deliver the full potential of EFG.

Q: EFG has undergone a fundamental transformation over the past few years. What are you particularly proud of?

Peter Fanconi: EFG is a very different bank now compared to a few years ago. In the last two years, we have shown that we can sustainably grow our business and increase profitability, delivering higher quality revenues while staying true to our prudent approach to risk. Today, we are in a very competitive market position and rank among the top-ten private banks in Switzerland. EFG has a distinctive business model, strong and recognised investment expertise, and a clear client focus. Despite our fast growth and fundamental transformation, our entrepreneurial spirit and hands-on approach are still the hallmarks of EFG. This is what I am particularly proud of.

Giorgio Pradelli: I am really proud of all our employees and management teams who made this successful transformation possible. Despite all the challenges we faced, we are executing our plan and are now seeing the tangible result of these efforts.

Q: What sets EFG aside from its competitors?

Peter Fanconi: I believe our entrepreneurial spirit, which is deeply rooted within EFG, really sets us apart from our peers. From our Client Relationship Officers and other employees to our main shareholders – we all have a strong focus on our clients. This client proximity will be key to our future success. This is an area where our global network and local knowhow help us to understand what our clients really need and want. Being able to meet with clients and colleagues in person once again resulted in many inspiring discussions in the last few months – you can't compare that with virtual meetings. I really enjoyed that.

Q: Digitalisation is becoming more and more important in wealth management, like in other areas of banking. What will the private banking model of tomorrow look like?

Peter Fanconi: Our model is built around our Client Relationship Officers and centres on our relationship with our clients. That will not change. While digital solutions are of increasing importance when interacting with our clients and meeting their needs, the human touch will remain key for our success as a private bank. Our Client Relationship Officers have more digital tools available to support them with routine tasks, freeing up time that they can then dedicate to advising and supporting our clients.
Of course, the next generation of clients will have different needs, expectations and priorities and we are continuously evolving our approach to meet those requirements. Technology has a big part to play in this.

Giorgio Pradelli: Absolutely, clients are at the heart of everything we do – and that will always remain the case. Digitalisation will allow us to customise our products and services even more effectively – but also at lower costs. Of course, technology will play an important role in how we deliver our products, services and expertise to our clients and also in increasing our efficiency. The automation of processes will allow us to reduce complexity, simplify and enhance our operating model and risk management platforms and bring down costs.

Q: What other trends appear to be shaping the industry?

Peter Fanconi: One major long-term trend is clearly sustainability. I am convinced that to ensure the health, wellbeing and prosperity of future generations, we must embrace sustainable principles not only in our investment processes but also on the corporate side. As an industry, we must work hard to create awareness and deliver continuous improvements around sustainability. Private banks and wealth managers play a crucial role in allocating capital to companies that innovate in order to achieve sustainability goals.

Chair and CEO message

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", "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 Half-Year Report.

2 Underlying results, such as “underlying net profit” or “underlying operating profit”, are not defined or specified by IFRS and should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For a definition of these non-IFRS performance measures, together with reconciliations to the most directly reconcilable IFRS line items, please refer to the section headed "Alternative performance measures" of this Half-Year Report.

3 Forward looking statements on page 58.

Condensed consolidated interim financial statements

EFG International for the six months ended 30 June 2021

Condensed consolidated interim income statement for the six months ended 30 June 2021

	Note	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Interest and discount income		192.6	215.6	260.8
Interest expense		(65.4)	(79.3)	(97.2)
Net interest income	8	**127.2**	136.3	163.6
Banking fee and commission income		490.9	431.1	403.5
Banking fee and commission expense		(116.8)	(95.6)	(83.3)
Net banking fee and commission income	9	**374.1**	335.5	320.2
Dividend income	10	1.7		2.1
Net trading income and foreign exchange gains less losses	11	66.4	91.3	47.3
Fair value gains less losses on financial instruments measured at fair value	12	53.9	(7.7)	27.0
Gains less losses on disposal of financial assets at fair value through other comprehensive income	13	(5.3)	3.9	2.9
Other operating income	14	11.3	7.6	0.6
Net other income		**128.0**	95.1	79.9
Operating income		**629.3**	566.9	563.7
Operating expenses	16	(475.9)	(454.3)	(497.2)
Provisions	22	(19.8)	(9.8)	(15.7)
Loss allowance expense	15	(0.7)	2.2	(3.5)
Profit before tax		**132.9**	105.0	47.3
Income tax expense	18	(22.3)	(20.6)	(9.9)
Net profit for the period		**110.6**	84.4	37.4
Net profit for the period attributable to:				
Net profit attributable to equity holders of the Group		106.5	80.5	34.8
Net profit attributable to non-controlling interests		4.1	3.9	2.6
		110.6	84.4	37.4

	Note	Half-year ended 30 June 2021 CHF	Half-year ended 31 December 2020 CHF	Half-year ended 30 June 2020 CHF
Earnings per ordinary share				
Basic	29	0.33	0.27	0.12
Diluted	29	0.31	0.26	0.11

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2021

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Net profit for the period	**110.6**	84.4	37.4
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Net gain/(loss) on hedge of investments in foreign operations, with no tax effect	5.2	2.3	(7.2)
Currency translation differences, with no tax effect	41.5	29.1	(42.3)
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect	(11.3)	15.1	(5.5)
Net realised gains/(losses) on debt instruments measured at fair value through other comprehensive income reclassified to the income statement, with no tax effect	5.3	(6.8)	
Change in loss allowance on debt instruments measured at fair value through other comprehensive income, with no tax effect		0.2	
Items that will not be reclassified to the income statement:			
Retirement benefit gains/(losses)	95.9	(20.3)	(37.7)
Tax effect on changes in value of retirement benefits	(18.9)	4.0	7.4
Net gain/(loss) on investments in equity instruments measured at fair value through other comprehensive income	0.2		(1.8)
Tax effect on net loss on investments in equity instruments measured at fair value through other comprehensive income			0.4
Other comprehensive income/(loss) for the period, net of tax	**117.9**	23.6	(86.7)
Total comprehensive income/(loss) for the period	**228.5**	108.0	(49.3)
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Group	222.8	102.9	(50.5)
Non-controlling interests	4.9	5.1	1.2
	227.7	108.0	(49.3)

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim balance sheet at 30 June 2021

	Note	30 June 2021 CHF millions	31 December 2020 CHF millions
Assets			
Cash and balances with central banks		8,756.0	8,642.9
Treasury bills and other eligible bills		1,112.7	1,026.9
Due from other banks		2,179.4	3,097.0
Derivative financial instruments		881.9	1,154.7
Financial assets at fair value through profit and loss		2,040.1	2,132.2
Financial assets at fair value through other comprehensive income		6,415.5	4,953.0
Loans and advances to customers	19	19,094.9	18,223.0
Property, plant and equipment		311.3	335.2
Intangible assets		230.2	260.4
Deferred income tax assets		66.5	96.5
Other assets		709.7	715.4
Total assets		**41,798.2**	40,637.2
Liabilities			
Due to other banks		643.0	443.6
Due to customers		32,266.1	30,841.6
Derivative financial instruments		923.0	1,378.7
Financial liabilities at fair value		498.0	492.1
Financial liabilities at amortised cost		4,443.6	4,516.5
Current income tax liabilities		19.9	24.6
Deferred income tax liabilities		21.3	23.0
Provisions	22	51.2	40.6
Other liabilities		499.5	762.7
Subordinated loans	21	184.9	355.8
Total liabilities		**39,550.5**	38,879.2
Equity			
Share capital	25	150.2	148.3
Share premium		1,858.0	1,858.0
Other reserves		366.1	238.8
Retained earnings		(533.8)	(543.9)
Total shareholders' equity		**1,840.5**	1,701.2
Additional equity components		351.0	–
Non-controlling interests		56.2	56.8
Total equity		**2,247.7**	1,758.0
Total equity and liabilities		**41,798.2**	40,637.2

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2021

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders' equity	Additional equity components	Non-controlling interests	Total equity
	Attributable to owners of the Group							
Balance at 01 January 2020	**145.8**	**1,858.8**	**286.0**	**(563.9)**	**1,726.7**	**–**	**54.1**	**1,780.8**
Net profit for the period				34.8	34.8		2.6	37.4
Net loss on hedge of net investments in foreign operations, with no tax effect			(7.2)		(7.2)			(7.2)
Currency translation difference, with no tax effect			(40.8)		(40.8)		(1.5)	(42.3)
Net loss on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			(5.5)		(5.5)			(5.5)
Net loss on investments in equity instruments measured at fair value through other comprehensive income			(1.8)		(1.8)			(1.8)
Tax effect on net loss on investments in equity instruments measured at fair value through other comprehensive income			0.4		0.4			0.4
Retirement benefit losses			(37.7)		(37.7)			(37.7)
Tax effect on retirement benefit losses			7.4		7.4			7.4
Total comprehensive loss for the period	**–**	**–**	**(85.2)**	**34.8**	**(50.4)**	**–**	**1.1**	**(49.3)**
Dividend paid on ordinary shares				(43.6)	(43.6)			(43.6)
Dividend paid on Bons de Participation								–
Dividend paid on non-controlling interests							(1.4)	(1.4)
Changes in ownership interests with no gain of control				(6.7)	(6.7)		(3.4)	(10.1)
Changes in ownership interests with no loss of control				1.5	1.5		1.3	2.8
Ordinary shares repurchased	(0.3)	(3.2)			(3.5)			(3.5)
Equity-settled share-based plan expensed in the income statement			19.4		19.4			19.4
Employee equity incentive plans exercised	2.0		(2.0)					–
Balance at 30 June 2020	**147.5**	**1,855.6**	**218.2**	**(577.9)**	**1,643.4**	**–**	**51.7**	**1,695.1**

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2021 continued

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders' equity	Additional equity components	Non-controlling interests	Total equity
	Attributable to owners of the Group							
Balance at 01 July 2020	**147.5**	**1,855.6**	**218.2**	**(577.9)**	**1,643.4**		**51.7**	**1,695.1**
Net profit for the period				80.5	80.5		3.9	84.4
Net gain on hedge of net investments in foreign operations, with no tax effect			2.3		2.3			2.3
Currency translation difference, with no tax effect			27.8		27.8		1.3	29.1
Net gain on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			15.1		15.1			15.1
Net realised losses on debt instruments measured at fair value through other comprehensive income reclassified to the income statement, with no tax effect			(6.8)		(6.8)			(6.8)
Change in loss allowance on debt instruments measured at fair value through other comprehensive income, with no tax effect			0.2		0.2			0.2
Retirement benefit losses			(20.3)		(20.3)			(20.3)
Tax effect on retirement benefit losses			4.0		4.0			4.0
Total comprehensive income for the period	**–**	**–**	**22.3**	**80.5**	**102.8**	**–**	**5.2**	**108.0**
Dividend paid on ordinary shares				(44.3)	(44.3)			(44.3)
Dividend paid on Bons de Participation								–
Transactions with non-controlling interests	0.1	1.7			1.8			1.8
Disposal of subsidiaries				(2.1)	(2.1)			(2.1)
Changes in ownership interests with no gain of control				(0.1)	(0.1)		(0.1)	(0.2)
Ordinary shares repurchased		0.7			0.7			0.7
Equity-settled share-based plan expensed in the income statement			(1.0)		(1.0)			(1.0)
Employee equity incentive plans exercised	0.7		(0.7)		–			–
Balance at 31 December 2020	**148.3**	**1,858.0**	**238.8**	**(543.9)**	**1,701.2**	**–**	**56.8**	**1,758.0**

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2021 continued

	Attributable to owners of the Group							
CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total Shareholders' equity	Additional equity components	Non-controlling interests	Total equity
Balance at 01 January 2021	**148.3**	**1,858.0**	**238.8**	**(543.9)**	**1,701.2**	**–**	**56.8**	**1,758.0**
Net profit for the period				106.5	106.5		4.1	110.6
Net gain on hedge of net investments in foreign operations, with no tax effect			5.2		5.2			5.2
Currency translation difference, with no tax effect			40.7		40.7		0.8	41.5
Net loss on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			(11.3)		(11.3)			(11.3)
Net realised gains on debt instruments measured at fair value through other comprehensive income reclassified to the income statement, with no tax effect			5.3		5.3			5.3
Net gain on investments in equity instruments measured at fair value through other comprehensive income			0.2		0.2			0.2
Retirement benefit gains			95.9		95.9			95.9
Tax effect on retirement benefit gains			(18.9)		(18.9)			(18.9)
Total comprehensive income for the period	**–**	**–**	**117.1**	**106.5**	**223.6**	**–**	**4.9**	**228.5**
Dividend paid on ordinary shares				(89.0)	(89.0)			(89.0)
Dividend paid on Bons de Participation				–				–
Changes in ownership interests with no gain of control				(5.7)	(5.7)		(5.5)	(11.2)
Change in ownership interests with loss of control				1.7	1.7			1.7
Issuance, redemption and remuneration of equity instruments				(3.4)	(3.4)	351.0		347.6
Equity-settled share-based plan expensed in the income statement			12.1		12.1			12.1
Employee equity incentive plans exercised	1.9		(1.9)		–			–
Balance at 30 June 2021	**150.2**	**1,858.0**	**366.1**	**(533.8)**	**1,840.5**	**351.0**	**56.2**	**2,247.7**

The notes on pages 17 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement for the six months ended 30 June 2021

	Half-year ended 30 June 2021 CHF millions	Half-year ended 30 June 2020 CHF millions
Cash flows from operating activities	40.8	(16.9)
Changes in operating assets and liabilities	349.7	1,214.5
Net cash flows used in investing activities	(1,251.3)	(852.3)
Net cash flows from financing activities	(34.6)	(211.2)
Effect of exchange rate changes on cash and cash equivalents	24.1	(21.9)
Net change in cash and cash equivalents	**(871.3)**	112.2
Cash and cash equivalents at beginning of period	11,953.7	11,596.8
Net change in cash and cash equivalents	(871.3)	112.2
Cash and cash equivalents	**11,082.4**	11,709.0

Cash and cash equivalents

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

	30 June 2021 CHF millions	30 June 2020 CHF millions
Cash and balances with central banks	8,756.0	7,616.0
Treasury bills and other eligible bills	738.2	707.1
Due from other banks – at sight	1,028.5	1,951.2
Due from other banks – at term	559.7	1,434.7
Cash and cash equivalents	**11,082.4**	11,709.0

The notes on page 17 to 52 form an integral part of these condensed consolidated interim financial statements.

1. General information

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

These unaudited consolidated interim financial statements were approved for issue by the Board of Directors on 20 July 2021.

2. Accounting policies and valuation principles

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

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group’s consolidated financial statements for the year ended 31 December 2020. The impact of seasonality on these condensed consolidated interim financial statements is not considered as material.

These condensed consolidated interim financial statements are presented in accordance with IAS 34 Interim Financial Reporting. In preparing the interim financial statements, the same accounting policies, methods of computation and presentation have been applied as in the consolidated financial statements for the year ended 31 December 2020.

The preparation of interim financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key estimates were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

A summary of any standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group are included in note 2 of the consolidated financial statements for the year ended 31 December 2020.

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

3. Change in accounting policies

No new accounting standards and interpretations have been published for the reporting period that impact the Group in the current or future reporting periods and on foreseeable future transactions.

4. Financial risk assessment and management

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

A summary of the Group’s approach to risk management, risk governance, and risk appetite are included in the note 5 of the 2020 Annual Report. There have been no significant changes in the Group’s financial risk management objectives and policies in the six months ended 30 June 2021.

5. Credit risk

The Group's primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, and to highly rated financial institutions, sovereigns and corporates.

There were no purchased credit impaired balances during the reporting period, nor were the terms of contracts modified.

The table below summarises the carrying values and expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 30 June 2021:

30 June 2021	Total carrying value CHF millions	ECL staging Stage 1 CHF millions	ECL staging Stage 2 CHF millions	ECL staging Stage 3 CHF millions	ECL allowance CHF millions
Cash and balances with central banks	8,756.0				
Treasury bills and other eligible bills	1,112.7				
Due from other banks	2,179.4	0.1			0.1
Mortgage loans	6,094.8	0.7	0.1	7.0	7.8
Lombard and other loans	13,000.1	0.8	2.5	91.4	94.7
Financial assets at fair value through other comprehensive income	6,415.5	0.3			0.3
Total on-balance sheet assets as at 30 June 2021	**37,558.5**	**1.9**	**2.6**	**98.4**	**102.9**
Loan commitments	238.4				
Financial guarantees	1,239.2		0.3		0.3
Total	**39,036.1**	**1.9**	**2.9**	**98.4**	**103.2**

The following table summarises the carrying values, credit grades, expected credit loss allowance by stage and fair values of collateral of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 31 December 2020:

31 December 2020	Total carrying value CHF millions	ECL staging Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	ECL allowance included in carrying values CHF millions
Cash and balances with central banks	8,642.9				
Treasury bills and other eligible bills	1,026.9				
Due from other banks	3,097.0	0.1			0.1
Mortgage loans	5,675.2	0.9	0.3	6.0	7.2
Lombard and other loans	12,547.8	2.9	4.0	84.2	91.1
Financial assets at fair value through other comprehensive income	4,953.0	0.3			0.3
Total on-balance sheet assets as at 31 December 2020	**35,942.8**	**4.2**	**4.3**	**90.2**	**98.7**
Loan commitments	243.4				
Financial guarantees	1,178.6		0.4	0.2	0.6
Total	**37,364.8**	**4.2**	**4.7**	**90.4**	**99.3**

Loans and advances to customers comprise the following:

		30 June 2021 CHF millions	31 December 2020 CHF millions
(i) Mortgage loans	Gross	6,102.6	5,682.4
	Loss allowance	(7.8)	(7.2)
(ii) Lombard loans	Gross	12,415.7	12,003.2
	Loss allowance	(88.5)	(82.7)
(iii) Other loans	Gross	679.1	635.7
	Loss allowance	(6.2)	(8.4)
Total loans and advances to customers		**19,094.9**	18,223.0

Notes to the condensed consolidated interim financial statements

5.1 Mortgage loans

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

Gross carrying value of mortgage loans	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Gross carrying value as at 01 January 2021	**5,308.3**	**247.6**	**126.5**	**5,682.4**
Transfers:				
Transfer from Stage 1 to Stage 2	(127.6)	127.6	–	**–**
Transfer from Stage 1 to Stage 3	(20.2)	–	20.2	**–**
Transfer from Stage 2 to Stage 3	–	(22.9)	22.9	**–**
Transfer from Stage 3 to Stage 2	–	8.0	(8.0)	**–**
Transfer from Stage 2 to Stage 1	112.3	(112.3)	–	**–**
Financial assets derecognised during the period other than write-offs	(440.4)	(46.5)	(20.0)	**(506.9)**
New financial assets originated	704.8	–	–	**704.8**
Changes in interest accrual	1.7	(0.3)	(0.7)	**0.7**
FX and other movements	206.7	8.6	6.3	**221.6**
Gross carrying value as at 30 June 2021	**5,745.6**	**209.8**	**147.2**	**6,102.6**

Loss allowance on mortgage loans	Stage 1 12-month ECL CHF millions	Stage 2 lifetime ECL CHF millions	Stage 3 lifetime ECL CHF millions	Total CHF millions
Loss allowance as at 01 January 2021	**0.9**	**0.3**	**6.0**	**7.2**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 3 to Stage 1				**–**
Transfer from Stage 2 to Stage 1	0.2	(0.2)	–	**–**
New financial assets originated or purchased	0.1	–	–	**0.1**
Changes in PD/LGDs/EADs	(0.4)	0.3	0.8	**0.7**
FX and other movements	(0.1)	(0.4)	0.3	**(0.2)**
Total net P&L charge during the period	**(0.2)**	**(0.3)**	**1.1**	**0.6**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 3 to Stage 2	–	0.1	(0.1)	**–**
Loss allowance as at 30 June 2021	**0.7**	**0.1**	**7.0**	**7.8**

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

5.2 Lombard loans

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

Gross carrying value of lombard loans	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2021	**11,661.5**	**136.3**	**205.4**	**12,003.2**
Transfers:				
Transfer from Stage 1 to Stage 2	(115.8)	115.8	–	**–**
Transfer from Stage 1 to Stage 3	(5.2)	–	5.2	**–**
Transfer from Stage 2 to Stage 3	–	(2.2)	2.2	**–**
Transfer from Stage 3 to Stage 1	6.8	–	(6.8)	**–**
Transfer from Stage 2 to Stage 1	40.7	(40.7)	–	**–**
Financial assets derecognised during the period other than write-offs	(1,852.3)	(128.2)	(7.4)	**(1,987.9)**
New financial assets originated or purchased	2,066.8	–	–	**2,066.8**
Changes in interest accrual	(3.2)	0.1	–	**(3.1)**
FX and other movements	324.0	2.8	9.9	**336.7**
Gross carrying value as at 30 June 2021	**12,123.3**	**83.9**	**208.5**	**12,415.7**

Loss allowance on lombard loans	**Stage 1 12-month ECL CHF millions**	**Stage 2 lifetime ECL CHF millions**	**Stage 3 lifetime ECL CHF millions**	**Total CHF millions**
Loss allowance as at 01 January 2021	**1.0**	**3.0**	**78.7**	**82.7**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 1	0.3	(0.3)	–	**–**
New financial assets originated or purchased	0.1	–	–	**0.1**
Changes in PD/LGDs/EADs	(0.8)	(0.7)	3.4	**1.9**
FX and other movements	(0.3)	0.1	4.0	**3.8**
Total net P&L charge during the period	**(0.7)**	**(0.9)**	**7.4**	**5.8**
Other movements with no P&L impact				
Transfers:				**–**
Loss allowance as at 30 June 2021	**0.3**	**2.1**	**86.1**	**88.5**

There were no purchased credit impaired balances during the reporting period, nor were the terms of contracts modified.

Stage 3 lombard loans

Included in Stage 3 lombard loans is a gross exposure including accrued interest of CHF 187.4 million (December 2020: CHF 178.0 million) that EFG Bank AG disbursed in 2007 and on which an expected credit loss of CHF 82.1 million (December 2020: CHF 75.3 million) has been calculated. EFG International Group is party to multi-jurisdictional legal proceedings relating to a client relationship with a Taiwanese insurance company, which began with arbitration proceedings in Taiwan which EFG International Group lost. EFG International Group 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 a separate legal entity domiciled in Jersey pursuant to a pledge agreement governed by Singapore law. The former majority shareholder 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 and is currently serving a 20 year prison sentence) 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 in assets held by the Jersey entity and used as collateral for the loan, plus interest at a rate of 5% per annum. EFG International Group fundamentally disagrees with the tribunal's reasoning and the result. It appealed the validity of the award in the Taiwan courts, but that appeal was unsuccessful and has concluded. EFG International Group has, however, successfully defeated the attempt by the receiver of the insurance company in Hong Kong to enforce the award. The Hong Kong court issued a decision in November 2020 denying enforcement of the arbitration award and in a January 2021 decision, the court denied the receiver's application for leave to appeal. Therefore, the proceedings in Hong Kong have now been concluded in favour of EFG International Group.

The Taiwan arbitration tribunal did not opine on the validity of the loan collateral under the governing laws of Singapore. When the arbitration began, EFG International Group had already commenced legal proceedings to confirm the validity of the loan collateral in Singapore, the trial of which was heard in August and September 2020. In the Singapore proceeding, EFG International Group amended its pleadings to assert that the insurance company is liable in tort for any damages suffered by EFG International Group due to the misconduct of the former beneficial owner and Chairman of the insurance company. The insurance company also asserted a counterclaim for return of the loan collateral. Post-trial argument in Singapore concluded in March 2021 and the parties await the court's decision. In addition, EFG International Group is considering how most appropriately to enforce the personal indemnity of the former Chairman, secured through successful separate legal proceedings in Singapore.

EFG International Group, as well as certain current and former employees, have been named in certain supplemental civil proceedings commenced by the receiver of the insurance company in Taiwan. At present, the supplemental proceeding in which EFG International Group is named as a defendant is at an early stage of the process and remains stayed. The receiver seeks to recover civil damages in an amount equivalent to the value of the assets used as collateral for the loan, plus interest accruing at 5% per annum which totals approximately USD 248.7 million at 30 June 2021.

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.

5.3 Other loans

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

Gross carrying value of other loans	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Gross carrying value as at 01 January 2021	**510.0**	**62.7**	**63.0**	**635.7**
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3	(18.2)	–	18.2	**–**
Transfer from Stage 2 to Stage 3	–	(3.6)	3.6	**–**
Transfer from Stage 3 to Stage 2	–	3.9	(3.9)	**–**
Transfer from Stage 3 to Stage 1	–	–	–	**–**
Transfer from Stage 2 to Stage 1	(8.1)	8.1	–	**–**
Financial assets derecognised during the period other than write-offs	(109.1)	(7.3)	(10.2)	**(126.6)**
New financial assets originated or purchased	149.6	–	–	**149.6**
Write-offs	–	–	(0.1)	**(0.1)**
FX and other movements	15.0	2.9	2.6	**20.5**
Gross carrying value as at 30 June 2021	**539.2**	**66.7**	**73.2**	**679.1**

Loss allowance on other loans	Stage 1 12-month ECL CHF millions	Stage 2 lifetime ECL CHF millions	Stage 3 lifetime ECL CHF millions	Total CHF millions
Loss allowance as at 01 January 2021	**1.8**	**1.2**	**5.4**	**8.4**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 1	0.7	(0.7)		**–**
New financial assets originated or purchased				**–**
Changes in PD/LGDs/EADs	(1.7)	(0.1)	(0.1)	**(1.9)**
FX and other movements	(0.3)		0.1	**(0.2)**
Total net P&L charge during the period	**(1.3)**	**(0.8)**	**–**	**(2.1)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Write-offs	–	–	(0.1)	**(0.1)**
Loss allowance as at 30 June 2021	**0.5**	**0.4**	**5.3**	**6.2**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified.

Notes to the condensed consolidated interim financial statements

6. Valuation of financial assets and liabilities

6.1 Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

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

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

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

There were no transfers between levels in the current period.

	30 June 2021			
	Level 1 CHF millions	**Level 2 CHF millions**	**Level 3 CHF millions**	**Total CHF millions**
Derivative financial instruments (assets):				
Currency derivatives		284.6	–	284.6
Interest rate derivatives		42.4	–	42.4
Equity derivatives		486.7	–	486.7
Other derivatives		20.9	–	20.9
Life-insurance-related		–	47.3	47.3
Total derivatives assets	**–**	**834.6**	**47.3**	**881.9**
Financial assets at fair value through profit and loss:				
Debt	544.8	494.0	–	1,038.8
Equity	6.8	0.2	102.4	109.4
Life-insurance-related	–	–	868.1	868.1
Investment funds	–	23.8	–	23.8
Total financial assets at fair value through profit and loss	**551.6**	**518.0**	**970.5**	**2,040.1**
Total assets measured at fair value through profit and loss	**551.6**	**1,352.6**	**1,017.8**	**2,922.0**
Financial assets at fair value through other comprehensive income:				
Debt	6,414.9	–	–	6,414.9
Equity	–	0.6	–	0.6
Total financial assets measured at fair value through other comprehensive income	**6,414.9**	**0.6**	**–**	**6,415.5**
Total assets measured at fair value	**6,966.5**	**1,353.2**	**1,017.8**	**9,337.5**

	30 June 2021			
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions
Derivative financial instruments (liabilities):				
Currency derivatives		226.9		226.9
Interest rate derivatives		84.5		84.5
Equity derivatives		583.8		583.8
Other derivatives		27.8		27.8
Total derivatives liabilities	**–**	**923.0**	**–**	**923.0**
Financial liabilities designated at fair value:				
Equity	43.4	6.8	–	50.2
Debt	0.9	0.3	–	1.2
Structured products	–	271.7	–	271.7
Life-insurance-related	–	–	174.9	174.9
Total financial liabilities designated at fair value	**44.3**	**278.8**	**174.9**	**498.0**
Total liabilities measured at fair value	**44.3**	**1,201.8**	**174.9**	**1,421.0**
Assets less liabilities measured at fair value	**6,922.2**	**151.4**	**842.9**	**7,916.5**

Movement in Level 3 assets

	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 2021	49.9	993.8	1,043.7
Total gains or losses in the income statement – Net loss from changes in fair value	(0.4)	(25.4)	(25.8)
Purchases/premiums paid	1.2	78.3	79.5
Disposals/premiums received	(5.8)	(117.3)	(123.1)
Exchange differences	2.4	41.1	43.5
At 30 June 2021	**47.3**	**970.5**	**1,017.8**
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)	(25.4)	(25.8)

	Liabilities in Level 3	
	Financial liabilities designated at fair value CHF millions	Total liabilities in Level 3 CHF millions
At 01 January 2021	175.4	175.4
Total gains or losses in the income statement – Net gains from change in fair value	(6.3)	(6.3)
Purchases/premiums paid	(9.0)	(9.0)
Disposals/premiums received	6.6	6.6
Exchange differences	8.2	8.2
At 30 June 2021	**174.9**	**174.9**
Change in unrealised gains or losses for the period included in the income statement for liabilities held at the end of the reporting period	(6.3)	(6.3)

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

Valuation governance

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

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

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

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

Valuation techniques **Discounted cash flow analysis**		**30 June 2021** **CHF millions**	31 December 2020 CHF millions
Balance sheet line item	**Products**		
Financial assets at fair value through profit and loss	Equities	102.4	99.1
Balance sheet line item	**Products**		
Derivatives	Synthetic life insurance policies	47.3	49.9
Financial assets at fair value through profit and loss	Physical life insurance policies	868.1	894.7
Financial liabilities designated at fair value	Synthetic life insurance policies	(174.9)	(175.4)
Total		**842.9**	868.3

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 of the 2020 Annual Report for further details.

(ii) Equities
Equities comprise primarily the holding in SIX Group for CHF 76.7 million (2020: CHF 73.6 million) and Viseca Holdings for CHF 14.9 million (2020: CHF 14.9 million).

The participation in SIX Group is based on a valuation, using the expected net asset value of SIX Group at the end of June 2021, 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 June 2021 at the time of preparing these financial statements, the Group has made an estimate of the net asset value. To determine the net asset value as of 30 June 2021, the Group uses published SIX Group year-end net asset value and adds a projected profit for the period to June 2021, net of dividends paid. The estimated net asset value of SIX Group at 30 June 2021 has increased relative to the estimated net asset value at 31 December 2020, primarily due to the estimated 2021 profit through profit and loss, partially compensated by dividend distributed in May 2021. As a result, the EFG International Group has recorded a gain of CHF 3.1 million (2020: CHF 2.0 million).

The sensitivity to the valuation of this asset 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 net profits would be CHF 0.2 million gain or CHF 0.2 million loss on this position classified as fair value through profit and loss.

The participation in Viseca Holdings is based on a valuation using the expected future profits of Viseca Holdings.

EFG International Group did not recognise any change in fair value for the period to June 2021 and for the period to December 2020 in the profit and loss, as the asset is recorded at fair value through the profit and loss.

(c) Life-insurance-related assets fair value

The Group holds the following life-insurance-related financial assets and liabilities:

Classification		30 June 2021 Number of insureds	30 June 2021 Average age Years	30 June 2021 Average life expectancy Years	30 June 2021 Net death benefits CHF millions	30 June 2021 Fair value CHF millions
Financial assets at fair value through profit and loss	Physical policies	248	91.6	4.3	1,587.0	868.1
Derivative financial instruments	Synthetic policies	76	90.7	4.7	79.0	47.3
Financial liabilities designated at fair value	Synthetic policies	(60)	(89.2)	(5.0)	(262.7)	(174.9)
Total		**264**			**1,403.3**	**740.5**

These life insurance policies are issued by US life insurance companies. The Group pays a periodic premium to the life insurance company to keep the policy in good standing and, upon the insured individual (US based) having deceased, the life insurance company pays a lump sum death benefit to the Group. Should the Group did not pay the nesessary periodic premium, the insurance policy would lapse, and this would imply a full write-down of the life insurance policy.

The key risks that the Group is exposed to (and which impact the fair value) include the following:
- Longevity
- Change in 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:

(i) 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.

(ii) 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 consider the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances, additional increases have been announced by insurance companies. The Group considers these increases in cost of insurance to be unjustified and has 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.

(iii) 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.

(iv) 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:

Life settlement sensitivities		Discount factor		Longevity		Premium estimates	
		−1% CHF millions	+1% CHF millions	−3 months CHF millions	+3 months CHF millions	−5% CHF millions	+5% CHF millions
Balance sheet line item							
Financial assets at fair value through profit and loss	Physical policies	53.4	(48.4)	33.4	(32.5)	29.6	(29.6)
Derivative financial instruments	Synthetic policies	1.9	(1.7)	0.1	(0.2)		
Financial liabilities designated at fair value	Synthetic policies	(9.7)	8.8	(4.0)	4.0		
Profit and loss sensitivity		**45.6**	**(41.3)**	**29.5**	**(28.7)**	**29.6**	**(29.6)**

The assumptions related to premiums and cost of insurance take the market participants' view on the merits of the ongoing legal cases of the Group and other plaintiffs into account. Assuming the full premium increases were used by a market participant, the valuation would decrease by CHF 63.6 million (31 December 2020: CHF 107.5 million).

The impact of counterparty credit risk for a two-notch downgrade would be a CHF 4.8 million (31 December 2020: CHF 6.1 million) decrease in fair value.

(d) Offsetting

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

As at 30 June 2021	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	323.3		323.3	(323.3)		
Derivative financial instruments	881.9		881.9	(554.2)	(285.4)	42.3
FVTPL – Life insurance policies	155.2		155.2	(155.2)		
Total financial assets	**1,360.4**	**–**	**1,360.4**	**(1,032.7)**	**(285.4)**	**42.3**

As at 30 June 2021	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
Derivative financial instruments	923.0		923.0	(534.5)	(346.0)	42.5
FVTPL – Synthetic life insurance	174.9		174.9	(174.9)		
Total financial liabilities	**1,097.9**	**–**	**1,097.9**	**(709.4)**	**(346.0)**	**42.5**

Notes to the condensed consolidated interim financial statements

6.2 Financial assets and liabilities measured at amortised cost

The following table summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 30 June 2021:

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
30 June 2021				
Financial assets				
Due from other banks	(i)	2,179.4	2,180.3	0.9
Loans and advances to customers	(ii)	19,094.9	19,457.3	362.4
		21,274.3	**21,637.6**	**363.3**
Financial liabilities				
Due to other banks	(iii)	(643.0)	(643.1)	(0.1)
Due to customers	(iii)	(32,266.1)	(32,270.6)	(4.5)
Subordinated loans	(iv)	(184.9)	(191.1)	(6.2)
Financial liabilities at amortised cost	(v)	(4,443.6)	(4,459.4)	(15.8)
		(37,537.6)	**(37,564.2)**	**(26.6)**
Net assets and liabilities not measured at fair value		**(16,263.3)**	**(15,926.6)**	**336.7**

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

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

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

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

(v) Financial liabilities at amortised cost
The value of structured products sold to clients is reflected on an accrual basis for the debt host (and on a fair value for the embedded derivative). The fair value of the debt host is based on the discounted amount of estimated future cash flows expected to be paid up to the date of maturity of the instrument. Expected cash flows are discounted at current market rates to determine fair value. The fair values are within Level 2 of the fair value hierarchy.

7. Assets under Management and Assets under Administration

	30 June 2021 CHF millions	31 December 2020 CHF millions	30 June 2020 CHF millions
Character of client assets			
Equities	60,907	51,410	41,816
Deposits	34,922	33,609	34,232
Bonds	35,263	35,088	34,504
Loans	20,346	19,424	19,247
Structured notes	4,818	4,194	3,868
Hedge funds/Fund of hedge funds	3,195	2,734	2,591
Fiduciary deposits	768	886	1,086
Other	11,746	11,422	10,484
Total revenue-generating Assets under Management	**171,965**	158,767	147,828
Total Assets under Administration	**27,278**	21,539	19,272
Total Assets under Management and Administration	**199,243**	180,306	167,100

Assets under Administration are trust assets administered by the Group. The Group has CHF 8,813 million (2020: CHF 9,483 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 include lombard loans and mortgages, though does not include the real estate that is security for the mortgage.

When AUM are 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.

On an annual basis, the Group discloses in its Annual Report Assets under Management according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting

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8. Net interest income

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Banks and customers	156.1	168.7	209.5
Financial assets at fair value through other comprehensive income	35.1	45.5	44.0
Treasury bills and other eligible bills	1.4	1.4	7.3
Total interest and discount income	**192.6**	215.6	260.8
Banks and customers	(45.7)	(54.4)	(62.9)
Financial liabilities at amortised cost	(12.6)	(14.1)	(24.4)
Lease liabilities	(1.5)	(1.0)	(0.4)
Subordinated loans	(5.6)	(9.8)	(9.5)
Total interest expense	**(65.4)**	(79.3)	(97.2)
Net interest income	**127.2**	136.3	163.6

Total interest expense on banks and customers including 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 12.9 million in the half-year ended 30 June 2021 (CHF 13.4 million and CHF 12.1 million for the half-year ended December 2020 and June 2020, respectively).

9. Net banking fee and commission income

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Advisory and management fees	221.0	194.3	168.0
Brokerage fees	144.0	121.8	131.7
Commission and fee income on other services	125.9	115.0	103.8
Banking fee and commission income	**490.9**	431.1	403.5
Commission and fee expenses on other services	(116.8)	(95.6)	(83.3)
Banking fee and commission expense	**(116.8)**	(95.6)	(83.3)
Net banking fee and commission income	**374.1**	335.5	320.2

10. Dividend income

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Financial assets at fair value through profit and loss	1.7		2.1
Dividend income	**1.7**	–	2.1

11. Net trading income and foreign exchange gains less losses

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Result of currency and precious metal operations	77.4	81.7	22.2
Client option premiums	(11.0)	9.6	25.1
Net trading income and foreign exchange gains less losses	**66.4**	91.3	47.3

Result of currency and precious metal operations are primarily earned on a transaction basis.

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

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Financial instruments measured at fair value			
Equity securities	0.7	(14.9)	17.8
Life insurance securities	44.8	7.1	11.8
Other	8.4	0.1	(2.6)
Fair value gains less losses on financial instruments measured at fair value	**53.9**	(7.7)	27.0

The gain of CHF 44.8 million on life insurance securities is primarily due to the settlement that the Group reached with one insurance carrier during the period. The Group had filed a claim against an insurance carrier related to increased premiums imposed by the carrier.

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

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Debt securities	(5.3)	3.9	2.9
Gains less losses on disposal of financial assets at fair value through other comprehensive income	**(5.3)**	3.9	2.9

Notes to the condensed consolidated interim financial statements

14. Other operating income

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Other profits	15.7	19.2	29.8
Other losses	(4.4)	(11.6)	(29.2)
Other operating income	**11.3**	7.6	0.6

Other profits include CHF 5.6 million related to the sale of certain client relationships in Switzerland. The sale price of CHF 111.1 million was composed by loans of CHF 422.2 million and deposits of CHF 319.3 million that have been transferred to the buyer, as well as other intangible assets of CHF 2.6 million that have been disposed of.

15. Loss allowance expense

Loss allowance expense includes all expected credit losses movements with an income statement impact:

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Change in loss allowance on lombard loans	(2.0)	3.6	(1.9)
Change in loss allowance on other loans	1.9	(2.3)	(0.6)
Change in loss allowance on mortgages	(0.8)	(0.7)	0.2
Change in loss allowance on investment securities		0.3	(0.1)
Change in loss allowance on off-balance sheet items	0.2	1.3	(1.1)
Total loss allowance expense	**(0.7)**	2.2	(3.5)

16. Operating expenses

	Note	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Staff costs	17	(345.8)	(312.7)	(362.3)
Professional services		(14.5)	(17.9)	(16.7)
Advertising and marketing		(3.0)	(3.8)	(4.5)
Administrative expenses		(36.4)	(41.2)	(40.9)
Depreciation of property, plant and equipment		(6.7)	(5.0)	(7.4)
Depreciation of right-of-use assets		(19.6)	(17.0)	(22.7)
Amortisation of intangible assets:				
Computer software and licences		(7.9)	(6.7)	(5.8)
Other intangible assets		(6.3)	(6.6)	(5.8)
Legal and litigation expenses		(11.4)	(21.9)	(12.4)
Other		(24.3)	(21.5)	(18.7)
Operating expenses		**(475.9)**	(454.3)	(497.2)

17. Staff costs

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Wages, salaries and staff bonuses	(271.2)	(262.1)	(281.6)
Social security costs	(26.5)	(24.7)	(25.6)
Pension costs			
Retirement benefits	(12.3)	(6.0)	(12.2)
Other net pension costs	(5.4)	(2.2)	(6.8)
Employee equity incentive plans	(12.1)	1.0	(19.4)
Other	(18.3)	(18.7)	(16.7)
Staff costs	**(345.8)**	(312.7)	(362.3)

As at 30 June 2021, the number of full-time equivalent employees (FTE's) of the Group was 3,110 (3,149 and 3,227 for December 2020 and June 2020, respectively). The average for the period was 3,129 (3,231 and 3,270 for December 2020 and June 2020, respectively).

The FTE's not in their notice period at 30 June 2021 was 3,019 (3,073 and 3,127 for December 2020 and June 2020, respectively).

Notes to the condensed consolidated interim financial statements

18. Income tax

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Current tax expense	(12.6)	(20.2)	(7.7)
Deferred income tax expenses	(9.7)	(0.4)	(2.2)
Income tax expense	**(22.3)**	(20.6)	(9.9)

19. Loans and advances to customers

	30 June 2021 CHF millions	31 December 2020 CHF millions
Mortgages	6,102.6	5,682.4
Lombard loans	12,415.7	12,003.2
Other loans	679.1	635.7
Gross loans and advances	**19,197.4**	18,321.3
Less: Loss allowance	(102.5)	(98.3)
Loans and advances to customers	**19,094.9**	18,223.0

The other loans include CHF 54.8 million (2020: CHF 34.3 million) of loans made with no collateral and CHF 125.3 million (2020: CHF 130.2 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.

20. Loss allowances on loans and advances to customers

	Half-year end 30 June 2021 CHF millions	Half-year end 31 December 2020 CHF millions	Half-year end 30 June 2020 CHF millions
At beginning of period	**(98.3)**	(106.4)	(106.5)
Loss allowance increased through profit and loss	(0.9)	1.8	(3.5)
Utilisation of provision	0.1	1.6	0.7
Loss allowance transferred to Other assets - Held for sale		0.2	
Exchange differences	(3.4)	4.5	2.9
At end of period	**(102.5)**	(98.3)	(106.4)

21. Subordinated loans

	Weighted average interest rate %	Due dates	30 June 2021 CHF millions	31 December 2020 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – USD 197,909,000 (31 December 2020: USD 400,000,000)	5.00% p.a.	March 2027	184.9	355.8
Total subordinated loans			**184.9**	355.8

Subordinated loans are presented net of unamortised discount on issuance of CHF 0.2 million (31 December 2020: CHF 0.8 million).

The movement in the account is as follows:

	CHF millions
At 01 January 2021	**355.8**
Accrued interest	5.1
Interest paid	(7.4)
Issuance fees amortised in P&L	0.5
Subordinated loan repurchased	(189.6)
Premium on repurchase expensed in P&L	6.0
Exchange differences	14.5
At 30 June 2021	**184.9**

22. Provisions

	Provision for litigation risks CHF millions	**Other provisions CHF millions**	**Total CHF millions**
At 01 January 2021	**16.7**	**23.9**	**40.6**
Increase in provisions recognised in the income statement	2.2	18.9	21.1
Release of provisions recognised in the income statement	(1.3)		(1.3)
Provisions used during the period	(3.0)	(5.8)	(8.8)
Reclassification to other assets held for sale	(1.6)		(1.6)
Exchange differences	0.1	1.1	1.2
At 30 June 2021	**13.1**	**38.1**	**51.2**
Expected payment within 12 months	8.2	22.3	30.5
Expected payment thereafter	4.9	15.8	20.7
At 30 June 2021	**13.1**	**38.1**	**51.2**

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 7.7 million (2020: CHF 7.0 million) relates to two client claims, following the discovery of irregularities in the management of clients' accounts by a former employee. The overall position is likely to be resolved within a year.

Other provisions of CHF 5.4 million remain for various small litigation cases.

Other provisions

The Group has a provision of CHF 17.1 million (2020: CHF 7.9 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.

A provision of CHF 1.4 million (2020: CHF 1.4 million) has been made for claims arising from fraudulent activity by an ex-CRO. In addition, based on a June 2021 demand letter, the Group has been made aware that additional claims of approximately CHF 23 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 these claims. The overall position is likely to be resolved within a year.

The Group has a provision of CHF 0.3 million (2020: CHF 0.6 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 14.2 million (2020: CHF 9.3 million) for restructuring costs.

Other provisions of CHF 5.1 million remain for various other potential cash outflows which are not expected to be settled within a year.

23. 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 22) 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 four 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
d) Group does not expect a material cash outflow, and 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) Claims have been made in 2014 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.
(ii) 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 in 2018. The

Group and several other parties were joined to these primary proceedings as a third party by one of the defendants. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

(iii) The Group received a Letter Before Action in 2021 by certain investors of a fund regulated in Guernsey. The letter alleges that the investors have incurred losses in an amount ranging up to approximately GBP 51.1 million arising out of problems with the fund's projects and alleges that the fund directors and the Group, as administrator, misled investors and acted in breach of their statutory duties. Formal legal proceedings have not yet been commenced against the Group by the investors. The Group believes it has strong defences to the allegations and maintains its vigorous defence.

(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 cooperating with OFAC on the matter.

(ii) Claims have arisen from possible fraudulent activities by a former employee. Certain claims have been provided for (see Provisions note 22), whilst investigations are ongoing related to additional potential claims (based on a June 2021 demand letter) of approximately CHF 23 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 Group is engaged in litigation proceedings initiated in 2012 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 damages claimed is approximately EUR 49 million plus interest since 2008. Although the Group is vigorously defending the case and believes it has strong defences to the claims, there is no reliable estimate of what losses might be sustained on the claims.

(iv) In 2019, the Group was named as a defendant in a claim brought against over 30 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.

(v) 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 Group believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.

(vi) The Group has been named as a defendant in lawsuits filed 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 believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.

(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.

Notes to the condensed consolidated interim financial statements

(i) The Office of the Attorney General in Switzerland is currently conducting criminal investigations against BSI 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. The Group is cooperating with the Swiss authorities in this ongoing investigation.

(ii) The US Attorney's Office for the Eastern District of New York 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 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 with the US authorities in the ongoing investigations.

(iii) The 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.

(iv) A client brought legal claims against the Group for CHF 54 million in purported actual and consequential damages arising between 2010 and 2017, 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.

(d) Group does not expect a material cash outflow, however any obligation arising would be offset by indemnification received

The following contingent liability is not expected to have a significant adverse effect on the Group's financial position and the Group is entitled to indemnification against losses that may arise from this matter from the seller of the former BSI Group.

(i) In August 2019, the Chilean tax authority made a tax liability determination arising out of BSI's September 2015 sale of shares in a Chilean subsidiary to a third party. In its tax return filed in 2016, BSI requested a tax refund on the grounds that the sale of the 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 tax authority amounts to CHF 24.0 million. In April 2020, the Group commenced legal proceedings challenging the tax authority's assessment, and believes it has strong defences to the tax assessment.

(ii) A 2013 default judgement was entered against BSI by a Brazilian court in the amount of approximately CHF 1.2 million (an amount which the plaintiff asserted continued to accrue interest and penalties) arising out of a 1998 transaction involving a former BSI client. The Group received notification of the default judgement via Hague Convention procedures. The default judgement was subsequently annulled by the Brazilian court and, therefore, no judgement or order is presently in effect that requires the Group to make any payment. The plaintiff has the right to appeal the default judgement's annulment.

24. Held for sale

Other assets include held for sale assets of CHF 145.4 millions. In April 2021, the Group has entered into an agreement to sell its controlling stake in Asesores y Gestores Financieros S.A. (hereinafter AYG) to its management team. The transaction is expected to close in the first quarter of 2022, subject to regulatory approval. EFGI management had the intention to sell AYG starting from January 2021. As a result, the held for sale classification date had been set at 01 January 2021. The Group has assessed the value and no impairment on the held for sale asset is required. In the segmental reporting (see note 30) AYG is included in the Continental Europe and Middle East segment.

The summarised information of AYG, is as follows:

	Asesores Y Gestores Financieros S.A.	
	30 June 2021 CHF millions	30 June 2020 CHF millions
Total assets	586.7	606.4
Total liabilities	515.9	543.7
Operating income	33.8	28.2
Net profit for the period (before non-controlling interests)	**4.3**	3.2

25. Share capital

At 30 June 2021, the share capital amounts to CHF 150,212,198 and is composed of :

- the issued nominal ordinary share capital of EFG International AG which amounts to CHF 150,022,718 and comprising of 300,346,723 registered shares less 301,288 treasury shares with a nominal value of CHF 0.50 each
- the non-voting Bons de Participation which amount to CHF 189,480 and consists of 13,382 participation certificates less 750 participation certificates held in treasury with a nominal value of CHF 15.00 each.

In the period, share capital increased by a net 3,942,207 shares arising from:

- 2,120,838 shares issued following the exercise of equity incentive plans from conditional share capital
- 1,821,369 treasury shares granted to employees following the exercise of equity incentive plans.

26. Additional equity components

	Weighted average coupon rate %	Due dates	30 June 2021 CHF millions	31 December 2020 CHF millions
Additional equity components – issuers				
EFG International AG – USD 400,000,000	5.5% p.a.	Not applicable	351.0	
Total additional equity components			**351.0**	–

In January 2021, the Group placed USD 400.0 million of perpetual unsecured, deeply subordinated notes, qualifying as Additional Tier 1 capital, with a 5.5% p.a. fixed coupon until the first optional call date of 25 January 2028 and thereafter the aggregate of the five years USD CMT Rate plus 4.659% per annum with a reset every five years. The repayment of this instrument is subject to conditions, including the prior approval of the regulator.

The perpetual Additional Tier 1 Notes may be written off partially or in full, on a permanent basis, under several circumstances described in more detail in the prospectus, among which, if the tier 1 common equity falls below 7.0%.

Based on the contractual terms of the perpetual Additional Tier 1 Notes, the Group is able to indefinitely defer repayment of principal and coupons. On this basis, the notes have been classified as equity instruments in these consolidated financial statements.

Issuance fees of USD 4.0 million are deducted from the proceeds.

27. Employee equity incentive plans

In the period, the Group has granted 4,926,726 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.

28. Dividends

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Dividends on ordinary shares			
CHF 0.15 per share related to 2019 paid on 6 May 2020			43.5
CHF 0.15 per share related to 2019 paid on 14 December 2020		44.4	
CHF 0.30 per share related to 2020 paid on 5 May 2021	89.0		
Total dividends on ordinary shares	**89.0**	44.4	43.5
Dividends on Bons de Participation			
For the period 01 November 2019 to 30 April 2020 at 0.290%			
For the period 01 May 2020 to 30 October 2020 at 0.204%			
For the period 01 November 2020 to 30 April 2021 at 0.000%			
Total dividends on Bons de Participation	**–**	–	–
Coupon on additional equity components			
For the period 25 January 2021 to 24 March 2021 at 5.50%	3.4		
Total coupon on additional equity components	**3.4**	**–**	**–**

29. Basic and diluted earnings per ordinary share

	Half-year ended 30 June 2021 CHF millions	Half-year ended 31 December 2020 CHF millions	Half-year ended 30 June 2020 CHF millions
Net profit for the period attributable to owners of the Group	106.5	80.5	34.8
Estimated dividend on Bons de Participation			
Estimated coupon on additional equity components	(8.8)		
Net profit for the period attributable to ordinary shareholders	**97.7**	80.5	34.8
Weighted average number of ordinary shares (000s of shares)	297,146	293,577	291,690
Basic earnings per ordinary share (CHF)	**0.33**	0.27	0.12
Diluted-weighted average number of ordinary shares (000s of shares)	312,782	310,241	307,990
Diluted earnings per ordinary share (CHF)	**0.31**	**0.26**	**0.11**

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 1,715,002 (31 December 2020: 4,222,573).

For the purpose of the calculation of earnings per ordinary share, net profit for the period attributable to ordinary shareholders has been adjusted by an estimated accrued coupon of 5.5% p.a. on on the additional equity components, and an accrued dividend on the Bons de Participation. The latter accrual has been computed by using a dividend rate from 01 January 2021 until 30 April 2021 of 0.000% and from 01 May 2021 until 30 June 2021 at a rate of 0.321%.

In the period pursuant to its employee equity incentive plans, the Group issued restricted stock units related to 4,926,726 (2020: 6,697,707) shares.

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. These restricted stock units have the effect to increase the diluted-weighted average number of ordinary shares of EFG International in periods when the Group has profits attributable to ordinary shareholders.

30. Segmental reporting

The Group's segmental reporting is based on how the internal Executive Committee reviews the performance of the Group's operations.

The primary split is between the Private Banking and Wealth Management business, the Investment & Wealth 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 & Middle East
– 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).

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe & Middle East	Americas	United Kingdom
Half-year ended 30 June 2021				
Segment revenue	148.2	102.0	40.9	73.9
Segment expenses	(115.0)	(91.1)	(39.3)	(62.5)
Tangible assets and software depreciation	(3.5)	(3.7)	(1.0)	(1.8)
Total operating margin	**29.7**	**7.2**	**0.6**	**9.6**
Cost to acquire intangible assets and impairment of intangible assets	(0.2)	(0.8)		
Provisions	(6.7)	0.1	(1.3)	(0.1)
Loss allowance expense	(0.1)	0.1		0.4
Segment profit/(loss) before tax	**22.7**	**6.6**	**(0.7)**	**9.9**
Income tax (expense)/gain	(4.5)	(1.3)	0.2	(1.9)
Profit for the period	**18.2**	**5.3**	**(0.5)**	**8.0**
Assets under Management	45,972	38,203	16,112	24,789
Employees (FTE's)	331	390	130	203

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe & Middle East	Americas	United Kingdom
Half-year ended 31 December 2020				
Segment revenue	137.0	89.7	37.9	68.2
Segment expenses	(114.3)	(90.3)	(34.8)	(55.5)
Tangible assets and software depreciation	(1.7)	(2.5)	(0.5)	(2.0)
Total operating margin	**21.0**	**(3.1)**	**2.6**	**10.7**
Cost to acquire intangible assets and impairment of intangible assets	(0.3)	(1.1)		
Provisions	(9.9)	(2.7)		(1.9)
Loss allowance expense	0.9		(0.5)	0.4
Segment profit/(loss) before tax	**11.7**	**(6.9)**	**2.1**	**9.2**
Income tax (expense)/gain	(2.8)	1.0	(0.4)	(1.8)
Profit for the period	**8.9**	**(5.9)**	**1.7**	**7.4**
Assets under Management	43,433	35,017	14,913	21,656
Employees (FTE's)	335	423	130	203

	Asia Pacific	Total	**Investment & Wealth Solutions**	**Global Markets & Treasury**	**Corporate Overheads**	**Eliminations**	**Total**
	86.7	451.7	73.2	65.1	39.3		629.3
	(69.1)	(377.0)	(46.0)	(21.8)	(10.2)		(455.0)
	(2.4)	(12.4)	(1.8)	(1.5)	1.1		(14.6)
	15.2	**62.3**	**25.4**	**41.8**	**30.2**	**–**	**159.7**
	(0.1)	(1.1)			(5.2)		(6.3)
		(8.0)			(11.8)		(19.8)
	(0.5)	(0.1)		(1.6)	1.0		(0.7)
	14.6	**53.1**	**25.4**	**40.2**	**14.2**	**–**	**132.9**
	(2.9)	(10.4)	(5.0)	(7.9)	1.0		(22.3)
	11.7	**42.7**	**20.4**	**32.3**	**15.2**	**–**	**110.6**
	34,469	159,545	51,170		629	(39,379)	171,965
	295	1,349	269	85	1,316		3,019

	Asia Pacific	Total	Investment & Wealth Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
	82.6	415.4	72.4	84.3	(5.2)		566.9
	(71.0)	(365.9)	(52.3)	(19.0)	1.3		(435.9)
	(1.6)	(8.3)	(1.9)	(1.4)	(0.2)		(11.8)
	10.0	**41.2**	**18.2**	**63.9**	**(4.1)**	**–**	**119.2**
	(0.1)	(1.5)			(5.1)		(6.6)
	(1.3)	(15.8)	(0.8)		6.8		(9.8)
	0.1	0.9	(0.1)	1.0	0.4		2.2
	8.7	**24.8**	**17.3**	**64.9**	**(2.0)**	**–**	**105.0**
	(2.1)	(6.1)	(3.6)	(13.0)	2.1		(20.6)
	6.6	**18.7**	**13.7**	**51.9**	**0.1**	**–**	**84.4**
	31,285	146,304	45,772		2,216	(35,525)	158,767
	286	1,377	281	87	1,328		3,073

Notes to the condensed consolidated interim financial statements

CHF millions	Private Banking and Wealth Management			
	Italy	Switzerland & Continental Europe & Middle East	Americas	United Kingdom
Half-year ended 30 June 2020				
Segment revenue	147.6	92.5	43.8	71.9
Segment expenses	(125.8)	(86.8)	(42.5)	(61.9)
Tangible assets and software depreciation	(3.4)	(3.0)	(1.0)	(1.7)
Total operating margin	**18.4**	**2.7**	**0.3**	**8.3**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.6)		
Provisions	(0.1)	(1.7)		(0.2)
Loss allowance expense	(0.2)			(1.1)
Segment profit/(loss) before tax	**18.0**	**0.4**	**0.3**	**7.0**
Income tax (expense)/gain	(1.9)			(0.8)
Profit for the period	**16.1**	**0.4**	**0.3**	**6.2**
Assets under Management	42,221	33,581	15,361	20,267
Employees (FTE's)	359	410	146	212

		Investment & Wealth Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia Pacific	Total					
78.8	434.6	58.4	78.2	(7.5)		563.7
(65.4)	(382.4)	(44.4)	(31.5)	(20.0)		(478.3)
(2.0)	(11.1)	(0.5)	(1.6)	0.1		(13.1)
11.4	**41.1**	**13.5**	**45.1**	**(27.4)**	**–**	**72.3**
(0.1)	(0.8)			(5.0)		(5.8)
	(2.0)			(13.7)		(15.7)
	(1.3)		(0.1)	(2.1)		(3.5)
11.3	**37.0**	**13.5**	**45.0**	**(48.2)**	**–**	**47.3**
(1.1)	(3.8)	(1.4)	(4.7)			(9.9)
10.2	**33.2**	**12.1**	**40.3**	**(48.2)**	**–**	**37.4**
28,208	139,638	40,968		362	(33,140)	147,828
292	1,419	276	89	1,343		3,127

31. Off-balance sheet items

	30 June 2021 CHF millions	31 December 2020 CHF millions
Guarantees issued in favour of third parties	1,239.2	1,178.6
Irrevocable commitments	238.4	375.5
Total	**1,477.6**	1,554.1

32. Related party transactions

The Group enters into banking and other transactions with related parties. These include loans, deposits, derivatives and provision of services. Total asset with related parties amounted to CHF 66.3 million at the end of June 2021 (December 2020 CHF 11.6 million).

The total revenue received from related parties amounted to CHF 2.5 million in the period (year ended 31 December 2020: CHF 30.7 million) and expenses of CHF 2.5 million in the period (2020: CHF 22.8 million).

No provisions have been recognised in respect of loans given to related parties (2020: nil).

33. Significant events

None.

34. Post balance sheet events

None.

Alternative performance measures

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 include lombard loans and mortgages but do not include the real estate that is security for the mortgage.

When Assets under Management are 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 63 of the 2020 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.

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 equivalent to at least 100% of projected cash outflows during the stress scenario.

Loan/deposit ratio
The loan/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.

Alternative performance measures

The reconciliation of underlying results to IFRS results as at 30 June 2021, 31 December 2020 and 30 June 2020 are as follows:

	Underlying half-year ended 30 June 2021 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 30 June 2021 CHF millions
Net interest income	127.1	(0.5)		0.6	127.2
Net banking fee and commission income	374.1				374.1
Net other income	83.1	44.9			128.0
Operating income	**584.3**	**44.4**	**–**	**0.6**	**629.3**
Operating expenses	(465.8)	(2.6)	(4.7)	(2.8)	(475.9)
Provisions	(11.2)	(8.6)			(19.8)
Loss allowance expense	2.4			(3.1)	(0.7)
Profit before tax	**109.7**	**33.2**	**(4.7)**	**(5.3)**	**132.9**
Income tax expense	(23.3)		1.0		(22.3)
Net profit for the period	**86.4**	**33.2**	**(3.7)**	**(5.3)**	**110.6**
Net profit attributable to non-controlling interests	(4.1)				(4.1)
Net profit attributable to equity holders of the Group	**82.3**	**33.2**	**(3.7)**	**(5.3)**	**106.5**

	Underlying half-year ended 31 December 2020 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 31 December 2020 CHF millions
Net interest income	136.3	(0.5)		0.5	136.3
Net banking fee and commission income	335.5				335.5
Net other income	88.0	7.1			95.1
Operating income	**559.8**	**6.6**	**–**	**0.5**	**566.9**
Operating expenses	(439.5)	(1.5)	(5.0)	(8.3)	(454.3)
Provisions	(14.3)	4.5			(9.8)
Loss allowance expense	(3.8)			6.0	2.2
Profit before tax	**102.2**	**9.6**	**(5.0)**	**(1.8)**	**105.0**
Income tax expense	(21.6)		1.0		(20.6)
Net profit for the period	**80.6**	**9.6**	**(4.0)**	**(1.8)**	**84.4**
Net profit attributable to non-controlling interests	(3.9)				(3.9)
Net profit attributable to equity holders of the Group	**76.7**	**9.6**	**(4.0)**	**(1.8)**	**80.5**

	Underlying half-year ended 30 June 2020 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 30 June 2020 CHF millions
Net interest income	166.5	(3.8)		0.9	163.6
Net banking fee and commission income	320.2				320.2
Net other income	68.1	11.8			79.9
Operating income	**554.8**	**8.0**	**–**	**0.9**	**563.7**
Operating expenses	(485.2)	(2.7)	(4.9)	(4.4)	(497.2)
Provisions	(15.7)				(15.7)
Loss allowance expense	(2.6)			(0.9)	(3.5)
Profit before tax	**51.3**	**5.3**	**(4.9)**	**(4.4)**	**47.3**
Income tax expense	(11.0)		1.1		(9.9)
Net profit for the period	**40.3**	**5.3**	**(3.8)**	**(4.4)**	**37.4**
Net profit attributable to non-controlling interests	(2.6)				(2.6)
Net profit attributable to equity holders of the Group	**37.7**	**5.3**	**(3.8)**	**(4.4)**	**34.8**

Forward-looking statements

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

This report by EFG International AG ("EFG") includes forward-looking statements that reflect EFG's intentions, beliefs or current expectations and projections about EFG's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve all matters that are not historical facts. EFG has tried to identify those forward-looking statements by using the words 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'seek', 'plan', 'predict', 'continue' and similar expressions. Such statements are made on the basis of assumptions and expectations which, although EFG believes them to be reasonable at this time, may prove to be erroneous.

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Alternative performance measures and reconciliations: This document 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, underlying net profit, cost/income ratio, revenue margin, Liquidity Coverage Ratio, 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. The definitions of APM used in this document, together with reconciliations to the most directly reconcilable IFRS line items, are provided in the section headed Alternative performance measures of this document.

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