EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.
(*Incorporated in Guernsey*)
("EFGFP Ltd." or interchangeably the "Issuer")

with information on

EFG INTERNATIONAL AG
(*Incorporated in Switzerland*)

("EFGI" or interchangeably the "Guarantor")

Registration Document

pursuant to Section 12 (1) Sentence 3 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*)

dated 29 May 2012

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I. RISK FACTORS

The following is a disclosure of risks factors that are material to the specific situation of the Issuer and/or the Guarantor and may affect the Issuer's and/or the Guarantor's ability to fulfil its respective obligations as issuer or, as the case may be, guarantor of any issued products.

1. Risk Factors relating to EFG Financial Products (Guernsey) Ltd.

EFGFP Guernsey's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. These risks primarily arise through the issuance of structured products, the related investment of cash proceeds and the hedging of market risks through the purchase of derivative products.

Financial information of the EFGFP Ltd. should not be relied on as evidence of future results.

As a financial services provider, the business activities of EFGFP Ltd. are affected by the prevailing market situation. Different risk factors can impair EFGFP Ltd.'s ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, EFGFP Ltd.'s revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of results in any future period. They can vary from one year to the next and may affect EFGFP Ltd.'s ability to achieve its strategic objectives. Taking into account that EFGFP Ltd. has only a short financial history this might be of particular relevance.

EFGFP Ltd. may not be able to fulfil its obligations due to a deteriorated financial situation. EFGFP Ltd. may become insolvent.

The financial situation of EFGFP Ltd. could deteriorate and may prevent EFGFP Ltd. from fulfilling its obligations. Creditors are therefore exposed to the credit risk of EFGFP Ltd. The default or insolvency of EFGFP Ltd. and EFGI may lead to a partial or total loss of the claims of creditors.

EFGFP Ltd.'s financial situation may be affected, if it is obliged to fulfil its obligations under the financial guarantee issued in favour of EFG Bank AG

EFGFP Ltd. has issued a financial guarantee to EFG Bank AG up to the maximum amount of the outstanding cash and term deposits of EFGFP Ltd. held with EFG Bank AG in case predefined subsidiaries of EFGI fail to make payments due to EFG Bank AG. In order to primarily secure EFGFP Ltd.'s obligations under this financial guarantee, certain term deposits are pledged to EFG Bank AG. At 31 December 2011 the total balance of EFG Bank AG receivables that were guaranteed under such financial guarantee was equal to CHF 2,808 million. EFGFP Ltd.'s financial situation and its ability to fulfil its obligations under any products issued by it may be affected if it is obliged to fulfil its obligations under this financial guarantee.

EFGFP Ltd. is exposed to market risks arising from open positions in interest rate, currency and equity products which may adversely affect its results of operations.

Market risk refers to fluctuations in trading of securities, derivatives, foreign exchange rates, share and commodity prices. EFGFP Ltd. takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Ltd. has market risks arising from its derivatives, trading financial assets, financial assets and financial liabilities designated at fair value. Market risk may adversely affect the results of operations of EFGFP Ltd.

EFGFP Ltd. is exposed to significant and increasing competition which may adversely affect its future results of operations.

All aspects of EFGFP Ltd.'s business are highly competitive and the competitive conditions are expected to continue to intensify. EFGFP Ltd.'s ability to compete depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. The significant and increasing competition may adversely affect EFGFP Ltd.'s future results of operations.

EFGFP Ltd. is exposed to the credit risk of its counterparties.

Credit risk is the risk of suffering financial loss in the event that any of the companies, clients or market counterparties fail to fulfil their contractual obligations to EFGFP Ltd. Credit risk arises mainly from receivables balances related to the financial assets of EFGFP Ltd., including its term deposits with EFG Bank AG, Cayman Branch, and its trading exposures, primarily derivatives and settlement balances with EFG Financial Products AG, Zurich ("**EFGFP AG**"), and SIX SIS AG, a major Swiss settlement and custody firm, respectively. Counterparty default risk may also arise from unforeseen events or circumstances.

In this context it should be noted that EFGFP Ltd. has issued a financial guarantee to EFG Bank AG up to the maximum amount of its outstanding cash and term deposits held with EFG Bank AG to secure payment of obligations predefined subsidiaries of EFGI have towards EFG Bank AG. Certain term deposits are pledged to EFG Bank AG.

EFGFP Ltd.'s most significant credit exposure is with EFG Bank.

EFGFP Ltd. bears the risk of insufficient liquidity which may negatively affect its ability to operate its business.

Liquidity risk is the risk that EFGFP Ltd. may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Liquidity could be affected by the inability to access the long-term or short-term debt, repurchase, or securities lending markets or to draw under credit facilities, whether due to factors specific to EFGFP Ltd. or to general market conditions. In addition, the amount and timing of contingent events, such as unfunded commitments and guarantees, could adversely affect cash requirements and liquidity. EFGFP Ltd.'s liquidity is critical to its ability to operate its business, to grow and be profitable. If EFGFP Ltd. does not effectively manage its liquidity, its business could be negatively affected.

The reduction of the credit ratings of EFGI may adversely affect EFGFP Ltd.'s access to unsecured funding.

Access to the unsecured funding markets is dependent on EFGI's credit ratings. A reduction in EFGI's credit ratings could adversely affect EFGFP Ltd.'s access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements.

Anticipated or actual upgrades or downgrades in EFGI's credit ratings may have an impact on its creditworthiness.

The risk factors to which EFGFP Ltd. is exposed are intensified by risk concentrations.

EFGFP Ltd. considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments. EFGFP Ltd. has identified three risk concentrations, being exposures to EFG Bank AG, Cayman Branch, EFGFP AG and exposures to various related parties of EFGI under the financial guarantee. The exposures to EFG Bank AG, Cayman Branch, and to EFGI related parties are considered to be a concentration due to their size and credit risk. The exposure to EFGFP AG is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Ltd. and as it is the single counter-party to all derivative trades. Furthermore, the exposure to SIX SIS AG is also considered a risk concentration due to its prime role in the entire settlement and custody process.

EFGFP Ltd. may be adversely affected by legal, regulatory, and reputational risks.

Legislation and rules adopted around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans, restrictions on the interaction between equity research analysts and investment banking employees and money laundering. The trend and scope of increased compliance requirements may require EFGFP Ltd. to invest in additional resources to ensure compliance.

EFGFP Ltd.'s reputation is critical in maintaining its relationships with clients, Investors, regulators and the general public, and is a key focus in its risk management efforts.

2. Risk Factors relating to EFG International AG

Financial information of EFGI should not be relied on as evidence of future results.

As a financial services provider, the business activities of EFGI are affected by the prevailing market situation. Different risk factors can impair EFGI's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, EFGI's revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of results in any future period. They can vary from one year to the next and may affect EFGI's ability to achieve its strategic objectives.

EFGI may not be able to fulfil its obligations due to a deteriorated financial situation. EFGI may become insolvent.

The financial situation of EFGI could deteriorate and may prevent it from fulfilling its obligations. Creditors are therefore exposed to the credit risk of EFGI. The default or insolvency of EFGI may lead to a partial or total loss of the claims of creditors.

EFGI is exposed to the country risk resulting from its cross-boarder transactions.

Country risk is defined as "the transfer and conversion risk that arises from cross-border transactions". Country risk also encompasses sovereign risk, the default risk of sovereigns or state entities acting as borrowers, guarantors or issuers. EFGI's international operations are subject to risk of loss from unfavourable economic, political, legal and other developments in the relevant countries.

EFGI is exposed to market risks which may adversely affect its results of operations.

Market risk refers to fluctuations in trading of securities, derivatives, foreign exchange rates, share and commodity prices. EFGI takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGI is also exposed to market risk relating to credit spread related risk induced by bonds position holding for Asset & Liability management purposes while currency risk exposure is induced by the capital of its subsidiary banks that is denominated in local currencies and the valuation of life insurance policies. Market risk derives from trading in treasury and investment market products for which prices are fixed daily, as well as from more traditional banking business, such as loans. Market risk may adversely affect the results of operations of EFGI.

EFGI is exposed to significant and increasing competition which may adversely affect its future results of operations.

All aspects of EFGI's business are highly competitive and the competitive conditions are expected to continue to intensify. EFGI's ability to compete depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. The significant and increasing competition may adversely affect EFGI's future results of operations.

EFGI is exposed to the credit risk of its counterparties.

Credit risk is the risk of suffering financial loss resulting from a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. EFGI's primary credit exposure relates to loans to clients and exposures to financial institutions, sovereigns and quasi-sovereign entities. Counterparty default risk may also arise from unforeseen events or circumstances.

EFGI is exposed to currency risk and to currency translation risk.

Apart from the exposure to foreign currencies which relates to banking and trading activities in EFGI's subsidiary banks, and which is managed by the local treasury departments, EFGI is also exposed to foreign currency fluctuations because most of the subsidiary banks use local currencies as their reporting currencies. It has to be noted that EFGI and its consolidated subsidiaries (the "**Group**") do not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiary banks (currency translation risk).

EFGI is exposed to the risk that net interest income may decline if interest rates change.

Like all banking groups, the Group earns interest from loans and other assets, and pays interest to depositors and other creditors. If interest rates change, then both the level of interest income and interest expense will, likewise, also change. The net effect of changes in interest rates on EFGI's net interest income will depend on the relative level of assets and liabilities that are affected by the change in interest rates. Consequently EFGI's net interest income may decrease.

EFGI bears the risk of insufficient liquidity which may negatively affect its ability to operate its business.

Liquidity risk is the risk that EFGI may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Liquidity could be affected by the inability to access the long-term or short-term debt, repurchase or securities lending markets or to draw under credit facilities, whether due to factors specific to EFGI or to general market conditions. In addition, the amount and timing of contingent arrangements, such as unfunded commitments and guarantees, could adversely affect cash requirements and liquidity. In this context it should be noted that EFGI is a holding company and therefore all its liquid assets are held by its subsidiaries which may negatively impact EFGI's ability to generate cash reserves. EFGI's liquidity is critical to its ability to operate its business, to grow and be profitable. If EFGI does not effectively manage its liquidity, its business could be negatively affected.

EFGI bears the risk of downgrade of its credit ratings.

EFGI is generally exposed to the risk of its credit ratings being downgraded. A reduction in its credit ratings could adversely affect EFGI's access to liquidity and funding opportunities as well as its competitive position and could also increase the cost of funding.

EFGI relies on its internal processes, people and systems and certain failures could adversely affect EFGI's operations.

Operational risk describes the risk of losses resulting from inadequate or failed internal or outsourced processes, people and infrastructure and technology, or from external events. If operational risk materialises it could lead to a diminished ability of EFGI to operate one or more of its businesses, to regulatory measures/sanctions, a potential liability to clients and reputational damage, any of which could adversely affect EFGI.

EFGI acts as Guarantor for products issued by EFGFP Ltd. and EFGFP AG under their Swiss and European issuance and offering programmes.

EFGI irrevocably and unconditionally guarantees, as primary obligor and not merely as surety, the due and punctual settlement in full of all obligations due and owing by EFGFP Ltd. and EFGFP AG under products issued under their Swiss and European issuance and offering programme, as the case may be, after taking account of any set-off, combination of accounts, netting or similar arrangement exercisable by EFGFP Ltd. and/or EFGFP AG against any person to whom obligations are from time to time owed, when and as due (whether at maturity, by acceleration or otherwise). Overall, the amount guaranteed by EFGI for Products issued by EFGFP Ltd. and EFGFP AG amounts to approximately CHF 3,104 million as of 31 December 2011. Obligations, if any, arising from the guarantee for products issued under EFGFP Ltd.'s European issuance and offering programme will be solely EFGI's obligations, and no other entity will have any other obligation, contingent or otherwise, to make any payments in respect thereof.

EFGI may be adversely affected by legal and regulatory risks.

As of September 2005, EFGI became regulated by the Swiss Federal Banking Commission (now Swiss Financial Market Supervisory Authority FINMA (the "**FINMA**")) as a consolidated supervised entity, and as such, EFGI is subject to group-wide supervision and examination by the FINMA, and accordingly, EFGI is subject to minimum capital requirements on a consolidated basis. Violation of applicable regulations could result in legal and/or administrative proceedings, which may impose censures, fines, cease-and-desist orders or suspension of a firm, its officers or employees. The scrutiny of the financial services industry has increased over the past several years, which has led to increased regulatory investigations and litigation against financial services firms.

Legislation and rules adopted both in Switzerland and around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans, restrictions on the interaction between equity research analysts and investment banking employees and money laundering. The trend and scope of increased compliance requirements may require EFGI to invest in additional resources to ensure compliance.

EFGI may be adversely affected by reputational risks.

EFGI's reputation which may essentially be affected by shortcomings under any risk category is critical in maintaining its relationships with clients, investors, regulators and the general public, and is a key focus in its risk management efforts. Reputational risks for EFGI may arise from service delivered to clients that are substandard, as well as EFGI's involvement with politically exposed persons, persons with a public profile or those associated with high risk activities. EFGI is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years, and EFGI is exposed to the risk of fraud, misconduct or improper practice by its employees. Internal procedures or precautions in place to prevent and detect such fraud, misconduct or improper practice may not be effective in all cases. Substantial legal liability or a significant regulatory action against EFGI, or adverse publicity, governmental scrutiny or legal and enforcement proceedings regardless of the ultimate outcome, could cause significant reputational damage to EFGI and adversely affect EFGI's business, results of operations and financial position.

EFGI is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to tax and regulatory changes.

EFGI is exposed to the risk that its clients may move assets away from jurisdictions in which it operates. In particular, regulatory or tax changes in either the jurisdiction where the assets are held or in the jurisdiction where the assets are domiciled might cause clients to shift their assets away from or towards particular jurisdictions. The extent to which tax and regulatory changes cause EFGI's clients to move assets away from jurisdictions where EFGI has a strong presence has the potential to reduce EFGI's assets under management (comprising custodised securities, fiduciary placements, deposits, client loans, funds, mutual funds under management, third party custodised assets managed by the Group, third party funds administered by the Group and structured notes which are structured and managed by the Group (together, "**AUM**")). As a result of any such development, EFGI's business, results of operations and financial condition may be adversely affected.

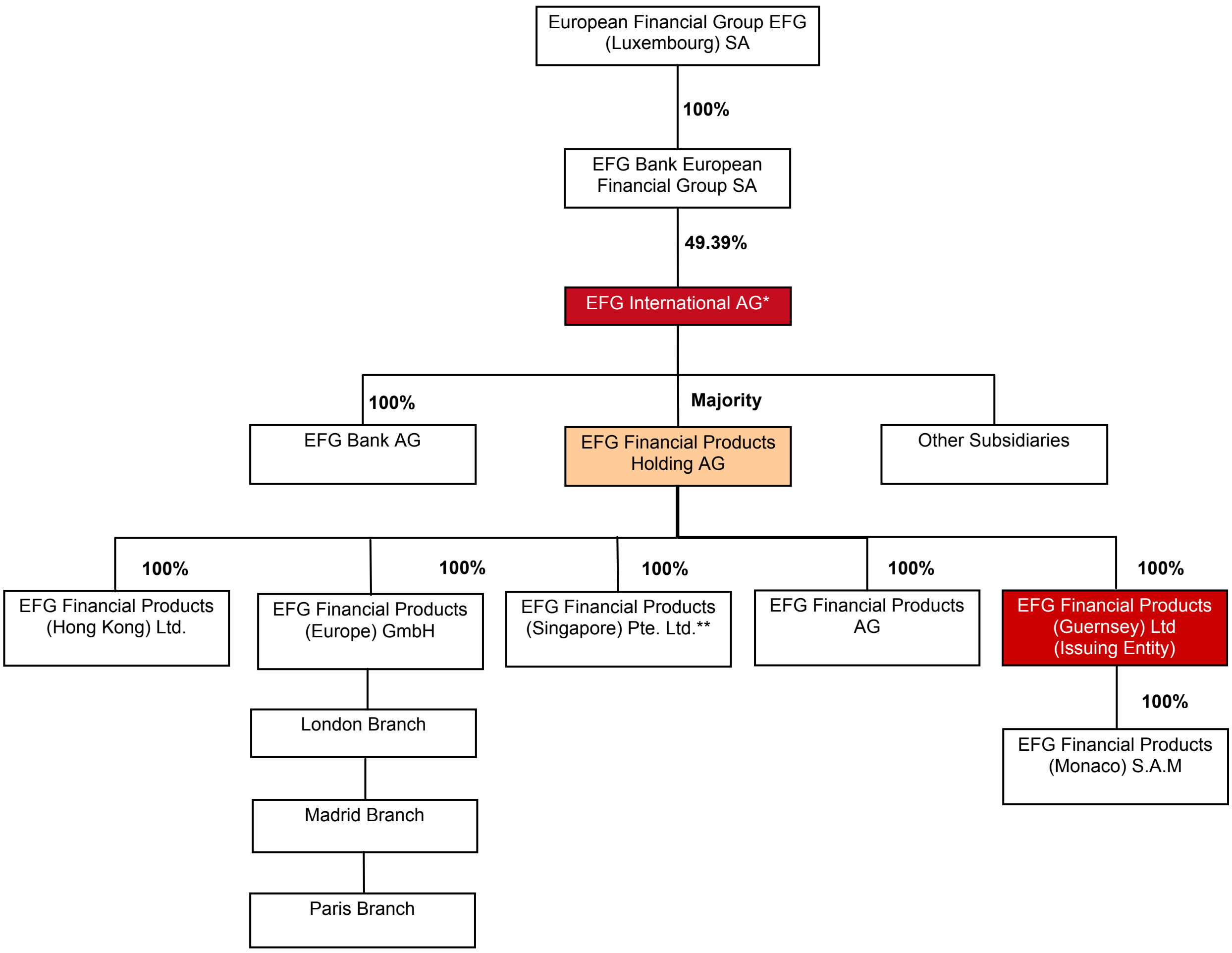
Because AUM booked in Switzerland represent an important part of EFGI's overall business, it is particularly exposed to the risk of changes in Swiss banking secrecy or other laws. Any future change in the Swiss banking secrecy laws, allowing foreign authorities, regulators and other interested parties to request the disclosure of the identity of EFGI's clients, could result in some of EFGI's clients' assets being moved away from Switzerland to other markets. This may cause a decline of EFGI's AUM and may adversely affect EFGI's business, results of operations and its financial condition.

EFGI's strategic review of its business may affect its revenues and profitability.

After completion of a strategic review of its business in 2011, EFGI has taken different actions to enhance profitability and position itself to deliver disciplined profitable growth. The results of the strategic review and EFGI's ability to implement the relevant measures may adversely affect EFGI's revenues and profitability if not completed successfully and may also increase any of the other risks EFGI bears.

II. SUMMARY CORPORATE & SHAREHOLDER STRUCTURE CHART OF EFG GROUP

EFG Financial Products (Guernsey) Ltd. ("**EFGFP Ltd.**"), together with the below depicted group companies, is a fully owned subsidiary of EFG Financial Products Holding AG (EFG Financial Products Holding AG together with its subsidiaries the "**EFGFP Group**"), which is majority owned by EFG International AG (the "**Guarantor**" or interchangeably "**EFGI**"; EFGI together with its subsidiaries the "**Group**"). EFGI's principal shareholder is EFG Bank European Financial Group SA, a Swiss-registered bank, which is wholly owned by European Financial Group EFG (Luxembourg) SA (European Financial Group EFG (Luxembourg) SA together with its subsidiaries the "**EFG Group**"), whose ultimate beneficiaries are Latsis family interests. The below table provides a summary corporate and shareholder structure chart.



* Listed on the SIX Swiss Exchange (supervised on a consolidated basis by FINMA).
** Capital Markets Services licence application pending with the Monetary Authority of Singapore.

As announced by EFGI in October 2011 in the context of its business review, EFG Financial Products Holding AG has been earmarked for an IPO (with the intention of EFGI reducing its stake from 57% to circa 20%), which - subject to market conditions - is intended to take place during 2012.

III. EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.

1. Statutory Auditors

For the financial years ended 31 December 2010 and 31 December 2011, the independent auditors of EFG Financial Products (Guernsey) Ltd. were PricewaterhouseCoopers, CI LLP, PO Box 321, Royal Bank Place, 1 Glategny Esplanade, St Peter Port, Guernsey, Channel Islands GY1 4ND ("**PWC Guernsey**"). PWC Guernsey have audited the financial statements of the EFGFP Ltd. for the financial years ended 31 December 2010 and 31 December 2011. PWC Guernsey are certified public accountants and all of its employees that are qualified accountants are individually members of The Guernsey Society of Chartered and Certified Accountants (GSCCA).

2. Selected Financial Information for the financial years 2010 and 2011

The following financial information has been extracted from the audited financial statements of EFGFP Ltd. for the financial years 2010 and 2011 as included in pages G-6 to G-7 of Appendix 2 to this Registration Document:

in CHF	**Year ended 31 December 2010 (audited)**	**Year ended 31 December 2011 (audited)**
Income		
Net revenues	19,515,278	15,548,797
Operating profit before tax	13,891,454	9,049,301
	31 December 2010 (audited)	**31 December 2011 (audited)**
Balance Sheet		
Total assets	2,668,336,840	3,309,671,417
Financial liabilities at fair value through profit and loss	2,507,125,349	2,913,662,634
Total shareholders' equity	8,420,189	7,719,490

3. Information about EFG Financial Products (Guernsey) Ltd.

General Information

EFGFP Ltd. was incorporated as a limited liability company under the laws of Guernsey in Greffe, Guernsey, on 16 November 2007 for an unlimited duration under the legal name "EFG Financial Products (Guernsey) Ltd". EFGFP Ltd. is registered on the Records of the Island of Guernsey under Certificate of Registration number 48057. EFGFP Ltd. is not subject to supervision in Guernsey. However, as a subsidiary of the Guarantor EFGFP Ltd. falls within the consolidated regulatory supervision of the Guarantor by the Swiss Financial Market Supervisory Authority ("**FINMA**").

The founding shareholders of EFGFP Ltd. were First Ovalap Limited, St. Peter Port, Guernsey; and Second Ovalap Limited, St. Peter Port, Guernsey.

The registered office of EFGFP Ltd. is at EFG House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1GZ, Channel Islands, and the telephone number is +44 1481 749 330.

According to Article 3 of the Memorandum of Association of EFGFP Ltd., the objects for which EFGFP Ltd. is established are:

1. to issue, promote and distribute unsecured debt and similar securities, including, but without limitation, certificates, notes, bonds or other derivative instruments and warrants, deriving their value from any underlying asset class, and to apply the proceeds of such issues for general corporate purposes of EFGFP Ltd.;

2. to advance, deposit or lend money, securities and property to or with such persons and on such terms as may seem expedient; to discount, buy, sell and deal in bills, notes, warrants, coupons and other negotiable or transferable securities or documents;

3. to guarantee or become liable for the payment of money or the performance of any obligations, and generally to transact all kinds of guarantee business; also to transact all kinds of trust and agency business;

4. to carry on business as a general commercial company; and

5. to do all such other things as EFGFP Ltd. may think incidental to or connected with any of the above objects or conducive to their attainment or otherwise likely in any respect to be advantageous to EFGFP Ltd.

Recent Events

In December 2011, EFG Financial Products (Singapore) Pte. Ltd. ("**EFGFP Singapore**"), a wholly owned subsidiary of EFG Financial Products Holding AG, based in Singapore, filed an application for a Capital Markets Services License for dealing in securities with The Monetary Authority of Singapore. The principal business of EFGFP Singapore will be to offer structured products issued by EFGFP AG and EFGFP Ltd. to certain investors in Singapore.

On 19 March 2012, EFGFP Ltd. declared and paid dividends to EFG Financial Products Holding AG of CHF 2,000,000.

4. Business Overview

Principal Activities

EFGFP Ltd.'s primary business is the structuring, issuance and sale of financial products, such as certificates, notes, bonds, warrants and other derivative instruments.

Business outlook

Subject to market conditions, EFGFP Ltd. plans to further extend its existing product range of certificates, notes, leverage products and other structured products, and to focus on other product categories. In addition, EFGFP Ltd. intends to strengthen its tailor-made business, also taking into consideration further possible asset classes / underlyings. Moreover EFGFP Ltd. has extended geographically its business activities (see Section "Principal Markets" below) and EFGFP Group aims at continuously expanding its business via locally licensed offices into selected European and Asian markets.

Principal Markets

As at the date of the Registration Document, EFGFP Ltd.'s products are publicly offered mainly in Switzerland, Germany and Austria. EFGFP Ltd. plans to extend its business activities with the public offering of its products to other countries of the European Economic Area under the European issuance and offering programme for certificates, notes, leverage products and other structured products. Simultaneously EFGFP Ltd.'s products are increasingly offered in Asia through EFG Financial Products (Hong Kong) Limited and other Group entities.

5. Trend Information

There has been no material adverse change in the prospects of EFGFP Ltd. since the date of its last published audited financial statements for the year ended 31 December 2011.

6. Board of Directors and Executive Committee

Board of Directors

The Board of Directors is responsible for the management of EFGFP Ltd.'s business. The Board of Directors currently comprises three members (including the Chairman) all of whom are non-executive directors.

Name	**Function**	**Significant outside activities**
David Gerard Gardner	Chairman	Managing Director EFG Offshore Limited, Board member EFG Private Bank Limited, EFG Trust Company Limited, EFG Fund Administration Limited, Stapleford Insurance Company Limited and various other EFG Group companies and EFG client related entities
Christopher Paul Rowe	Director	Executive Director and Board member EFG Private Bank (Channel Islands) Ltd, Director of various EFG Group companies and EFG client related entities
Sandro Fabio Dorigo	Director	Member of the Executive Committee of EFG Financial Products AG, Zurich (Head Pension Solutions & Regions)

Executive Committee

Subject to the organisational regulations of the board of directors and mandatory law, the Board of Directors of EFGFP Ltd. has delegated EFGFP Ltd.'s operational management to the General Manager. The executive committee currently comprises two executive officers.

Name	Position held	Significant outside activities
Benjamin Reid	General Manager	Representative of the corporate director EFGFP Ltd. at the Board of Directors of EFG Financial Products (Monaco) SAM
Lance Coleman	Deputy to the General Manager	None

The business address of the members of the Board of Directors and of the Executive Committee of EFGFP Ltd. is EFG House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1GZ.

Conflicts of Interest

The members of the Board of Directors and of the Executive Committee of EFGFP Ltd. have additional positions as described above which may potentially result in conflicts of interest between their duties towards EFGFP Ltd. and their private interests or other duties, in particular insofar as some of the members of the Board of Directors and of the Executive Committee have additional functions within EFG Group.

7. Major Shareholders

As at the date of the Registration Document, the share capital of EFGFP Ltd. amounts to CHF 5,000,000 divided into 5,000,000 ordinary shares with a face value of CHF 1.00 each; the shares are fully paid-in. There is only one class of shares. Ordinary shares grant the shareholders one vote per share at the ordinary and extraordinary general shareholders meetings. The general shareholders meetings, among others, elect the directors of EFGFP Ltd., appoint the auditors and consider the profit and loss account and the balance sheet of EFGFP Ltd. Also, the general shareholders meetings fix the remuneration of the directors and declare dividends to be paid to the shareholders. Shareholders representing not less than one-tenth of the issued share capital may ask the board of EFGFP Ltd. to convene an extraordinary general shareholders meeting. Ordinary shares confer on the shareholders the right to an equal share in dividends authorised by the directors and in case of a wound up of EFGFP Ltd., the right to an equal share in the distribution of the remaining assets of EFGFP Ltd.

The share capital is held in its entirety by EFG Financial Products Holding AG.

8. Historical Financial Information

For the financial year ended 31 December 2010, EFGFP Ltd. has published financial information including the Independent auditors' report, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the Notes to the financial statements (the "**EFGFP Ltd. Financial Statements 2010**"). The EFGFP Ltd. Financial Statements 2010 are included in pages F-1 to F-25 of Appendix 1 to this Registration Document.

For the financial year ended 31 December 2011, EFGFP Ltd. has published financial information including the Independent auditors' report, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the Notes to the financial statements (the "**EFGFP Ltd. Financial Statements 2011**"). The EFGFP Ltd.

Financial Statements 2011 are included in pages G-1 to G-25 of Appendix 2 to this Registration Document.

The EFGFP Ltd. Financial Statements 2010 and the EFGFP Ltd. Financial Statements 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Auditing of Historical Financial Information

The responsible auditors of EFGFP Ltd. (see Section III.1. "EFG Financial Products (Guernsey) Ltd. - Statutory Auditors") have audited the historical financial information of EFGFP Ltd. for financial years ended 31 December 2010 and 31 December 2011 as mentioned above and have issued an unqualified opinion in each case.

Interim and other Financial Information

EFGFP Ltd. has not published interim financial information since the date of its last audited financial statements.

Legal and Arbitration Proceedings

EFGFP Ltd. is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous 12 months which may have or have had in the recent past, significant effects on EFGFP Ltd.'s financial position or profitability.

Significant change in the financial or trading position of EFG Financial Products (Guernsey) Ltd.

There has been no significant change in the financial or trading position of EFGFP Ltd. since the date of the last published audited financial statements of EFGFP Ltd. (31 December 2011).

9. Material Contracts

EFGFP Ltd. has entered into a "Lead Manager, Calculation Agency and Paying Agency Agreement" with EFGFP AG which essentially states that EFGFP AG will assume all of the tasks mentioned in the title of the agreement for EFGFP Ltd.

Further, EFGFP Ltd. has issued an irrevocable financial guarantee in favour of EFG Bank AG that secures EFG Bank AG against any losses that it may incur on its receivables from selected counterparties within the Group up to the maximum amount of the outstanding cash and term deposits of EFGFP Ltd. held with EFG Bank AG, in case predefined subsidiaries of EFGI fail to make payments to EFG Bank AG. In order to primarily secure EFGFP Ltd.'s obligations under this financial guarantee, certain term deposits are pledged to EFG Bank AG (for details see page G-24 of Appendix 2 to this Registration Document).

EFGFP Ltd. entered into a pledge agreement in 2011 with EFGFP AG to secure any obligations EFGFP Ltd. owned to EFGFP AG.

EFGFP Ltd. and EFGFP AG are parties to a guarantee agreement with EFGI (for details see Section IV.9 "EFG International AG - Material Contracts").

IV. EFG INTERNATIONAL AG

1. Statutory Auditors

For the financial years ended 31 December 2010 and 31 December 2011, the independent auditors of EFGI were PricewaterhouseCoopers SA, Avenue Giuseppe-Motta 50, 1211 Geneva, Switzerland ("**PWC Switzerland**"). PWC Switzerland has audited the financial statements of EFGI for the financial years ended 31 December 2010 and 31 December 2011. PWC Switzerland are certified public accountants and member of the TREUHAND-KAMMER Swiss Institute of Certified Accountants and Tax Consultants (*TREUHAND-KAMMER Schweizerische Kammer der Wirtschaftsprüfer, Steuerexperten und Treuhandexperten*).

2. Selected Financial Information for the financial years 2010 and 2011

The following financial information has been extracted from the audited financial statements of EFGI for the financial years 2010 and 2011 as included in pages H-1 to H-6 of Appendix 3 to this Registration Document and I-37 to I-42 of Appendix 4 to this Registration Document respectively:

in CHF millions	**Year ended 31 December 2010 (audited)**	**Year ended 31 December 2011 (audited)**
Income		
Operating (loss)/income	325.5	763.2
Loss before tax	(794.4)	(289.3)
	31 December 2010 (audited)	**31 December 2011 (audited)**
Balance Sheet		
Total assets	20,893.2	21,040.9
Total liabilities	19,594.5	20,029.4
Total shareholders' equity	1,298.7	1,011.5

3. Information about EFG International AG

General Information

EFG International AG was incorporated and registered under the legal name EFG International AG in Zurich, Switzerland on 8 September 2005 as a stock corporation (*Aktiengesellschaft*) under Swiss law for an unlimited duration. As from that day, EFGI is registered in the Commercial Register of the Canton of Zurich, Switzerland under the number CH-020.3.028.719-1. EFGI's registered office is located at Bahnhofstrasse 12, 8001 Zurich, Switzerland. The telephone number of EFGI is +41 44 226 18 50.

The Group is a global private banking group offering private banking and asset management services.

Article 2 of EFGI's Articles of Association dated 28 April 2010 sets out the objects of EFGI and states that the purpose of EFGI is to hold direct and/or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance, and that EFGI has the power to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing. In addition, the company has the power to acquire, mortgage and sell real estate properties, both in Switzerland and abroad.

Recent Events

On 6 March 2012, EFGI reached agreement to sell its perpetual cash flow stream based on Marble Bar Asset Management ("**MBAM**") revenues to MBAM's senior management. The sale price is CHF 28.8 million, and the transaction is expected to result in an exceptional accounting net gain of circa CHF 7 million in EFGI's 2012 financial statements. The transaction is expected to complete in the second quarter of 2012.

Further to the repurchase by EFGI of 135,219 registered participation certificates of class B with a face value of CHF 15 per certificate (for details see page I-16, Notes to the Consolidated Financial Statements 43.3 and 55 on pages I-106 and I-119 and Note to the Financial Statements 10 on page I-127 of Appendix 4 to this Registration Document), the proposed corresponding reduction of the participation capital through cancellation of the repurchased registered participation certificates of class B has been approved by the Annual General Meeting of shareholders ("**AGM**") on 27 April 2012.

Moreover and in addition to the approval of Michael Norland Higgin as new, additional director of EFGI (for details see Section IV.6 ("Board of Directors and Executive Committee") below), the proposed amendment of article 3a of the Articles of Association to extend until 27 April 2014 the increase in share capital by no more than CHF 25,000,000 by issuing no more than 50,000,000 fully paid up registered shares has been approved at the AGM on 27 April 2012.

On 14 May 2012 EFGI announced that it has appointed Piergiorgio Pradelli, effective 1 June 2012, to be its new Chief Financial Officer and member of the Executive Committee, subject to regulatory approval (for details see Section IV.6 ("Board of Directors and Executive Committee") below).

On 21 May 2012 EFGI announced that it has agreed to sell its entire holding of approximately 10.2 million treasury shares to its largest shareholder EFG Bank European Financial Group SA, subject to the pro-rata claw-back rights of other eligible shareholders. The treasury shares (with a nominal value of CHF 0.50 each) will be sold at a price of CHF 7.43 per treasury share, corresponding to the volume weighted average price of EFGI shares over the five trading days preceding the date of the announcement. The sale represents circa 7% of EFGI's existing share capital, and the gross proceeds will be approximately CHF 75.6 million.

4. Business Overview

Principal Activities

EFGI is a holding company for a Swiss bank and other subsidiaries specialising in private banking and asset management. The Group's clients are both private individuals and institutional investors.

The Group's private banking business is centered around CROs who work under its brand, supervision and responsibility, but manage clients on their own and have broad discretion in serving the Group's clients and in selecting suitable investment products and services for their clients' portfolios, albeit within its compliance, risk management, product approval and control framework. Subject to compliance with these legal, regulatory, product and internal risk management requirements, the Group's CROs can provide private banking and asset management services to a client in any location. The Group imposes no internal geographic or customer segment restrictions and the Group's management does not re-allocate clients among CROs without mutual agreement.

The Group hires CROs with relevant private banking experience or, in markets where the growth of private banking is relatively recent, an equivalent depth of professional experience. As a result the Group has assembled a group of talented, client-focused private bankers with a proven track record of building profitable private client relationships.

Each CRO operates as a separate profit centre or is part of a larger profit centre at his or her discretion and is paid a competitive base salary that corresponds to typical base salaries paid in the private bank market plus a contractually agreed bonus amounting to 15-20 per cent. of his or her "net contribution" (the difference between revenues attributable to the CRO and the direct costs attributable to the CRO).

The Group closely monitors the performance of its CROs, from both a financial and a compliance and risk management point of view, and expects them to meet certain defined performance thresholds. Credit decisions are taken by an independent credit committee.

Principal markets

The Group offers clients a range of investment services, in-house investment products, margin loans and brokerage and trading services, as well as ancillary services, including time deposits and fiduciary placements, current accounts, custody services, foreign exchange execution services and trust services. The Group offers both in-house products and products developed by other banks and financial institutions. The Group's in-house products include structured products, conventional funds and hedge funds.

In addition to Switzerland, the Group's principal markets are Continental Europe, UK, the Americas (including the Caribbean Islands) and Asia. Regarding the geographic sector risk concentrations within the Group's customer loan portfolio see page I-88 of Appendix 4 to this Registration Document.

Investment Services

Clients handled by the Group's CROs have both discretionary and non-discretionary portfolios. Discretionary accounts are usually managed by the Group's centralised portfolio management service department. The substantial majority of EFGI's assets under management (comprising custodised securities, fiduciary placements, deposits, client loans, funds, mutual funds under management, third party custodised assets managed by the Group, third party funds administered by the Group and structured notes which are structured and managed by the Group (together, "**AUM**")) are in non-discretionary portfolios. The AUM in nondiscretionary portfolios are analysed and monitored by the Group's CROs, who provide tailor-made investment advice to clients, who make the ultimate investment decisions.

The Group advises its clients on individual equity and debt securities, as well as conventional funds, hedge funds and structured investment products. CROs have the discretion to recommend both in-house and third party investment products to clients, and do not receive non-market financial incentives to refer clients to inhouse products nor do they have any sales targets or budgets. In order to ensure that CROs recommend suitable third party products, a global list of approved third party products is maintained. CROs may recommend any of these products to clients and may request that management approve new products if they believe those products are well-suited to a particular client's or group of clients' needs.

Structured Products

The Group offers clients a selection of structured products. These products are often developed because of the needs of a particular client and, if the products are successful, may be offered to other clients. Structured products are typically notes containing embedded derivatives with specified risk and return characteristics. Structured products offered by the Group may be linked to equities, interest rates, foreign exchange rates, commodities, credit and other underlying rates or prices. These products (including their derivative elements) are issued by large third party financial institutions or by EFGFP Ltd. or EFGFP AG.

Funds

The Group offers a number of its own funds such as conventional funds, hedge funds and funds of hedge funds. Some of these funds focus on particular types of investments, such as bonds, cash or stocks, or industries, such as healthcare. Most of the Group's funds utilise a multi-manager approach which capitalises on the collective expertise of its fund managers.

Margin Loans

Virtually all the Group's lending is on a secured basis. The Group offers clients loans secured by pledges over in general diversified collateral portfolios consisting of primarily investment-grade bonds, equities, cash, insurance policies, structured notes, mutual- and hedge-funds and real estate properties, primarily residential.

The Group has been able to keep loan losses to marginal amounts since its inception, other than in relation to loans which were acquired as part of an acquisition and for which a provision was made at the time of the acquisition.

Brokerage and Trading Services

The Group has a nearly 24-hour trading capability five days a week in major financial markets due to the Group's global presence. This allows the Group to offer its clients efficient execution of trades. Trading operations are based in Geneva with supplemental operations in Hong Kong, London, Miami, Monaco and Zurich. The Group's trading activities are focused on executing trades for clients.

Ancillary Services

The Group offers clients a full range of services which are ancillary to its core investment advisory services, including time deposits and fiduciary placements and foreign exchange trading as well as custody services and trust services.

Time Deposits and Fiduciary Placements

The Group offers clients time deposits and fiduciary placements, each of which provide clients with relatively low-risk interest earning investments. Time deposits are deposits with one of the Group's banking subsidiaries that can be withdrawn only upon maturity. Fiduciary placements are interest-bearing deposits placed outside Switzerland and deposited in the name of a Swiss depositary bank for a fee, but held on a fiduciary basis for a client. Clients bear all the risks and benefits of the placement in order to avoid Swiss withholding tax on deposit interest.

Custody Services

The Group offers clients securities' custody services which complement the Group's other services. The Group generates safekeeping fees in respect of securities that it holds on behalf of clients. Also, the general fees for managing discretionary portfolios include a safekeeping fee for custody services. The Group also offers custody services for securities in portfolios that are managed by third party advisors or clients.

Trust Services

The Group offers its clients a range of trust services. The Group helps its clients to establish a number of different types of trusts and related structures and provides services of trust administration. The Group also acts as corporate trustee on behalf of clients and instructs other service providers.

5. Trend Information

There has been no material adverse change in the prospects of EFGI since the date of its last published audited financial statements for the year ended 31 December 2011 except as otherwise disclosed in this Registration Document under Section IV.3 ("Recent Events").

6. Board of Directors and Executive Committee

For the names and functions of the members of the Board of Directors, except for Michael Norland Higgin and Piergiorgio Pradelli as mentioned below, and of the Executive Committee of EFGI and their principal outside activities of significance (if any) to EFGI reference is made to pages I-17 to I-20 (Board of Directors) and pages I-12 and I-27 to I-29 (Executive Committee) of Appendix 4 to this Registration Document.

Michael Norland Higgin has been elected as new, additional director of EFGI at the AGM on 27 April 2012. Mr. Higgin worked for Coopers & Lybrand, and subsequently for PricewaterhouseCoopers, for over 30 years. He acted as lead partner responsible for the firm's relationship with a number of multi-national financial services clients.

On 14 May 2012 the following changes to the Executive Committee of EFGI were announced:

EFGI has appointed Piergiorgio Pradelli, effective 1 June 2012, to be its new Chief Financial Officer and member of the Executive Committee, subject to regulatory approval, taking over from Jean-Christophe Pernollet. Piergiorgio Pradelli has been working since 2003 within the EFG

Group, lastly as General Manager, Head of International Activities, member of the Executive Committee of EFG Eurobank Ergasias S.A.

The business address of the members of the Board of Directors and of the Executive Committee of EFGI is Bahnhofstrasse 12, 8001 Zurich, Switzerland.

Conflicts of Interest

The members of the Board of Directors and of the Executive Committee of EFGI have additional positions as described on pages I-17 to I-20 (Board of Directors) and pages I-27 to I-29 (Executive Committee) of Appendix 4 to this Registration Document which may potentially result in conflicts of interest between the duties towards EFGI and their private interests or other duties, in particular insofar as some of the members of the Board of Directors and the Executive Committee have additional functions within EFG Group.

Board Practices

For the names of the members of the audit committee of EFGI and further information relating to the board practices of EFGI, including details on its audit committee, reference is made to pages I-12 and I-22 of Appendix 4 to this Registration Document.

Corporate Governance

As a publicly-listed Swiss company, EFGI is subject to and complies with the Directive on Information relating to Corporate Governance and its Annexes and Commentary, issued by the SIX Swiss Exchange, in accordance with the principle "comply or explain" pursuant to which if a company opts not to disclose certain information, then the annual report must contain an individual, substantiated justification for each instance of such non-disclosure. For further information see page I-13 of Appendix 4 to this Registration Document.

7. Major Shareholders

As at the date of the Registration Document, the outstanding share capital of EFGI amounts to CHF 73,335,000, divided into 146,670,000 registered shares with a face value of CHF 0.50 each. EFGI's largest shareholder is EFG Bank European Financial Group SA, based in Geneva, with 49.39%. There is no other shareholder with a proportion of shares above 25%. For details see pages I-14 to I-17 of Appendix 4 to this Registration Document.

8. Historical Financial Information

For the financial year ended 31 December 2010, EFGI has published consolidated financial information including the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Notes to the consolidated financial statements and the Auditors' report (the "**EFGI Consolidated Financial Statements 2010**"). The EFGI Consolidated Financial Statements 2010 are included on pages H-1 to H-84 of Appendix 3 to this Registration Document.

For the financial year ended 31 December 2011, EFGI has published consolidated financial information including the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Notes to the consolidated financial statements and the Auditors' report (the "**EFGI Consolidated Financial Statements 2011**"). The EFGI Consolidated Financial Statements 2011 are included on pages I-36 to I-122 of Appendix 4 to this Registration Document.

For the financial year ended 31 December 2011, EFGI has published unconsolidated financial information including the Parent company income statement, the Parent company balance sheet, the Notes to the financial statements and the Auditors' report (the "**EFGI Unconsolidated Financial Statements 2011**"). The EFGI Unconsolidated Financial Statements 2011 are included on pages I-123 to I-135 of Appendix 4 to this Registration Document.

The EFGI Consolidated Financial Statements 2010 and the EFGI Consolidated Financial Statements 2011 have been prepared in accordance with IFRS. The EFGI Unconsolidated Financial Statements 2011 have been prepared in accordance with the Swiss Code of Obligations.

Auditing of Historical Financial Information

The responsible auditors of EFGI (see Section IV.1 "EFG International AG – Statutory Auditors") have audited the historical financial information of EFGI for the two financial years ended 31 December 2010 and 31 December 2011 as mentioned above and have issued an unqualified opinion in each case.

Legal and Arbitration Proceedings

The Group is involved in various legal proceedings in the course of normal business operations, including but not limited to:

- Litigation proceedings in Switzerland linked to fraudulently approved contracts where claims have been brought for a net exposure of approximately EUR 26 million. The Group is defending the cases vigorously and it is not practicable to estimate the Group's possible loss in relation to these matters, if any.

- A class action lawsuit and separate arbitration proceeding are pending in the United States District Court for the Southern District of New York against a subsidiary of the Group, claiming that the Group failed to exercise appropriate due diligence in relation to the purchase of the Fairfield Sentry fund by clients. A settlement of the class action and arbitration proceeding of USD 8.5 million has been agreed and has been submitted to the Court for approval.

- Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amounts claimed are uncertain, but the Group believes the maximum total amount claimed is approximately USD 160 million. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

- An arbitral proceeding has been started by a client relating to an investment product for a total exposure of approximately CHF 17 million. The Group is defending the case vigorously and it is not practicable to estimate the Group's possible loss in relation to this matter, if any.

- A Group's entity is engaged in litigation proceedings initiated by a client claiming the annulment of an investment contract and the reimbursement of the investment plus interest. The amount claimed is approximately CHF 52 million. The Group is vigorously defending the case and believes it has strong defences.

- A Group's entity is engaged in litigation proceedings in Sweden brought to court by a former employee of such entity. He claims on grounds of a series of agreements for additional bonus and severance payments relating to his employment for a total amount of SEK 36 million. The Group is vigorously defending the case and believes it has strong defences.

Significant change in EFGI's financial or trading position

There has been no significant change in EFGI's financial or trading position since the date of the last published audited financial statements of EFGI (31 December 2011) except as otherwise disclosed in this Registration Document under Section IV.3 ("Recent Events").

9. Material Contracts

EFGI has entered into guarantee agreements with EFGFP Ltd. and EFGFP AG. EFGI has unconditionally and, subject to the provisions in the relevant guarantee, irrevocably guaranteed to EFGFP AG as lead manager acting on behalf of each holder EFGFP Ltd.'s and EFGFP AG's obligations in accordance with the terms and conditions of the relevant programme and the respective products, as the case may be.

V. GENERAL INFORMATION

1. Responsibility Statement

EFG Financial Products (Guernsey) Ltd. accepts responsibility for the information provided in this Registration Document.

EFG Financial Products (Guernsey) Ltd. hereby declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted.

2. Documents Available for Inspection

Copies of the following documents can be ordered free of charge from or will be available, during the usual business hours for inspection at EFG Financial Products AG, Brandschenkestrasse 90, 8027 Zurich, Switzerland:

- Articles of Association of EFG Financial Products (Guernsey) Ltd.;
- Articles of Association of EFG International AG;
- the annual report of EFG Financial Products (Guernsey) Ltd. for the financial year ended 31 December 2010;
- the annual report of EFG Financial Products (Guernsey) Ltd. for the financial year ended 31 December 2011;
- the annual report of EFG International AG for the financial year ended 31 December 2010; and
- the annual report of EFG International AG for the financial year ended 31 December 2011 (containing consolidated and unconsolidated financial information for EFG International AG).

3. Information from Third Parties

The information relating to EFGI contained in this Registration Document is based on information sourced by third parties. EFGFP Ltd. confirms that the information has been accurately reproduced and that – as far as EFGFP Ltd. is aware and is able to ascertain from the information provided to it by third parties – no facts have been omitted that would render the reproduced information incorrect or misleading. Besides, no other information or statements sourced from third parties have been reproduced in this Registration Document.

Appendix 1: Audited Financial Statements of EFG Financial Products (Guernsey) Ltd. for the Financial Year 2010

EFG Financial Products (Guernsey) Limited

Annual Report and Audited Financial Statements for the year ended December 31, 2010

Report of the Directors

The Directors have the pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activities

EFG Financial Products (Guernsey) Limited (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

Results

The results for the year ending 31 December 2010 are shown on page 6.

Dividends

On 07 December 2010, the Directors recommended and approved a dividend in the amount of CHF 12’000’000 in respect of the 2010 year-end. This dividend was paid during the year ending 31 December 2010.

The dividend relating to the 2009 year-end, as approved on 16 March 2010, was also paid during the year ending 31 December 2010. This dividend amounted to CHF 12’000’000.

Directors

The Directors of the Company at 31 December 2010, all of whom have been Directors for the year then ended (unless otherwise stated) were:
- Christopher Paul Rowe
- David Gerard Gardner
- Sandro Fabio Dorigo, appointed in 2010

James Tak Him Lee retired as a director during 2010.

Company Secretary

The name of the company secretary is EFG Private Bank (Channel Islands) Limited. The secretary had been secretary for the whole of the period then ended.

Independent Auditors

The appointed auditors, PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office, and a resolution to reappoint them as auditors to the Company for the year 2011 will be approved at the annual general meeting.

Directors’ responsibilities for the financial statements

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the

Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Sandro Fabio Dorigo, Director
23 June 2011

David Gerard Gardner, Director
23 June 2011

Independent Auditors' Report to the Directors of EFG Financial Products (Guernsey) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of EFG Financial Products (Guernsey) Limited ("the Company") which comprise the statement of financial position as of 31 December 2010 and the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

In our opinion the information given in the directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

23 June 2011

Statement of comprehensive income

CHF	Note	2010	2009
Net gain on financial assets designated at fair value	4	31’252’795	28’502’420
Net loss on financial liabilities designated at fair value	4	(90’558’148)	(89’844’495)
Net gain from changes in replacement values of derivatives	4	63’416’819	62’680’021
Net trading income		**4’111’466**	**1’337’946**
Fee income	5	45’088’794	42’338’433
Revenue sharing agreement	6	(29’684’982)	(22’196’490)
Net revenues		**19’515’278**	**21’479’889**
Other financial guarantee income	7	6’466’429	711’776
Other operating income	8	1’232’060	953’795
Personnel expenses	9	(4’631’614)	(4'355’235)
Depreciation and amortisation	16,17	(1’022’575)	(1’017’352)
Other financial guarantee expense	10	(6’466’429)	(711’776)
Other operating expenses	11	(1’201’695)	(1’358’587)
Net operating expenses		**(5’623’824)**	**(5’777’379)**
Operating profit before tax		**13’891’454**	**15’702’510**
Income tax expense	12	-	-
PROFIT FOR THE YEAR		**13’891’454**	**15’702’510**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13’891’454**	**15’702’510**

Profit for the year and total comprehensive income was 100% attributable to EFGFP Guernsey shareholders.

The notes on pages 10 to 25 are an integral part of these financial statements.

Statement of financial position

CHF	Note	31 December 2010	31 December 2009
ASSETS			
Cash and cash equivalents	22	57’639’292	13'235’350
Other assets	19	11’770’157	7’147’431
Receivable from related party	22	35’568’376	30'476’722
Investment in subsidiary	18	759’125	759’125
Financial assets at fair value through profit and loss	13	2’331’021’906	1’142’352’707
Positive replacement values of derivatives	15	229’493’586	231'461'956
Property, plant and equipment	17	93’343	83’208
Intangible assets	16	1’991’055	2'991'111
TOTAL ASSETS		**2’668’336’840**	**1’428’507’610**
LIABILITIES			
Accrued salaries and wages	9	3’984’094	2’229’488
Other liabilities	20	17’637’147	11’001’863
Deferred fee income	5	1’911’293	2'183’948
Financial liabilities at fair value through profit and loss	14	2’507’125’349	1’229’445’869
Negative replacement values of derivatives	15	70’533’021	23'421'720
Payable to related party	22	58’725’747	141’695’987
TOTAL LIABILITIES		**2’659’916’651**	**1’409’978’875**
SHAREHOLDERS’ EQUITY			
Share capital	21	5’000’000	5’000’000
Retained earnings	21	13’528’735	(2’173’775)
Profit of the year		13’891’454	15’702’510
Dividend paid	21	(24’000’000)	-
TOTAL SHAREHOLDERS’ EQUITY		**8’420’189**	**18’528’735**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**2’668’336’840**	**1’428’507’610**

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements on pages 6 to 25 were approved by the Board of Directors on 23 June 2011 and signed on its behalf by:

Sandro Fabio Dorigo, Director David Gerard Gardner, Director

Statement of changes in equity

CHF	Note	Share Capital	Dividends paid	Retained earnings	Total
Balance at 31 December 2008		**5'000'000**	**(11'575'826)**	**9'402'051**	**2'826'225**
Issue of share capital	21	-	-	-	-
Dividends paid	21	-	-	-	-
Comprehensive income for the period		-	-	15'702'510	15'702'510
Balance at 31 December 2009		**5'000'000**	**(11'575'826)**	**25'104'561**	**18'528'735**
Issue of share capital	21	-	-	-	-
Dividends paid	21	-	(24'000'000)	-	(24'000'000)
Comprehensive income for the period		-	-	13'891'454	13'891'454
Balance at 31 December 2010		**5'000'000**	**(35'575'826)**	**38'996'015**	**8'420'189**

Profit for the year and total comprehensive income is 100% attributable to EFGFP Guernsey shareholders.

The notes on pages 10 to 25 are an integral part of these financial statements.

Statement of cash flows

CHF	Note	2010	2009
Cash flows from operating activities			
Net profit		13'891'454	15'702'510
Adjustments to reconcile net profit to cash flows from operating activities			
Non-cash items included in net profit and other adjustments:			
Amortisation	16,17	1'022'575	1'017'352
Net (increase) / decrease in operating assets:			
Net (increase) resulting from changes in fair value of financial assets	13	(31'252'795)	(28'502'420)
Net (increase) in other assets	19	(4'622'726)	(3'993'239)
Net decrease in available for sale financial assets		-	248'140
Net increase / (decrease) in operating liabilities:			
Net increase / (decrease) resulting from changes in fair value of financial liabilities	14	90'558'148	89'844'494
Net increase resulting from changes in fair value of derivative financial instruments	15	(63'416'819)	62'680'021
Net increase in accrued salaries and wages	9	1'754'606	1'715'364
Net (decrease) / increase in deferred income	5	(272'655)	(1'047'345)
Net increase in other liabilities	20	6'635'284	8'284'446
Net increase in net related party payable	22	(88'061'894)	93'532'965
Net cash flows from operating activities		**(73'764'822)**	**239'482'288**
Cash flows from used in investing activities			
Investment in subsidiary	18	-	(759'125)
Investment in term deposits	13	(1'157'416'404)	(420'068'203)
Investment in derivative instruments	15	112'496'490	(292'979'475)
Sale of available-for-sale financial assets		-	2'493'500
Purchase of intangible assets	16	-	(49'493)
Purchases of property, plant and equipment	17	(32'654)	(89'686)
Net cash flows used in investing activities		**(1'044'952'568)**	**(711'452'482)**
Cash flows from / (used in) financing activities			
Issuance of structured products	14	1'187'121'332	480'271'845
Dividends paid	21	(24'000'000)	-
Net cash flows from financing activities		**1'163'121'332**	**480'271'845**
Net increase in cash and cash equivalents		44'403'942	8'301'651
Cash and cash equivalents at beginning of period	22	13'235'350	4'933'699
Cash and cash equivalents at end of period		**57'639'292**	**13'235'350**

The notes on pages 10 to 25 are an integral part of these financial statements.

Notes to the financial statements

1 General information

EFG Financial Products (Guernsey) Ltd (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

EFGFP Guernsey started operations in November 2007.

EFGFP Guernsey, a registered limited share company incorporated in Guernsey, is domiciled in Guernsey Channel Islands at EFG House St Julian's Avenue, St Peters Port, Guernsey.

EFGFP Guernsey is a wholly owned subsidiary of EFG Financial Products Holding AG (EFGFP Holding), headquartered in Zurich. EFG International AG (EFG International) has more than 50% of the voting rights of EFGFP Holding. EFG International is therefore the ultimate parent and ultimate controlling party of EFGFP Guernsey. EFG International publishes annual financial statements in accordance with International Financial Reporting Standards (IFRS).

These financial statements have been prepared on a stand alone basis as required for statutory purposes. On 23 June, 2011, the Board of Directors approved these financial statements for issue.

These financial statements have been prepared for the year ended 31 December 2010.

The functional and presentation currency of EFGFP Guernsey is the Swiss Franc (CHF).

2 Basis of preparation and principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared on a going concern basis. These policies have been consistently applied, unless otherwise stated.

EFGFP Guernsey prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board. The application of certain of these accounting principles requires considerable judgement based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the periods where assumptions are changed. Accounting treatments where significant assumptions and estimates are used are discussed in this section, as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results to differ. EFGFP Guernsey believes that the assumptions it has made are appropriate, and that EFGFP Guernsey's financial statements therefore present the financial position and results fairly, in all material respects. The alternative outcomes discussed below are presented solely to assist the reader in understanding EFGFP Guernsey's financial statements, and are not intended to suggest that other assumptions would be more appropriate. Many of the judgements EFGFP Guernsey makes when applying accounting principles depend on an assumption, which EFGFP Guernsey believes to be correct.

(a) Investments in subsidiaries

EFG Financial Products (Monaco) SAM (EFGFP Monaco) was founded and incorporated on 9 September 2009 and is a wholly owned subsidiary of EFGFP Guernsey.

These separate financial statements contain information about EFGFP Guernsey as an individual company and do not contain consolidated financial information as the parent of EFGFP Monaco. The company has taken advantage of the exemption under IAS 27, *Consolidated and separate financial statements*, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financials statements of its ultimate parent, EFG International.

In accordance with IAS 27, EFGFP Guernsey has elected to recognise the investment in EFGFP Monaco at cost.

(b) Fair value of financial instruments

Derivative instruments, financial assets designated at fair value and financial liabilities designated at fair value, are recorded at fair value on the statement of financial position. Changes in the fair value of these financial instruments are recorded in net trading income in the statement of comprehensive income. Key judgements affecting this accounting policy relate to EFGFP Guernsey's determination of the fair values for such assets and liabilities.

EFGFP Guernsey determines fair value using active market prices or using valuation techniques where no active market exists. When using valuation techniques, fair values are estimated, where possible, from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the balance sheet date. If available, market observable inputs are applied to valuation models. As of 31 December 2010 and 2009, respectively, all financial assets and financial liabilities were derived from market observable inputs for all significant valuation parameters (level 2).

Valuation models are used primarily to value derivatives transacted in the over-the-counter market and structured products with host debt and embedded derivative components. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realised, in order to further validate and calibrate the models.

A variety of factors are incorporated in EFGFP Guernsey's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity. EFGFP Guernsey uses market observable prices and rates derived from market verifiable data. EFGFP Guernsey generally applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments in situations where previously used models have limitations and are assessed to be no longer adequate.

When determining a change in fair value of a financial asset or liability attributable to a change in credit risk, as disclosed in notes 13 and 14, the company uses the change in credit spread of either the counterparty or itself as a basis on which to determine the change in fair value.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions EFGFP Guernsey holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the statement of financial position.

(c) Financial Risk Management

Financial risk factors

EFGFP Guernsey's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

EFGFP Guernsey's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Board of Directors regularly assesses the main risk factors of EFGFP Guernsey. It is the strict policy of EFGFP Guernsey to hedge all of its outstanding liabilities in the form of financial products by congruent investments in underlying instruments or derivatives. The residual risk due to imperfect hedging of outstanding financial products is measured and limited by appropriate methods and limits.

Risk management is carried out by the Risk Control department under policies approved by senior management and the Board of Directors.

Market risk

EFGFP Guernsey takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Guernsey has market risks arising from its derivatives, financial assets and financial liabilities designated at fair value. Regular reports are submitted by risk control to management and the Board of Directors.

Market risk is created by the issuance of hybrid financial liabilities and this risk is then economically hedged by entering into offsetting external transactions (derivatives and deposits). Therefore overall EFGFP Guernsey has no significant remaining market risk exposure related to the issuance of the hybrid financial liabilities. It is management's policy to economically hedge market risk in this way and market risk exposures are controlled by monitoring this hedging process.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the companies, clients or market counterparties fail to fulfil their contractual obligations to EFGFP Guernsey. Credit risk arises mainly from receivables balances related to financial assets including its term deposits with EFG Bank, Cayman Branch and its trading exposures, primarily derivatives and settlement balances with EFGFP Zurich. The credit risk management and controls are managed by Risk Control, which reports to the Board of Directors regularly. There have been no significant past due or impaired receivables.

The maximum exposure to credit risk for financial assets recognised on the statement of financial position is represented by the amounts shown on the statement of financial position.

The maximum exposure to credit risk in respect of financial guarantees is equal to the notional amount of the guarantee, as disclosed in note 22. The exposures under the financial guarantee are not subject to any collateral or other credit enhancements. EFGFP Guernsey is exposed to the credit quality of a number of selected counterparties within EFG International. The credit rating of EFG International is considered an appropriate representation of the overall credit quality of the related group of counterparties.

EFG International was rated A3 at 31 December 2010. EFG Bank AG was rated A2 at 31 December 2010.

Exposures to EFG Bank AG are subject to a master netting agreement. The overall balance with EFG Bank AG was an asset amount of CHF 7'254. Management considers there is no overall exposure to the credit risk of EFG Bank AG at 31 December 2010.

Liquidity risk

Liquidity risk is the risk that EFGFP Guernsey may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

EFGFP Guernsey manages its exposure to liquidity risk by investing the cash proceeds from the issuance of hybrid financial liabilities in offsetting term deposits and derivatives with the same maturity date as the liability (as further discussed in the market risk section above). Therefore each liability falling due for payment is matched by a corresponding receipt on a maturing asset. Management monitors liquidity risk by monitoring this hedging process.

At each balance sheet date, the company reassesses the likelihood that it will be required to make a payment under its financial guarantees by considering the credit standing of the entities that have been guaranteed.

The table below analyses EFGFP Guernsey's financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Balances equal their carrying balances as the impact of discounting is not significant.

At December 31 2010 (CHF)	**Due within 12 months**	**Due after 12 months**	**Total**
Assets			
- Financial assets at fair value through profit and loss	1'500'233'595	830'788'311	2'331'021'906
- Derivatives	78'504'493	150'989'093	229'493'586
- Financial guarantee	11'595'091	-	11'595'091
	1'590'333'179	981'777'404	2'572'110'583
Liabilities			
- Derivatives	(24'889'925)	(45'643'096)	(70'533'021)
- Structured products issued	(1'073'826'978)	(1'433'298'371)	(2'507'125'349)
- Financial guarantee	(11'595'091)	-	(11'595'091)
- Other accounts payable	(5'340'263)	-	(5'340'263)
	(1'115'652'257)	(1'478'941'467)	(2'594'593'724)
Subtotal	474'680'922	(497'164'063)	(22'483'141)
- Net payable to related party	(23'157'371)	-	(23'157'371)
Net liquidity risk	451'523'551	(497'164'063)	(45'640'512)

Capital risk management

EFGFP Guernsey's objective for managing capital is to hold a sufficient amount to be able to continue and grow the business. Management considers capital to be equal to the IFRS equity of the entity. There are no externally imposed capital requirements.

EFGFP Guernsey aims to maintain a sound capital structure and it therefore considers not only the current situation but also projected developments. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of reporting year 2010, Guernsey Company law requires that a solvency test be performed by the board of directors prior to the approval of any dividends. The company is in compliance with this Law.

Risk concentrations

Management considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments.

Management has identified three risk concentrations, being exposures with EFG Bank, Cayman Branch, EFGFP Zurich and exposures to various related parties of EFG International under the financial guarantee. The exposures to EFG Bank and to the EFG International related parties are considered to be a concentration due to their size and credit risk. The exposure to EFGFP Zurich is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Guernsey and as it is the single counter-party to all derivative trades. Further information regarding these related party exposures are disclosed in note 22.

(d) Summary of significant accounting policies

Financial assets and financial liabilities at fair value through profit and loss

A financial instrument may only be designated at fair value through profit or loss at inception and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines within the statement of financial position.

The conditions for applying the fair value option are met on the basis that:

- they are hybrid instruments which consist of a debt host and an embedded derivative component, or
- they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise

Hybrid instruments which fall under the criterion above include structured debt instruments issued. Structured debt instruments generally include embedded derivative components which refer to an underlying, e. g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent on one another. EFGFP Guernsey has designated all of its issued hybrid debt instruments as financial liabilities designated at fair value through profit or loss.

Besides for hybrid instruments, the fair value option is also applied to all term deposits. The application of the fair value option to these instruments reduces an accounting mismatch, as these deposits would otherwise be accounted for at amortised cost, whereas the offsetting liabilities are the hybrid financial instruments also designated at fair value through profit or loss.

Interest and dividend income on financial assets and liabilities designated at fair value through profit and loss are included in the gain (loss) on changes in fair value of financial assets and financial liabilities at fair value.

EFGFP Guernsey uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), EFGFP Guernsey recognises a financial asset on the statement of financial position at the fair value of the consideration given or received. When EFGFP Guernsey becomes party to a sales contract of a financial asset, it derecognises the asset.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the statement of financial position and are reported as positive replacement values or negative replacement values. As EFGFP Guernsey enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in net trading income.

A derivative may be embedded in a 'host contract'. Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the statement of comprehensive income as trading income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Investment in subsidiary

For the purposes of these separate financial statements, the investment in subsidiary, EFGFP Monaco, has been recognised at cost.

Receivable and payable to related parties

Receivables from and payables to related parties are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. Amounts are not offset unless the company has the ability and intent to net settle the obligations with the related parties.

Intangible assets

Computer software is stated at cost less accumulated amortisation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the statement of comprehensive income. Amortisation is calculated using the straight-line method and software, the most significant intangible asset is amortised over a five year period. The acquisition cost of software capitalised is based on the cost to acquire the software and to bring it into a state of its' intended use.

Research and development costs are expensed as incurred. There were no research and development costs during the periods ending 31 December 2010 and 31 December 2009.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the statement of comprehensive income. Depreciation is calculated using the straight-line method. Property, plant and equipment are depreciated over their useful lives, ranging from 4 to 5 years.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if applicable, are shown within current liabilities.

Deferred fee income

EFGFP Guernsey earns an initial margin on the sale of its structured products. This initial margin is considered a structuring fee. Management has estimated that the structuring fee income is earned over a four month period. EFGFP Guernsey therefore defers structuring fee income over this period.

Distribution fees received on behalf of business partners are presented net of the offsetting payments made to business partners within trading income.

Impairment

For all financial assets not measured at fair value, the company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Foreign currency transactions and translation

Foreign currency transactions are initially recorded at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets and liabilities and non-monetary assets and liabilities measured at fair value through profit or loss are translated using the closing exchange rate. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated using the historical exchange rate. Realised foreign exchange differences resulting from the sale of assets or settlement of liabilities are recognised in net trading income. Unrealised exchange rate differences on monetary assets and liabilities are recorded in net trading income. Unrealized exchange rate differences on non-monetary financial assets held for trading and non-monetary financial assets designated at fair value through profit or loss are recognised in net trading income.

Financial guarantees

EFGFP Guernsey has issued a financial guarantee to EFG Bank up to the maximum amount of the outstanding cash and term deposits of EFGFP Guernsey held with the EFG Bank in case predefined subsidiaries of EFG International fail to make payments to EFG Bank. At the same time, EFG International guarantees to the investors of EFGFP Guernsey in case of a default on products issued by EFGFP Guernsey. As these cross guarantees have been given within the EFG Group structure, no consideration was exchanged by the parties.

The guarantee issued to EFG Bank has been recognised at fair value in accordance with IAS 39 and subsequently at the higher of amortised cost or the amount determined in accordance with IAS 37.

The corresponding receivable for the guarantee provided by EFG International is also recognised at the lower of the fair value of the guarantee received by EFG International and the fair value of the guarantee issued, which represents the cost value. Subsequently the guarantee received is amortised over the life of the corresponding liability.

The financial guarantees have been recognised within other assets and other liabilities.

Related parties

EFGFP Guernsey entered into transactions with the following related parties during the financial period:
- EFG Financial Products AG (EFGFP Zurich)
- EFG Financial Products Holding AG (EFGFP Holding)
- EFG Financial Products (Monaco) SAM (EFGFP Monaco)
- EFG Financial Products (Europe) GmbH
- EFG Financial Products (Hong Kong) Ltd.
- EFG International AG (EFG International)
- EFG Bank AG (EFG Bank Zurich)
- EFG Bank, Cayman Branch
- EFG Private Bank (Channel Islands), Ltd.

Share Capital

EFGFP Guernsey has 5’000’000 shares authorised with a par value of CHF 1.00 per share. There is only one class of shares.

Dividends

After the approval by the Company’s shareholders, dividends are recognised as a liability until disbursement takes place.

3 Changes in accounting policies, comparability and other adjustments

Reclassifications made to the 2009 financial statements

Certain prior year balances have been reclassified within the statement of financial position and the statement of comprehensive income, respectively, in order to improve the detail of disclosure provided and to better reflect the nature of these balances.

The statement of comprehensive income no longer includes a line item for distribution fees received and paid. As these fees are collected on behalf of third parties and are directly paid to third parties they are presented net within these financial statements. Prior periods have been restated to reflect this presentation.

Certain direct costs previously reported as operating expenses have also been reclassified and presented net of amounts received related to direct costs incurred. Prior periods have been restated to reflect this presentation.

Effective 2010

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2010.

EFGFP Guernsey has adopted the following new and amended IFRSs as of 1 January 2010.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009).
- IAS 38 (amendment), 'Intangible Assets'.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.
- IAS 1 (amendments), 'Presentation of financial statements' and 'additional exemptions.'
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions.'
- IAS 39 (amendment), 'Eligible hedged items.'
- IAS 32 (amendment), 'Presentation and classification of rights issues'.
- IAS 24 (amendment), 'Related party disclosures'.
- Annual improvements to IFRSs (2009) – most amendments effective 1 January 2010.

Other standards that became effective as of 1 January 2010 were not relevant for the company.

EFGFP Guernsey has chosen not to early adopt the following new standards and interpretations that were issued but are not effective until after 31 December 2010.

Effective in 2011

In May 2010, the IASB issued amendments to seven standards as part of its annual improvements project. EFGFP Guernsey will adopt the improvements to the IFRSs 2010 as of 1 January 2011. The amendments will not have a material impact on EFGFP Guernsey's financial statements but will require further disclosures.

Other standards and interpretations that were issued but are not effective until 2011 include, IFRIC 14 Prepayments of a Minimum Funding Requirement. This interpretation will not have a material impact on EFGFP Guernsey's financial statements.

Effective in 2012 and later, if not adopted early

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 Financial instruments, which includes revised guidance on the classification and measurement of financial assets. In October 2010, the IASB updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments and amended IFRS 7 to include disclosures about transferred financial assets. The publication of IFRS 9 represents the completion of the first part of a multi-stage project to replace IAS 39, Financial instruments: recognition and measurement.

The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is accounted for at amortised cost only if the following criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortised cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. Non-traded equity instruments may be accounted for at fair value through other comprehensive income (OCI). Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. All other financial assets are measured at fair value through profit or loss.

The accounting and presentation for financial liabilities and for derecognition of financial instruments has been transferred from IAS 39 Financial instruments: Recognition and measurement to IFRS 9. The guidance is unchanged with one exception: the accounting for financial liabilities designated at fair value through profit or loss. The requirements in IAS 39 regarding the classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. The two existing measurement categories for financial liabilities remain unchanged. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged. For financial liabilities designated at fair value through profit or loss, changes in fair value due to changes in an entity's own credit risk are directly recognised in OCI instead of in profit and loss. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. For financial liabilities that are required to be measured at fair value through profit or loss, i.e., all derivatives and trading portfolio liabilities, all fair value movements will continue to be recognised in profit and loss.

EFGFP Guernsey is currently assessing the impact of the new standard on its financial statements. The effective date for mandatory adoption is 1 January 2013, with early adoption permitted. The IFRS 7 amendments are applicable for annual accounting periods beginning on or after 1 July 2011. EFGFP Guernsey did not early adopt IFRS 9 for the year ended 31 December 2010.

In addition, EFGFP Guernsey is assessing the impact of additional new standards and interpretations becoming effective in 2012 or later but does not expect the following to have a material impact on its financial statements:

- Amendments to IAS 12, Income Taxes
- Amendments to IAS 24, Related party disclosures
- IFRIC 19, Extinguishing financial liabilities with equity instruments
- IFRIC 14, Prepayments of a minimum funding requirement
- Amendment to IAS 32, Classification of rights issues
- Amendments to IFRS 1, Limited exemption from comparative IFRS 7 disclosures

4 Net trading income

CHF	2010	2009
Net gain on financial assets designated at fair value	31'252'795	28'502'420
Net loss on financial liabilities designated at fair value	(90'558'148)	(89'844'495)
Net gain from changes in replacement values of derivatives	63'416'819	62'680'021
Total net trading income	**4'111'466**	**1'337'946**

The gains or losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period.

5 Fee income

CHF	2010	2009
Fee income	45'088'794	42'338'433
Total fee income	**45'088'794**	**42'338'433**

Fee income relates to the initial margin earned by EFGFP Guernsey upon issuance of its structured products, primary and secondary trades. Initial margin on primary trades is deferred and amortised over a four month period, the period in which it is earned.

Deferred fee income amounted to CHF 1'911'293 and CHF 2'183'948 for the periods ending 31 December 2010 and 2009, respectively.

6 Revenue sharing agreement

CHF	2010	2009
Revenue sharing agreement – EFGFP AG	(25'914'721)	(21'770'520)
Revenue sharing agreement – other EFGFP entities	(3'770'261)	(425'970)
Total revenue sharing agreement	**(29'684'982)**	**(22'196'490)**

The revenue sharing agreement with EFGFP AG relates to the sale and distribution of structured products as well as other supporting functions provided by EFGFP AG related to the sale of these products.

Revenue sharing agreements are also in place with EFGFP Monaco, EFGFP Europe and EFGFP Hong Kong. These revenue sharing agreements relate to the distribution services provided by these entities.

7 Other financial guarantee income

CHF	2010	2009
Other financial guarantee income	6'466'429	711'776
Total other financial guarantee income	**6'466'429**	**711'776**

EFGFP Guernsey earned premiums related to the issuance of a financial guarantee contract with a related party. The other financial guarantee income relates to the amortisation of the guarantee as further described within the accounting policy for guarantees and note 22, related parties.

8 Other operating income

CHF	2010	2009
Reimbursed software costs	840'634	856'295
Other income	391'426	97'500
Total other operating income	**1'232'060**	**953'795**

Pursuant to the cost sharing agreement with EFGFP Zurich, EFGFP Guernsey was reimbursed certain software costs for the shared use of such software.

9 Personnel expenses

CHF	2010	2009
Salaries and wages	(4'556'264)	(4'151'763)
Other personnel expenses	(75'350)	(203'472)
Total personnel expenses	**(4'631'614)**	**(4'355'235)**

Personnel expenses earned by employees but not yet paid are accrued and recognised as accrued salaries and wages within the statement of financial position.

10 Other financial guarantee expense

CHF	2010	2009
Other financial guarantee expense	(6’466’429)	(711’776)
Total other financial guarantee expense	**(6’466’429)**	**(711’776)**

Other financial guarantee expense relates to the amortisation of the guarantee as further described within the accounting policy for guarantees and note 22, related parties.

11 Other operating expenses

CHF	2010	2009
Software maintenance expense	(714’908)	(752’801)
Loss on sale of available-for-sale financial assets	-	(248’327)
General and administrative expenses	(486’787)	(357’459)
Total other operating expenses	**(1’201’695)**	**(1’358’587)**

EFGFP Guernsey’s available-for-sale financial assets were disposed of during the period ending 31 December 2009. There had been no previous unrealised gain or loss recognised in equity, the amount stated above was the total realised loss upon sale of the financial assets recognised directly in the statement of comprehensive income.

12 Income Tax

This company has been taxed at the company standard rate in Guernsey of 0%, therefore no tax has been paid during the year in Guernsey.

13 Financial assets at fair value through profit and loss

CHF	31.12.2010	31.12.2009
Designated at fair value through profit or loss:		
- Term deposits held with EFG Bank, Cayman Branch	2’331’021’906	1’142’352’707
Total financial assets at fair value through profit and loss	**2’331’021’906**	**1’142’352’707**

Financial assets designated at fair value through profit and loss include term deposits held with EFG Bank, Cayman Branch that are used to offset the exposures to similar term 'host debt' components of EFGFP Guernsey's issued products. The terms of the deposits range from less than one year to 10 years.

14 Financial liabilities at fair value through profit and loss

CHF	31.12.2010	31.12.2009
Designated at fair value through profit or loss:		
- Hybrid financial instruments	2’507’125’349	1’229’445’869
Total financial liabilities at fair value through profit and loss	**2’507’125’349**	**1’229’445’869**

Financial liabilities designated at fair value include EFGFP Guernsey Issued Products. These issuances are hybrid financial instruments, containing debt hosts and embedded derivatives. Some issuances contain multiple embedded derivatives whose values may be interdependent. The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognised at the respective balance sheet dates.

EFGFP's own credit changes are reflected in financial liabilities designated at fair value, where EFGFP's own credit risk would be considered by market participants. The impact of the change in own credit risk for the period ending 31 December 2010 was an increase in trading income of CHF 4.06 million and a decrease in financial liabilities designated at fair value in the same amount.

15 Derivative Instruments

CHF	31.12.2010	31.12.2009
OTC Derivatives with EFGFP Zurich		
- Positive replacement values of derivatives	229'493'586	231'461'956
- Negative replacement values of derivatives	(70'533'021)	(23'421'720)
Net positive replacement values	**158'960'565**	**208'040'236**

EFGFP Guernsey purchases OTC derivatives from EFGFP Zurich, a related party, at arms length terms. These derivatives are used to offset the economic risks it is exposed to from the issuance of its structured products.

16 Intangible assets

CHF	31.12.2010	31.12.2009
Historical Cost		
Balance at the beginning of the year	5'000'257	4'950'764
Additions	-	49'493
Disposals	-	-
Balance at the end of the year	**5'000'257**	**5'000'257**
Accumulated amortisation		
Balance at the beginning of year	(2'009'146)	(998'272)
Amortisation	(1'000'056)	(1'010'874)
Disposals	-	-
Balance at the end of the year	(3'009'202)	(2'009'146)
Total intangible assets at the end of the year	**1'991'055**	**2'991'111**

There were no impairment losses recognised during the periods ending 31 December 2010 and 2009, respectively.

17 Property, plant and equipment

CHF	Furniture / Equipment	Leasehold Improvements	IT equipment	31.12. 2010	31.12. 2009
Historical Cost					
Balance at the beginning of the year	56'755	25'641	7'290	89'686	-
Additions	-	-	32'654	32'654	89'686
Disposals	-	-	-	-	-
Balance at the end of the year	56'755	25'641	39'944	122'340	89'686
Accumulated depreciation					
Balance at the beginning of year	(4'161)	(1'296)	(1'021)	(6'478)	-
Depreciation	(12'049)	(4'896)	(5'574)	(22'519)	(6'478)
Disposals	-	-	-	-	-
Balance at the end of the year	(16'210)	(6'192)	(6'595)	(28'997)	(6'478)
Total property, plant and equipment at the end of the year	**40'545**	**19'449**	**33'349**	**93'343**	**83'208**

There were no impairment losses recognised during the periods ending 31 December 2010 and 2009, respectively.

18 Investment in subsidiary

EFGFP Guernsey wholly owns EFGFP Monaco. For the purpose of these separate financials statements, the investment in EFGFP Monaco has been recognised at cost. The amount recognised as investment in subsidiary reflects the price paid for the shares of EFGFP Monaco, CHF 759'125, on 9 September 2009.

19 Other assets

CHF	31.12.2010	31.12.2009
Related party guarantee	11'595'091	6'797'199
Employee advance	-	188'000
Other assets	175'066	162'232
Total other assets	**11'770'157**	**7'147'431**

The related party guarantee provided by EFG International is recognised at the lower of the fair value of the guarantee received by EFG International and the fair value of the guarantee issued, which represents the cost value. Subsequently the guarantee received is amortised over the life of the corresponding liability.

20 Other liabilities

CHF	31.12.2010	31.12.2009
Related party guarantee	11’595’091	6’797’199
Accounts payable	5’340’263	3’708’517
Accrued expenses	651’734	496’147
Other liabilities	50’059	-
Total other liabilities	**17’637’147**	**11’001’863**

The related party guarantee issued to EFG Bank has been recognised at fair value in accordance with IAS 39 and subsequently at the higher of amortised cost or the amount determined in accordance with IAS 37.

21 Share capital

The total authorised number of ordinary shares is 5’000’000 shares with a par value of CHF 1.00 per share. All issued shares are fully paid.

EFGFP Guernsey issued 5’000’000 shares to EFGFP Holding, on 16 November 2007 for total consideration of CHF 5'000'000.

EFGFP Guernsey paid dividends to EFGFP Holding of CHF 24’000’000 or CHF 4.80 per share during the period ending 31 December 2010.

Refer to note 24, subsequent events, regarding dividends declared and approved after the balance sheet date.

22 Related party transactions

EFGFP Guernsey has significant transactions with its related parties. EFGFP Zurich is a significant counterparty as a distributor of EFGFP Guernsey's issued products and as counterparty for financial transactions to economically hedge the exposures of EFGFP Guernsey’s issued products.

EFGFP Guernsey purchased OTC derivatives from EFGFP Zurich to offset the economic risks of its’ issued products, specifically the embedded derivatives of these issued products. The replacement values of these OTC derivatives amounted to net positive replacement values of CHF 158’960’565 and CHF 208’040’236 for the periods ending 31 December 2010 and 2009, respectively.

EFGFP Guernsey has also entered into a revenue sharing and cost sharing agreements with EFGFP Zurich. The amounts paid to EFGFP Zurich under the profit sharing agreement were CHF 25’914’721 and CHF 21’770’520 for the years ended 31 December 2010 and 2009, respectively. The amounts paid under the cost sharing agreement during the periods ending 31 December 2010 and 2009 were CHF 840’634 and CHF 856’295, respectively.

EFGFP Guernsey and EFGFP Zurich have entered into a master netting agreement allowing the parties to net settle the outstanding amounts due from these transactions across currencies. The net payable to EFGFP Zurich for the year ending 31 December 2010 was CHF 23’989’227. This amount is expected to be settled net by currency. The net payable to EFGFP Zurich for the year ending 31 December 2009 was CHF 111’721’602, this amount was settled net by currency.

EFGFP Guernsey has also entered into revenue and cost sharing agreements with EFGFP Holding and its other subsidiaries. Related party receivables totalled CHF 2'048'681 and 502'336 for the years ending 31 December 2010 and 2009, respectively. Related party payable balances totalled CHF 1'216'826 for the year ending 31 December 2010. No related party payable balances were outstanding respective to these subsidiaries as of 31 December 2009.

On 12 November 2008, EFGFP Guernsey entered into an irrevocable credit guarantee with EFG Bank that insures EFG Bank against any losses that it may incur on its receivables from selected counterparties within EFG International up to a pre-determined maximum amount. The credit guarantee has no fixed maturity and will continue to be applied to any new eligible receivables unless otherwise terminated. The maximum amount of the guarantee is equal to the net balance of deposits that EFGFP Guernsey has placed with EFG Bank. These deposits have also been pledged as collateral against any obligations EFGFP Guernsey may have under the financial guarantee. At 31 December 2010 and 2009, respectively, the total balance of EFG Bank receivables that were guaranteed under this contract was equal to CHF 2'511 million and CHF 1'092 million, respectively. The liability has been recognised as an other liability, for further details see note 20.

EFG International provides a guarantee to all investors in structured products issued by EFGFP Guernsey. Although EFGFP Guernsey is not a legal counterparty to this guarantee, which is between EFG International and the investors, EFGFP Guernsey benefits from this guarantee through a lower cost of funding. The asset has been recognised as an other asset, for further details see note 19.

Other related party transactions include transactions with EFGFP Guernsey's immediate parent, EFGFP Holding and EFG Bank, Cayman Branch, subsidiaries of EFG International AG. Other transactions include a loan receivable and dividends paid to EFGFP Holding.

Transactions with EFG Bank, Cayman Branch consist of the deposits of cash and term deposits held with the bank. The term deposits are used to economically hedge the host debt portion of EFGFP Guernsey's structured products. Term deposits are recognised as financial assets designated at fair value. All assets held with EFG Bank Guernsey Branch were transferred to EFG Bank Cayman Branch on 7 September 2009. The fair value of the assets held with EFG Bank Cayman Branch were CHF 2'389 million and CHF 1'156 million as of 31 December 2010 and 2009, respectively.

Related party transactions were carried out at an arms length basis unless otherwise stated above.

23 Contingent liabilities and commitments

EFGFP Guernsey did not have any significant commitments or contingencies outstanding at 31 December 2010 that have not otherwise been disclosed.

24 Post balance sheet events

On 28 April 2011, EFGFP Guernsey approved and paid dividends to EFGFP Holding of CHF 3'750'000 or CHF 0.75 per share relating to the period ending 31 December 2011.

There have been no other significant subsequent events.

Appendix 2: Audited Financial Statements of EFG Financial Products (Guernsey) Ltd. for the Financial Year 2011

EFG Financial Products (Guernsey) Limited

Annual Report and Audited Financial Statements for the year ended 31 December 2011

Report of the Directors

The Directors have the pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2011.

Principal activities

EFG Financial Products (Guernsey) Limited (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

Results

The results for the year ending 31 December 2011 are shown on page 6.

Dividends

The Directors recommended, approved and paid dividends amounting to TCHF 3’750 and TCHF 6’000 on 8 December 2011 and 28 April 2011, respectively, in respect of the 2011 year-end.

Directors

The Directors of the Company at 31 December 2011, all of whom have been Directors for the year then ended were:

- Christopher Paul Rowe
- David Gerard Gardner
- Sandro Fabio Dorigo

Company Secretary

The name of the company secretary is EFG Private Bank (Channel Islands) Limited. The secretary had been secretary for the whole of the period then ended.

Independent Auditors

The appointed auditors, PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office, and a resolution to reappoint them as auditors to the Company for the year 2012 will be approved at the annual general meeting.

Directors’ responsibilities for the financial statements

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Sandro Dorigo, Director
16 April 2012

Christopher Paul Rowe, Director
16 April 2012

Independent Auditors' Report to the Members of EFG Financial Products (Guernsey) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of EFG Financial Products (Guernsey) Limited ("the Company") which comprise the statement of financial position as of 31 December 2011 and the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the report of the directors.

In our opinion the information given in the report of the directors is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

19 April 2012

Statement of comprehensive income

CHF	Note	2011	2010
Net gain on financial assets designated at fair value	4	62’975’029	31’252’795
Net gain / (loss) on financial liabilities designated at fair value	4	107’491’619	(90’558’148)
Net (loss) / gain from changes in replacement values of derivatives	4	(169’719’411)	63’416’819
Net trading income		**747’237**	**4’111’466**
Fee income	5	64’270’481	45’088’794
Revenue sharing agreement	6	(49’468’921)	(29’684’982)
Net revenues		**15’548’797**	**19’515’278**
Other operating income	7	1’758’703	1’232’060
Personnel expenses	8	(5’311’833)	(4’631’614)
Depreciation and amortisation	14, 15	(1’044’369)	(1’022’575)
Other operating expenses	9	(1’901’997)	(1’201’695)
Net operating expenses		**(6’499’496)**	**(5’623’824)**
Operating profit before tax		**9’049’301**	**13’891’454**
Income tax expense		-	-
PROFIT FOR THE YEAR		**9’049’301**	**13’891’454**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9’049’301**	**13’891’454**

Profit for the year and total comprehensive income was 100% attributable to EFGFP Guernsey shareholders.

The notes on pages 10 to 25 are an integral part of these financial statements.

Statement of financial position

CHF	Note	31 December 2011	31 December 2010
ASSETS			
Cash and cash equivalents		62’015’884	57’639’292
Other assets	17	15’790’731	11’770’157
Receivable from related party	20	102’540’100	35’568’376
Trading financial assets	12	8’613’510	-
Investment in subsidiary	16	759’125	759’125
Financial assets at fair value through profit and loss	10	2’890’372’553	2’331’021’906
Positive replacement values of derivatives	13	228’408’048	229’493’586
Property, plant and equipment	15	86’377	93’343
Intangible assets	14	1’085’089	1’991’055
TOTAL ASSETS		**3’309’671’417**	**2’668’336’840**
LIABILITIES			
Accrued salaries and wages	8	4’535’870	3’984’094
Other liabilities	18	18’378’503	17’637’147
Deferred fee income	5	1’090’185	1’911’293
Financial liabilities at fair value through profit and loss	11	2’913’662’634	2’507’125’349
Negative replacement values of derivatives	13	329’747’466	70’533’021
Payable to related party	20	34’537’269	58’725’747
TOTAL LIABILITIES		**3’301’951’927**	**2’659’916’651**
SHAREHOLDERS’ EQUITY			
Share capital	19	5’000’000	5’000’000
Retained earnings	19	3’420’189	13’528’735
Profit of the year		9’049’301	13’891’454
Dividend paid	19	(9’750’000)	(24’000’000)
TOTAL SHAREHOLDERS’ EQUITY		**7’719’490**	**8’420’189**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**3’309’671’417**	**2’668’336’840**

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements on pages 6 to 25 were approved by the Board of Directors on 16 April 2012 and signed on its behalf by:

Sandro Dorigo, Director

Christopher Paul Rowe, Director

Statement of changes in equity

CHF	Note	Share Capital	Dividends paid	Retained earnings	Total
Balance at 31 December 2009		**5'000'000**	**(11'575'826)**	**25'104'561**	**18'528'735**
Issue of share capital	19	-	-	-	-
Dividends paid	19	-	(24'000'000)	-	(24'000'000)
Comprehensive income for the period		-	-	13'891'454	13'891'454
Balance at 31 December 2010		**5'000'000**	**(35'575'826)**	**38'996'015**	**8'420'189**
Issue of share capital	19	-	-	-	-
Dividends paid	19	-	(9'750'000)	-	(9'750'000)
Comprehensive income for the period		-	-	9'049'301	9'049'301
Balance at 31 December 2011		**5'000'000**	**(45'325'826)**	**48'045'316**	**7'719'490**

The notes on pages 10 to 25 are an integral part of these financial statements.

Statement of cash flows

CHF	Note	2011	2010
Cash flows from operating activities			
Net profit		9’049’301	13’891’454
Reconciliation to net cash flows from operating activities			
Non-cash items positions in results:			
Depreciation and amortisation		1’044’369	1’022’575
Net (increase) in assets related to operating activities:			
Financial assets at fair value		(62’975’029)	(31’252’795)
Investment in financial assets		(504’989’128)	(1’157’416’404)
Net related party		(91’160’202)	(88’061’895)
Other assets		(4’020’574)	(4’622’726)
Net increase / (decrease) in liabilities related to operating activities:			
Financial liabilities at fair value		(107’491’619)	90’558’148
Replacement values, net		260’299’983	49’079’671
Sale of financial liabilities		514’028’904	1’187’121’332
Accrued salaries and wages		551’776	1’754’607
Deferred income		(821’108)	(272’655)
Other liabilities		741’356	6’635’284
Cash flows from operating activities		14’228’029	68’436’596
Cash flows from investing activities			
Purchase of intangible assets		(110’481)	-
Net purchases of property, plant and equipment		(20’956)	(32’654)
Cash flows from investing activities		(131’437)	(32’654)
Cash flows from financing activities			
Dividends paid		(9’750’000)	(24’000’000)
Cash flows from financing activities		(9’750’000)	(24’000’000)
Net increase in cash and cash equivalents		4’376’592	44’403’942
Cash and cash equivalents at beginning of period		57’639’292	13’235’350
Cash and cash equivalents at end of period		**62’015’884**	**57’639’292**

Interest income received totalled TCHF 933 and TCHF 373 for the years ending 31 December 2011 and 2010, respectively. Interest expense paid totalled TCHF 51 and TCHF 9 for the years ending 31 December 2011 and 2010, respectively.

The notes on pages 10 to 25 are an integral part of these financial statements.

Notes to the financial statements

1 General information

EFG Financial Products (Guernsey) Ltd (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

EFGFP Guernsey started operations in November 2007.

EFGFP Guernsey, a registered limited share company incorporated in Guernsey, is domiciled in Guernsey Channel Islands at EFG House St Julian's Avenue, St Peter Port, Guernsey.

EFGFP Guernsey is a wholly owned subsidiary of EFG Financial Products Holding AG (EFGFP Holding), headquartered in Zurich. EFG International AG (EFG International) has more than 50% of the voting rights of EFGFP Holding. EFG International is therefore the ultimate parent and ultimate controlling party of EFGFP Guernsey. EFG International publishes annual financial statements in accordance with International Financial Reporting Standards (IFRS).

These financial statements have been prepared on a stand alone basis as required for statutory purposes. On 16 April, 2012, the Board of Directors approved these financial statements for issue.

These financial statements have been prepared for the year ended 31 December 2011.

2 Basis of preparation and principal accounting policies

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

EFGFP Guernsey prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board. The application of certain of these accounting principles requires considerable judgement based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the periods where assumptions are changed. Accounting treatments where significant assumptions and estimates are used are discussed in this section, as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results to differ. EFGFP Guernsey believes that the assumptions it has made are appropriate, and that EFGFP Guernsey's financial statements therefore present the financial position and results fairly, in all material respects. The alternative outcomes discussed below are presented solely to assist the reader in understanding EFGFP Guernsey's financial statements, and are not intended to suggest that other assumptions would be more appropriate. Many of the judgements EFGFP Guernsey makes when applying accounting principles depend on an assumption, which EFGFP Guernsey believes to be correct.

(a) Investments in subsidiaries

EFG Financial Products (Monaco) SAM (EFGFP Monaco) was founded and incorporated on 9 September 2009 and is a wholly owned subsidiary of EFGFP Guernsey.

These separate financial statements contain information about EFGFP Guernsey as an individual company and do not contain consolidated financial information as the parent of EFGFP Monaco. The Company has taken advantage of the exemption under IAS 27, *Consolidated and separate financial statements*, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financials statements of its ultimate parent, EFG International.

In accordance with IAS 27, EFGFP Guernsey has elected to recognise the investment in EFGFP Monaco at cost.

(b) Financial Risk Assessment and Management

EFGFP Guernsey's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. These risks primarily arise through the issuance of structured products, the related investment of cash proceeds and the hedging of market risks through the purchase of derivative products.

EFGFP Guernsey's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Board of Directors regularly assesses the main risk factors of EFGFP Guernsey. It is the strict policy of EFGFP Guernsey to hedge all of its outstanding liabilities in the form of financial products by congruent investments in underlying instruments or derivatives. The residual risk due to imperfect hedging of outstanding financial products is measured and limited by appropriate methods and limits.

Risk management is carried out by the Risk Control department under policies approved by senior management and the Board of Directors.

Measurement methodologies

Derivative instruments, trading financial assets, financial assets designated at fair value and financial liabilities designated at fair value, are recorded at fair value on the statement of financial position. Changes in the fair value of these financial instruments are recorded in net trading income in the statement of comprehensive income. Key judgements affecting this accounting policy relate to EFGFP Guernsey's determination of the fair values for such assets and liabilities.

EFGFP Guernsey determines fair values using active market prices or using valuation techniques where no active market exists. When using valuation techniques, fair values are estimated, where possible, from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the balance sheet date. If available, market observable inputs are applied to valuation models.

Valuation models are used primarily to value derivatives transacted in the over-the-counter market and structured products with host debt and embedded derivative components. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realised, in order to further validate and calibrate the models.

A variety of factors are incorporated in EFGFP Guernsey's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity. EFGFP Guernsey uses market observable prices and rates derived from market verifiable data. EFGFP Guernsey generally applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments in situations where previously used models have limitations and are assessed to be no longer adequate.

When determining a change in fair value of a financial asset or liability attributable to a change in credit risk, the company uses the change in credit spread of either the counterparty or itself as a basis on which to determine the change in fair value.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions EFGFP

Guernsey holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the statement of financial position.

All financial instruments carried at fair value are categorized into one of three fair value hierarchy levels at year-end depending on how fair value has been determined:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are market observable, either directly or indirectly;
- Level 3 – valuation techniques which include significant inputs that are not based on observable market data.

At 31 December 2011 (CHF)	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Trading financial assets	12	8'613'510	-	-	8'613'510
Financial assets at fair value through profit and loss	10	-	2'890'372'553	-	2'890'372'553
Positive replacement values of derivatives	13	-	228'408'048	-	228'408'048
Total financial assets		8'613'510	3'118'780'601	-	3'127'394'111
Financial liabilities					
Financial liabilities at fair value through profit and loss	11	-	2'913'662'634	-	2'913'662'634
Negative replacement values of derivatives	13	-	329'747'466	-	329'747'466
Total financial liabilities		-	3'243'410'100	-	3'243'410'100

At 31 December 2010 (CHF)	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets at fair value through profit and loss	10	-	2'331'021'906	-	2'331'021'906
Positive replacement values of derivatives	13	-	229'493'586	-	229'493'586
Total financial assets		-	2'560'515'492	-	2'560'515'492
Financial liabilities					
Financial liabilities at fair value through profit and loss	11	-	2'507'125'349	-	2'507'125'349
Negative replacement values of derivatives	13	-	70'533'021	-	70'533'021
Total financial liabilities		-	2'577'658'370	-	2'577'658'370

There have been no significant reclassifications of instruments between different levels in 2011 or 2010.

Market risk

EFGFP Guernsey takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Guernsey has market risks arising from its derivatives, trading financial assets, financial assets and financial liabilities designated at fair value. Regular reports are submitted by risk control to management and the Board of Directors.

Market risk is created by the issuance of hybrid financial liabilities and this risk is then economically hedged by entering into offsetting external transactions (derivatives, deposits and bonds). Therefore overall EFGFP Guernsey has no significant remaining market risk exposure related to the issuance of the hybrid financial liabilities. It is management's policy to economically hedge market risk in this way and market risk exposures are controlled by monitoring this hedging process.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the companies, clients or market counterparties fail to fulfil their contractual obligations to EFGFP Guernsey. Credit risk arises mainly from receivables balances related to financial assets including its term deposits with EFG Bank, Cayman Branch and its trading exposures, primarily derivatives and settlement balances with EFGFP Zurich. The credit risk management and controls are managed by Risk Control, which reports to the Board of Directors regularly. There have been no significant past due or impaired receivables.

The maximum exposure to credit risk for financial assets recognised on the statement of financial position is represented by the amounts shown on the statement of financial position.

The maximum exposure to credit risk in respect of financial guarantees is equal to the notional amount of the guarantee, as disclosed in note 20. The exposures under the financial guarantee are not subject to any collateral or other credit enhancements. EFGFP Guernsey is exposed to the credit quality of a number of selected counterparties within EFG International. The credit rating of EFG International is considered an appropriate representation of the overall credit quality of the related group of counterparties.

EFG International was rated A3 at 31 December 2011. EFG Bank AG was rated A2 at 31 December 2011.

EFGFP Guernsey’s most significant credit exposure is with EFG Bank. Refer to note 20 for further details.

Liquidity and funding risk

Liquidity risk is the risk that EFGFP Guernsey may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

EFGFP Guernsey manages its exposure to liquidity risk by investing the cash proceeds from the issuance of hybrid financial liabilities in offsetting term deposits and derivatives with the same maturity date as the liability (as further discussed in the market risk section above). Therefore each liability falling due for payment is matched by a corresponding receipt on a maturing asset. Management monitors liquidity risk by monitoring this hedging process.

At each balance sheet date, the Company reassesses the likelihood that it will be required to make a payment under its financial guarantees by considering the credit standing of the entities that have been guaranteed.

The table below analyses EFGFP Guernsey's financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Balances equal their carrying balances as the impact of discounting is not significant.

At 31 December 2011 (CHF)	Due within 12 months	Due after 12 months	Total
Assets			
- Cash and cash equivalents	62’015’884	-	62’015’884
- Financial guarantee	12’418’998		12’418’998
- Other assets	3’371’733	-	3’371’733
- Trading financial assets	8’613’510	-	8’613’510
- Financial assets at fair value through profit and loss	2’181’809’461	708’563’092	2’890’372’553
- Positive replacement values of derivatives	61’402’914	167’005’134	228’408’048
	2’329’632’500	875’568’226	3’205’200’726
Liabilities			
- Financial guarantee	(12’418’998)	-	(12’418’998)
- Other liabilities	(5’959’505)	-	(5’959’505)
- Financial liabilities at fair value through profit and loss	(2’248’155’422)	(665’507’212)	(2’913’662’634)
- Negative replacement values of derivatives	(151’738’564)	(178’008’902)	(329’747’466)
	(2’418’272’489)	(843’516’114)	(3’261’788’603)
Subtotal	(88’639’989)	32’052’112	(56’587’877)
- Net receivable from related party	68’002’831	-	68’002’831
Net liquidity risk	(20’637’158)	32’052’112	(11’414’954)

At 31 December 2010 (CHF)	Due within 12 months	Due after 12 months	Total
Assets			
- Cash and cash equivalents	57’639’292	-	57’639’292
- Financial guarantee	11’595’091	-	11’595’091
- Other assets	175’066	-	175’066
- Financial assets at fair value through profit and loss	1’500’233’595	830’788’311	2’331’021’906
- Positive replacement values of derivatives	78’504’493	150’989’093	229’493’586
	1’648’147’537	981’777’404	2’629’924’941
Liabilities			
- Financial guarantee	(11’595’091)	-	(11’595’091)
- Other liabilities	(6’042’056)	-	(6’042’056)
- Financial liabilities at fair value through profit and loss	(1’073’826’978)	(1’433’298’371)	(2’507’125’349)
- Negative replacement values of derivatives	(24’889’925)	(45’643’096)	(70’533’021)
	(1’116’354’050)	(1’478’941’467)	(2’595’295’517)
Subtotal	531’793’487	(497’164’063)	34’629’424
- Net payable to related party	(23’157’371)	-	(23’157’371)
Net liquidity risk	508’636’116	(497’164’063)	11’472’053

Capital risk management

EFGFP Guernsey's objective for managing capital is to hold a sufficient amount to be able to continue and grow the business. Management considers capital to be equal to the IFRS equity of the entity. There are no externally imposed capital requirements.

EFGFP Guernsey aims to maintain a sound capital structure and it therefore considers not only the current situation but also projected developments. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of reporting year 2011, Guernsey Company law requires that a solvency test be performed by the Board of Directors prior to the approval of any dividends. The Company is in compliance with this Law.

Risk concentrations

Management considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments.

Management has identified three risk concentrations, being exposures with EFG Bank, Cayman Branch, EFGFP Zurich and exposures to various related parties of EFG International under the financial guarantee. The exposures to EFG Bank and to the EFG International related parties are considered to be a concentration due to their size and credit risk. The exposure to EFGFP Zurich is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Guernsey and as it is the single counter-party to all derivative trades. Further information regarding these related party exposures are disclosed in note 20.

(c) Summary of significant accounting policies

Financial assets and financial liabilities at fair value through profit and loss

A financial instrument may only be designated at fair value through profit or loss at inception and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines within the statement of financial position.

The conditions for applying the fair value option are met on the basis that:
- they are hybrid instruments which consist of a debt host and an embedded derivative component, or
- they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise.

Hybrid instruments which fall under the criterion above include structured debt instruments issued. Structured debt instruments generally include embedded derivative components which refer to an underlying, e. g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent on one another. EFGFP Guernsey has designated all of its issued hybrid debt instruments as financial liabilities designated at fair value through profit or loss.

In addition to structured products issued, the fair value option is also applied to all term deposits and bonds held by the EFGFP Guernsey. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognising these assets using a different basis of accounting than the offsetting liabilities, the hybrid financial instruments, which are designated at fair value through profit or loss.

Interest and dividend income on financial assets and liabilities designated at fair value through profit and loss are included in the gain/(loss) on changes in fair value of financial assets and financial liabilities at fair value.

EFGFP Guernsey uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), EFGFP Guernsey recognises a financial asset or liability on the statement of financial position at the fair value of the consideration given or received. When EFGFP Guernsey becomes party to a sales contract of a financial asset, it derecognises the asset.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the statement of financial position and are reported as positive replacement values or negative replacement values. As EFGFP Guernsey enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in net trading income.

A derivative may be embedded in a 'host contract'. Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gains and losses from financial liabilities are reported in the statement of comprehensive income as trading income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Replacement values and receivables and payables to related parties which meet these criteria are offset.

Investment in subsidiary

For the purposes of these separate financial statements, the investment in subsidiary, EFGFP Monaco, has been recognised at cost.

Receivable and payable to related parties

Receivables from and payables to related parties are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

Intangible assets

Computer software is stated at cost less accumulated amortisation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the statement of comprehensive income. Amortisation is calculated using the straight-line method and software, the most significant intangible asset is amortised over a five year period. The acquisition cost of software capitalised is based on the cost to acquire the software and to bring it into a state of its' intended use.

Research and development costs are expensed as incurred. There were no research and development costs during the periods ending 31 December 2011 and 31 December 2010.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the statement of comprehensive income. Depreciation is calculated using the straight-line method. Property, plant and equipment are depreciated over their useful lives, ranging from 4 to 5 years.

Impairment

For all financial assets not measured at fair value, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if applicable, are shown within current liabilities.

Fee income

Fee income is generated primarily from the sale of structured products. The fee income related to primary sales is deferred and recognised over the estimated period deemed earned, currently a period of three months. Fee income related to secondary sales is recognised immediately.

Brokerage fees are also recognised as fee income as earned pursuant to the terms stated in the specific contract.

Distribution fees received on behalf of business partners are presented net of the offsetting payments made to business partners within trading income.

Foreign currency transactions and translation

The functional and presentation currency of EFGFP Guernsey is the Swiss Franc (CHF).

Foreign currency transactions are initially recorded at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets and liabilities and non-monetary assets and liabilities measured at fair value through profit or loss are translated using the closing exchange rate. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated using the historical exchange rate. Realised foreign exchange differences resulting from the sale of assets or settlement of liabilities are recognised in net trading income. Unrealised exchange rate differences on monetary assets and liabilities are recorded in net trading income. Unrealized exchange rate differences on non-monetary financial assets held for trading and non-monetary financial assets designated at fair value through profit or loss are recognised in net trading income.

The abbreviation TCHF and MCHF within these financial statements refers to thousands CHF and millions CHF, respectively.

Income taxes

The Company has been taxed at the company standard rate in Guernsey of 0%.

Financial guarantees

EFGFP Guernsey has issued an irrevocable financial guarantee to EFG Bank up to the maximum amount of the outstanding cash and term deposits of EFGFP Guernsey held with the EFG Bank in case predefined subsidiaries of EFG International fail to make payments to EFG Bank. EFGFP Guernsey's term deposits are pledged to EFG Bank under this arrangement. At the same time, EFG International guarantees to the investors of EFGFP Guernsey in case of a default on products issued by EFGFP Guernsey. These guarantees were deemed to be economically equal and offsetting and therefore no cash consideration was exchanged by the parties and no fees are being paid by either entity with respect to these guarantees.

The guarantee issued to EFG Bank has been recognised at fair value in accordance with IAS 39 and subsequently at the higher of amortised cost or the amount determined in accordance with IAS 37.

The corresponding asset for the guarantee provided by EFG International is also recognised at the lower of the fair value of the guarantee received by EFG International and the fair value of the guarantee issued, representing the initial carrying amount. Subsequently the guarantee received is amortised over the life of the corresponding liability.

The financial guarantees have been recognised within other assets and other liabilities. The amortisation of the asset and liability are reflected net within other operating income.

Related parties

EFGFP Guernsey entered into transactions with the following related parties during the financial period:

- EFG Financial Products Holding AG (EFGFP Holding)
- EFG Financial Products AG (EFGFP Zurich)
- EFG Financial Products (Monaco) SAM (EFGFP Monaco)
- EFG Financial Products (Europe) GmbH (EFGFP Europe)
- EFG Financial Products (Hong Kong) Ltd
- EFG International AG (EFGI)
- EFG Bank AG (EFG Bank)
- EFG Bank Cayman Branch
- EFG Bank Hong Kong Branch
- EFG Bank (Monaco)
- EFG Private Bank (Channel Islands) Ltd
- EFG Private Bank Limited, London
- EFG Capital International Corp., Miami
- EFG Offshore Limited, Jersey
- Asesores y Gestores Financieros SA, Madrid

Share Capital

EFGFP Guernsey has 5'000'000 shares authorised with a par value of CHF 1.00 per share. There is only one class of shares.

Dividends

After the approval by the Company's shareholders, dividends are recognised as a liability until disbursement takes place.

3 Changes in accounting policies, comparability and other adjustments

Changes in accounting principles and presentation

Certain new and revised standards and interpretations that became effective for the first time in 2011 did not have a material impact on the EFGFP Guernsey:

Annual improvement project (publication 2010)
IFRS 1 First Time Adoption of IFRS (amendment)
IFRIC 14 Prepayments of a Minimum Funding Requirement

The Company has chosen not to early adopt the following new standards that were issued but are not effective until 2012. The Company does expect to be materially affected by these amendments.

IFRS 7, Financial Instruments: Disclosures (amendment), Disclosures: Transfers of Financial Assets
IAS 12, Income Taxes (amendment), Deferred Tax: recovery of Underlying Assets
IFRS 1, First Time Adoption of IFRS (amendment)

The Company has also chosen not to early adopt the following new standards that were issued but are not effective until after 2012.

IFRS 9, Financial Instruments

In November 2009, the IASB issued IFRS 9 Financial instruments, which includes revised guidance on the classification and measurement of financial assets. In October 2010, the IASB updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments. The publication of IFRS 9 represents the completion of the first part of a multi-stage project to replace IAS 39, Financial instruments: recognition and measurement.

The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is accounted for at amortized cost only if the following criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. Non-traded equity instruments may be accounted for at fair value through other comprehensive income (OCI). Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. All other financial assets are measured at fair value through profit or loss.

The accounting and presentation for financial liabilities and for derecognition of financial instruments has been transferred from IAS 39 Financial instruments: Recognition and measurement to IFRS 9. The guidance is unchanged with one exception: the accounting for financial liabilities designated at fair value through profit or loss. The requirements in IAS 39 regarding the classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. The two existing measurement categories for financial liabilities remain unchanged. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged. For financial liabilities designated at fair value through profit or loss, changes in fair value due to changes in an entity's own credit risk are directly recognised in OCI instead of in profit and loss. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. For financial liabilities that are required to be measured at fair value through profit or loss, i.e., all derivatives and trading portfolio liabilities, all fair value movements will continue to be recognised in profit and loss.

The Company is currently assessing the impact of the new standard on its financial statements. The effective date for mandatory adoption is 1 January 2015, with early adoption permitted.

Additional new standards that were issued but are not effective until after 2012 which the Company has chosen not to early adopt include the following:

IFRS 10, Consolidated Financial Statements
IFRS 11, Joint arrangements
IFRS 12, Disclosures of interests in other entities
IFRS 13, Fair value measurements
IAS 19, Employee benefits (amendments)
IAS 27, Separate financial statements (amendments)
IAS 28 and IAS 31, Associates and joint ventures (amendments)
IAS 1, Presentation of financial statements (amendments)
IAS 32, Offsetting Financial Assets and Financial Liabilities (amendments)
IFRS 7, Disclosures—Offsetting Financial Assets and Financial Liabilities (amendments)

The Company is currently assessing the impact of these new standards on its financial statements.

4 Net trading income

CHF	2011	2010
Net gain on financial assets designated at fair value	62’975’029	31’252’795
Net gain / (loss) on financial liabilities designated at fair value	107’491’619	(90’558’148)
Net (loss) / gain from changes in replacement values of derivatives	(169’719’411)	63’416’819
Total net trading income	**747’237**	**4’111’466**

The gains or losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period.

5 Fee income

CHF	2011	2010
Fee income	64’270’481	45’088’794
Total fee income	**64’270’481**	**45’088’794**

Deferred fee income amounted to CHF 1’090’185 and CHF 1’911’293 for the periods ending 31 December 2011 and 2010, respectively.

6 Revenue sharing agreement

CHF	2011	2010
Revenue sharing agreement – EFGFP AG	(39’502’636)	(25’914’721)
Revenue sharing agreement – other EFGFP entities	(9’966’285)	(3’770’261)
Total revenue sharing agreement	**(49’468’921)**	**(29’684’982)**

Expenses resulting from revenue sharing agreements with EFGFP AG and other EFGFP related parties are pursuant to shared service level agreements for the sale and distribution of EFGFP Guernsey issued structured products and related support functions provided by these related parties.

7 Other operating income

CHF	2011	2010
Other financial guarantee income	10’530’246	6’466’429
Other financial guarantee expense	(10’530’246)	(6’466’429)
Reimbursed software costs	835’864	840’634
Other income	922’839	391’426
Total other operating income	**1’758’703**	**1’232’060**

Other financial guarantee income relates to the premiums earned by EFGFP Guernsey related to the issuance of a financial guarantee contract with EFG Bank, a related party. Other financial guarantee expense relates to the amortization of the financial guarantee provided by EFGI to EFGFP Guernsey. These guarantees are further described within the accounting policies and note 20, related parties.

Pursuant to the cost sharing agreement with EFGFP Zurich, EFGFP Guernsey was reimbursed certain software costs for the shared use of such software.

8 Personnel expenses

CHF	2011	2010
Salaries and wages	(5’291’437)	(4’556’264)
Other personnel expenses	(20’396)	(75’350)
Total personnel expenses	**(5’311’833)**	**(4’631’614)**

Personnel expenses earned by employees but not yet paid are accrued and recognised as accrued salaries and wages within the statement of financial position.

9 Other operating expenses

CHF	2011	2010
Software maintenance expense	(830’413)	(714’908)
General and administrative expenses	(1’071’584)	(486’787)
Total other operating expenses	**(1’901’997)**	**(1’201’695)**

10 Financial assets at fair value through profit and loss

CHF	31.12.2011	31.12.2010
Designated at fair value through profit or loss:		
- Term deposits held with EFG Bank, Cayman Branch	2’890’372’553	2’331’021’906
Total financial assets at fair value through profit and loss	**2’890’372’553**	**2’331’021’906**

Financial assets designated at fair value through profit and loss include term deposits held with EFG Bank, Cayman Branch that are used to offset the exposures to similar term 'host debt' components of EFGFP Guernsey's issued products. The terms of the deposits range from less than one year to 8 years.

11 Financial liabilities at fair value through profit and loss

CHF	31.12.2011	31.12.2010
Designated at fair value through profit or loss:		
- Hybrid financial instruments	2'913'662'634	2'507'125'349
Total financial liabilities at fair value through profit and loss	**2'913'662'634**	**2'507'125'349**

Financial liabilities designated at fair value include EFGFP Guernsey Issued Products. These issuances are hybrid financial instruments, containing debt hosts and embedded derivatives. Some issuances contain multiple embedded derivatives whose values may be interdependent. The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognised at the respective balance sheet dates.

EFGFP's own credit changes are reflected in financial liabilities designated at fair value, where EFGFP's own credit risk would be considered by market participants. The impact of the change in own credit risk to trading income for the period ending 31 December 2011 and 2010 was TCHF 0 and TCHF 4'060, respectively, with a decrease in financial liabilities designated at fair value in the same amount.

12 Trading financial assets

CHF	31.12.2011	31.12.2010
Debt securities:		
- Bonds issued by banks	8'613'510	-
Total debt securities	**8'613'510**	**-**

Financial assets held for trading comprise bonds issued by banks, and are purchased to offset the economic exposures of EFGFP Guernsey's issued products.

13 Derivative Instruments

CHF	31.12.2011	31.12.2010
OTC Derivatives with EFGFP Zurich		
- Positive replacement values of derivatives	228'408'048	229'493'586
- Negative replacement values of derivatives	(329'747'466)	(70'533'021)
Net (negative) / positive replacement values	**(101'339'418)**	**158'960'565**

EFGFP Guernsey purchases OTC derivatives from EFGFP Zurich, a related party. These derivatives are used to offset the economic risks it is exposed to from the issuance of its structured products.

14 Intangible assets

CHF	31.12.2011	31.12.2010
Historical Cost		
Balance at the beginning of the year	5’000’257	5’000’257
Additions	110’481	-
Disposals	-	-
Balance at the end of the year	**5’110’738**	**5’000’257**
Accumulated amortisation		
Balance at the beginning of year	(3’009’202)	(2’009’146)
Amortisation	(1’016’447)	(1’000’056)
Disposals	-	-
Balance at the end of the year	(4’025’649)	(3’009’202)
Total intangible assets at the end of the year	**1’085’089**	**1’991’055**

There were no impairment losses recognised during the periods ending 31 December 2011 and 2010, respectively.

15 Property, plant and equipment

CHF	Furniture / Equipment	Leasehold Improvements	IT equipment	31.12.2011	31.12.2010
Historical Cost					
Balance at the beginning of the year	56’755	25’641	39’944	122’340	89’686
Additions	7’818	-	14’054	21’872	32’654
Disposals	-	(916)	-	(916)	-
Balance at the end of the year	64’573	24’725	53’998	143’296	122’340
Accumulated depreciation					
Balance at the beginning of year	(16’210)	(6’192)	(6’595)	(28’997)	(6’478)
Depreciation	(12’698)	(4’945)	(10’279)	(27’922)	(22’519)
Disposals	-	-	-	-	-
Balance at the end of the year	(28’908)	(11’137)	(16’874)	(56’919)	(28’997)
Total property, plant and equipment at the end of the year	**35’665**	**13’588**	**37’124**	**86’377**	**93’343**

There were no impairment losses recognised during the periods ending 31 December 2011 and 2010, respectively.

16 Investment in subsidiary

EFGFP Guernsey wholly owns EFGFP Monaco. For the purpose of these separate financials statements, the investment in EFGFP Monaco has been recognised at cost. The amount recognised as investment in subsidiary reflects the price paid for the shares of EFGFP Monaco, CHF 759’125, on 9 September 2009.

17 Other assets

CHF	31.12.2011	31.12.2010
Related party guarantee	12’418’998	11’595’091
Other assets	3’371’733	175’066
Total other assets	**15’790’731**	**11’770’157**

18 Other liabilities

CHF	31.12.2011	31.12.2010
Related party guarantee	12’418’998	11’595’091
Accounts payable	5’469’296	5’340’263
Accrued expenses	386’725	651’734
Other liabilities	103’484	50’059
Total other liabilities	**18’378’503**	**17’637’147**

19 Share capital

The total authorised and issued number of ordinary shares is 5’000’000 shares with a par value of CHF 1.00 per share. All shares are fully paid.

EFGFP Guernsey issued 5’000’000 shares to EFGFP Holding, on 16 November 2007 for total consideration of TCHF 5'000.

EFGFP Guernsey paid dividends to EFGFP Holding of TCHF 9’750 or CHF 1.95 per share during the period ending 31 December 2011.

Refer to note 22, subsequent events, regarding dividends declared and approved after the balance sheet date.

20 Related party transactions

EFGFP Guernsey has significant transactions with its related parties. EFGFP Zurich is a significant counterparty as a distributor of EFGFP Guernsey's issued products and as counterparty for financial transactions to economically hedge the exposures of EFGFP Guernsey’s issued products.

Financial agreements

EFGFP Guernsey has issued an irrevocable financial guarantee to EFG Bank that insures EFG Bank against any losses that it may incur on its receivables from selected counterparties within the EFGI Group up to the maximum amount of the outstanding cash and term deposits of EFGFP Guernsey held with EFG Bank in case predefined subsidiaries of EFGI fail to make payments to EFG Bank. Certain term deposits are pledged to EFG Bank under this arrangement. The credit guarantee has no fixed maturity and will continue to be applied to any new eligible receivables, specific receivable counterparties as agreed annually by both parties, unless otherwise terminated. At 31 December 2011 and 2010, respectively, the total balance of EFG Bank receivables that were guaranteed under this contract was equal to MCHF 2’808 and MCHF 2’511, respectively. The liability has been recognised in Other liabilities, for further details see note 18.

EFG International provides a guarantee to all investors in structured products issued by EFGFP Guernsey. Although EFGFP Guernsey is not a legal counterparty to this guarantee, which is between EFG International and the investors, EFGFP Guernsey benefits from this guarantee through a lower cost of funding. In economic terms, the EFGI guarantees are deemed to be equal and offsetting to the guarantee EFGFP Guernsey provides to EFG Bank as described above. Nevertheless these separate legal contracts with counterparties within the EFGI Group are both recognised within EFGFP Guernsey's statement of financial position. The guarantee provided by EFGI has been recognised at fair value and is amortized over the life of the guarantee provided. The guarantee asset is presented within Other assets, for further details see note 17.

EFGFP Guernsey and EFGFP Zurich have entered into a master netting agreement allowing the parties to net settle the outstanding amounts due from these transactions across currencies. The net receivable from EFGFP Zurich for the year ending 31 December 2011 was CHF 65'753'660. This amount is expected to be settled net by currency. The net payable to EFGFP Zurich for the year ending 31 December 2010 was CHF 23'989'227, this amount was settled net by currency. Additionally, EFGFP Guernsey entered into a pledge agreement in 2011 with EFGFP Zurich to secure any obligations the Company owed to EFGFP Zurich. There was no cost associated with this agreement.

Service level agreements

EFGFP Guernsey has entered into a revenue sharing and cost sharing agreements with EFGFP Zurich. The amounts paid to EFGFP Zurich under the profit sharing agreement were CHF 39'502'636 and CHF 25'914'721 for the years ended 31 December 2011 and 2010, respectively. The amounts paid under the cost sharing agreement during the periods ending 31 December 2011 and 2010 were CHF 835'864 and CHF 840'634, respectively.

EFGFP Guernsey has also entered into revenue and cost sharing agreements with EFGFP Holding and its other subsidiaries. Related party receivables totalled CHF 3'906'765 and CHF 2'048'681 for the years ending 31 December 2011 and 2010, respectively. Related party payable balances totalled CHF 1'657'595 and CHF 1'216'826 for the years ending 31 December 2011 and 2010, respectively.

Operating activities

EFGFP Guernsey purchased OTC derivatives from EFGFP Zurich to offset the economic risks of its issued products, specifically the embedded derivatives of these issued products. The replacement values of these OTC derivatives amounted to a net negative replacement value of CHF 101'339'418 and net positive replacement value of CHF 158'960'565 for the periods ending 31 December 2011 and 2010, respectively.

Other related party transactions include transactions with EFGFP Guernsey's immediate parent, EFGFP Holding and EFG Bank, Cayman Branch, subsidiaries of EFG International AG and transactions including a loan receivable with EFGFP Holding and EFGFP Europe and dividends paid to EFGFP Holding.

Transactions with EFG Bank, Cayman Branch consist of the deposits of cash and term deposits held with the bank. The term deposits are used to economically hedge the host debt portion of EFGFP Guernsey's structured products. Term deposits are recognised as financial assets designated at fair value. The fair values of the assets held with EFG Bank Cayman Branch were MCHF 2'918 and MCHF CHF 2'389 as of 31 December 2011 and 2010, respectively.

21 Contingent liabilities and commitments

EFGFP Guernsey did not have any significant commitments or contingencies outstanding at 31 December 2011 that have not otherwise been disclosed.

22 Subsequent events

A dividend of TCHF 2'000 was declared and paid on 19 March 2012.

Appendix 3: Extract of Annual Report of EFG International AG for the Financial Year 2010

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Interest and discount income		407.7	436.3
Interest expense		(157.2)	(173.0)
Net interest income	5	**250.5**	263.3
Banking fee and commission income		610.5	594.8
Banking fee and commission expense		(114.2)	(97.2)
Net banking fee and commission income	6	**496.3**	497.6
Dividend income	7	9.6	3.5
Net trading income	8	67.4	55.8
Net (loss)/gain from financial instruments designated at fair value	9	(517.8)	3.2
Gains less losses from investment securities	10	16.1	25.2
Other operating income		3.4	10.5
Net other (loss)/income		**(421.3)**	98.2
Operating income		**325.5**	859.1
Operating expenses	12	(717.5)	(744.1)
Loss on disposal of subsidiary	31	(23.5)	
Reversal of impairment/(impairment) on loans and advances to customers	11	4.3	(5.4)
Impairment on financial assets held-to-maturity	29	(4.4)	
Impairment of intangible assets	32.1	(378.8)	
(Loss)/profit before tax		**(794.4)**	109.6
Income tax gain/(expense)	14	25.7	(5.4)
Net (loss)/profit for the period		**(768.7)**	104.2
Net (loss)/profit for the period attributable to:			
Net (loss)/profit attributable to owners of the Group		(721.8)	101.1
Net profit attributable to non-controlling interests			3.1
Net loss attributable to non-controlling interests		(46.9)	
		(768.7)	104.2

	Note	CHF	CHF
Earnings per ordinary share			
Basic	47.1	(5.52)	0.57
Diluted	47.2	(5.52)	0.55

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Net (loss)/profit for the period		**(768.7)**	104.2
Other comprehensive income			
Fair value losses on available-for-sale investment securities, before tax	28	(48.9)	(19.5)
Fair value losses on available-for-sale investment securities, before tax, allocated to non-controlling interests		(11.3)	
Transfer to net profit of available-for-sale investment securities reserve, before tax	28	(16.1)	(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	28	1.9	3.2
Currency translation differences, before tax		(85.0)	2.5
Tax effect on currency translation differences			5.7
Other comprehensive income for the period, net of tax		**(159.4)**	(33.3)
Total comprehensive income for the period		**(928.1)**	70.9
Total comprehensive income for the period attributable to:			
Owners of the Group		(865.9)	69.5
Non-controlling interests		(62.2)	1.4
		(928.1)	70.9

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010

	Note	31 December 2010 CHF millions	31 December 2009 CHF millions
Assets			
Cash and balances with central banks	17	**711.8**	265.4
Treasury bills and other eligible bills	19	**2,037.8**	770.8
Due from other banks	20	**2,227.1**	3,519.6
Loans and advances to customers	21	**8,957.8**	8,217.5
Derivative financial instruments	24	**353.8**	285.9
Financial assets at fair value:			
Trading Assets	25	**624.7**	310.5
Designated at inception	26	**370.8**	714.8
Investment securities:			
Available-for-sale	27	**3,690.3**	4,299.1
Held-to-maturity	29	**1,024.5**	510.5
Intangible assets	32	**578.8**	1,491.3
Property, plant and equipment	33	**47.5**	56.0
Deferred income tax assets	15	**54.2**	32.4
Other assets	34	**214.1**	176.2
Total assets		**20,893.2**	20,650.0
Of which assets to significant shareholders		***8.9***	8.3
Liabilities			
Due to other banks	35	**337.8**	447.1
Due to customers	36	**14,904.4**	15,727.9
Derivative financial instruments	24	**633.8**	454.0
Financial liabilities designated at fair value	37	**486.7**	414.1
Other financial liabilities	38	**2,863.0**	1,002.0
Current income tax liabilities		**10.8**	9.1
Deferred income tax liabilities	15	**58.1**	51.5
Other liabilities	39	**299.9**	306.0
Total liabilities		**19,594.5**	18,411.7
Equity			
Share capital	41.1	**73.1**	73.2
Share premium	41.2	**1,153.8**	1,157.4
Other reserves	42	**42.6**	160.1
Retained earnings		**6.4**	762.0
		1,275.9	2,152.7
Non-controlling interests		**22.8**	85.6
Total shareholders' equity		**1,298.7**	2,238.3
Total equity and liabilities		**20,893.2**	20,650.0
Of which subordinated liabilities		-	-
Of which liabilities to significant shareholders		*27.0*	*38.5*

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

		Attributable to owners of the Group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2009		77.3	1,205.3	160.1	719.6	2,162.3	95.1	2,257.4
Net Profit for the period					101.1	101.1	3.1	104.2
Currency translation differences, net of tax				9.9		9.9	(1.7)	8.2
Fair value losses on available-for-sale investment securities, net of tax				(41.5)		(41.5)		(41.5)
Total comprehensive income for the period recognised in other comprehensive income		-	-	(31.6)	101.1	69.5	1.4	70.9
Dividend paid on ordinary shares	48				(33.3)	(33.3)		(33.3)
Dividend paid on Bons de Participation	48				(25.4)	(25.4)		(25.4)
Net distributions to non-controlling interests						-	(0.8)	(0.8)
Ordinary shares sold	41.1-41.2	0.5	14.7			15.2		15.2
Ordinary shares repurchased	41.1-41.2	(4.7)	(69.9)			(74.6)		(74.6)
Bons de Participation sold		0.1	2.7			2.8		2.8
Transfer to Other reserves on disposal of Bons de Participation			4.6	(4.6)		-		-
Non-controlling interests put option	42			12.6		12.6		12.6
Employee stock option plan	50			25.0		25.0		25.0
Non-controlling interests in earnout adjustments						-	(6.0)	(6.0)
Non-controlling interests loss on disposal of interests						-	(3.7)	(3.7)
Other non-controlling adjustments						-	(0.4)	(0.4)
Other reserves adjustments				(1.4)		(1.4)		(1.4)
Balance at 31 December 2009		73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

		Attributable to equity holders of the group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2010		73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3
Net loss for the period					(721.8)	(721.8)	(46.9)	(768.7)
Currency translation differences, net of tax				(81.0)		(81.0)	(4.0)	(85.0)
Fair value losses on available-for-sale investment securities, net of tax				(63.1)		(63.1)	(11.3)	(74.4)
Total comprehensive income for the period recognised in other comprehensive income		**-**	**-**	**(144.1)**	**(721.8)**	**(865.9)**	**(62.2)**	**(928.1)**
Dividend paid on ordinary shares	48				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	48				(20.4)	(20.4)		(20.4)
Net distributions to non-controlling interests						-	(0.6)	(0.6)
Ordinary shares sold	41.1-41.2		0.4			0.4		0.4
Ordinary shares repurchased	41.1-41.2	(0.1)	(4.0)			(4.1)		(4.1)
Employee stock option plan	50			26.6		26.6		26.6
Balance at 31 December 2010		**73.1**	**1,153.8**	**42.6**	**6.4**	**1,275.9**	**22.8**	**1,298.7**

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Cash flows from operating activities			
Interest received		**401.2**	430.0
Interest paid		**(147.6)**	(159.7)
Banking fee and commission received		**609.1**	598.7
Banking fee and commission paid		**(108.2)**	(91.8)
Dividend received	7	**9.6**	3.5
Net trading income		**86.8**	50.4
Other operating receipts		**3.5**	3.5
Staff costs paid		**(449.4)**	(439.8)
Other operating expenses paid		**(193.5)**	(192.8)
Income tax paid		**(13.5)**	(21.1)
Cash flows from operating activities before changes in operating assets and liabilities		**198.0**	180.9
Changes in operating assets and liabilities			
Net (increase) in treasury bills		**(1,468.4)**	(145.5)
Net (increase) in due from other banks		**(36.4)**	(397.0)
Net decrease in derivative financial instruments		**105.2**	156.1
Net (increase) in loans and advances to customers		**(670.8)**	(620.1)
Net (increase) in other assets		**(41.5)**	(43.8)
Net (decrease) in due to other banks		**(96.7)**	(37.4)
Net (decrease)/increase in due to customers		**(743.9)**	1,367.0
Net (decrease)/increase in other liabilities		**(6.1)**	36.7
Net cash flows from operating activities		**(2,760.6)**	496.9
Cash flows from investing activities			
Proceeds of disposal of business, net of cash disposed	31	**(1.1)**	
Purchase of securities		**(9,668.8)**	(11,075.3)
Proceeds from sale of securities		**9,366.6**	10,397.1
Purchase of property, plant and equipment	33	**(13.7)**	(14.4)
Purchase of intangible assets	32	**(8.7)**	(80.8)
Proceeds from sale of property, plant and equipment		**0.5**	0.4
Net cash flows used in investing activities		**(325.2)**	(773.0)
Cash flows from financing activities			
Dividend paid on Bons de Participation	48	**(20.4)**	(25.4)
Dividend paid on ordinary shares	48	**(13.4)**	(33.3)
Distributions to non-controlling interests		**(0.6)**	(0.8)
Ordinary shares repurchased	41	**(4.1)**	(74.6)
Ordinary shares sold	41	**0.4**	15.2
Issuance of structured products		**6,012.4**	6,100.5
Redemption of structured products		**(3,857.0)**	(5,609.6)
Net cash flows from financing activities		**2,117.3**	372.0
Effect of exchange rate changes on cash and cash equivalents		(56.9)	0.1
Net change in cash and cash equivalents		**(1,025.4)**	96.0
Cash and cash equivalents at beginning of period	18	**3,940.2**	3,844.2
Net change in cash and cash equivalents		(1,025.4)	96.0
Cash and cash equivalents	18	**2,914.8**	3,940.2

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in Argentina, Bahamas, Bermuda, Canada, Cayman, Channel Islands, Denmark, Dubai, France, Gibraltar, Hong Kong, India, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2010 was 2,462 (31 December 2009: 2,394).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland, and listed on the SIX Swiss Exchange, for details of significant shareholders refer to note 12 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 8 March 2011.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2010. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2011). These consolidated financial statements are subject to the approval of the shareholders.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of 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. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates is presented in notes 3 and 32.

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee of the IASB effective for accounting periods beginning on 1 January 2010. These are as follows:

New and amended standards adopted by the Group:

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
  The amendments to IAS 27 remove the definition of the 'cost method' from paragraph 4 of that standard. Additionally, when an entity reorganises the structure of its group by establishing a new entity as its parent (subject to specific criteria),

the amendments require the new parent to measure cost (for the purpose of paragraph 38(a) of IAS 27) as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

The Group applies IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. The adoption of the amendments did not have any material impact on the Group's financial statements but may have an impact in future periods.

– Changes in accounting policy IAS 8.28: The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.
  Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.
– IAS 36 (amendment), 'Unit of accounting for goodwill impairment test'. This amendment is to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments'. The amendment is applied for periods beginning on or after 1 January 2010 and did not have any impact on the Group's financial statements.
– IAS 38 (amendments), 'Additional consequential amendments arising from IFRS 3 (revised)' and 'Measuring the fair value of an intangible asset acquired in a business combination'. The amendments were made to paragraphs 36 and 37 of IAS 38, 'Intangible assets', to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible assets acquired in a business combination and also to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. Effective for periods beginning on or after 1 January 2010, these amendments did not have any impact on the Group's financial statements.
– IAS 38 (amendment), 'Intangible Assets'. The Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The adoption of the amendment did not result in any impact on the Group's financial statements.
– IAS 39 (amendments), 'Scope exemption for business combination contracts'. Amendments to the scope of IAS 39 to clarify that:
  (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date;
  (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and
  (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. To be prospectively applied to all unexpired contracts with an effective period beginning on or after 1 January 2010, the amendments did not result in any impact on the Group's financial statements.
– IAS 39 (amendments), 'Cash flow hedge accounting'
  Amendment to clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The adoption of the amendment did not result in any impact on the Group's financial statements.
– IFRS 2 (amendment) 'Share-based Payment that clarify the accounting for group cash-settled share-based payment transactions'.

The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers.

The amendments clarify that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also clarify that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2– Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010 and must be applied retrospectively.

The adoption of the amendment did not result in any impact on the Group's financial statements.

– IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010 and the adoption of the amendment did not have any impact on the Group's financial statements.
– IFRS 5 (amendment), 'Disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations' specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. The scope of IFRS 5 has been defined more precisely to clarify that IFRS 5 specifies all disclosure required with respect to non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosure requirements of other standards are no longer mandatory, unless those standards require specific disclosures for those assets (or groups) presented as held-for-sale or discontinued operations. Effective for periods beginning on or after 1 January 2010, the amendment did not have any impact on the Group's financial statements.
– IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
  The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
  The Group is applying IFRIC 17 from 1 January 2010 and it did not have any impact on the Group's financial statements.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

– Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1 January 2011 and it is not expected to have a significant impact on the Group's disclosures.
– IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.
  The standard is not applicable until 1 January 2013 but is available for early adoption.
  The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

The IASB finalised this phase in time to allow, but not require, early application for 2009 year-end financial statements. At the end of October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect profit or loss unless the liability is held for trading.

The IASB issued Amendments to IFRS 9 'Financial instruments' (effective 1 January 2013, retrospective application, early application permitted) and removed the two-step approach which was proposed in the Exposure Draft.
The amendment includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit and loss.
Entities with financial liabilities designated at fair value through profit and loss recognise changes in the fair value due to changes in the liability's credit risk directly in Other comprehensive income.
There is no subsequent recycling of the amounts in Other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

– Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have a material impact on the Group's financial statements.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which, the Group, directly or indirectly, has power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company's main subsidiaries is set out in note 30.

(ii) Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in Other comprehensive income are reclassified to profit or loss where appropriate.

Put options over non-controlling interests

A wholly owned subsidiary of EFG International wrote a put option on shares in a subsidiary that is held by non-controlling interests. As the risks and rewards of the shares subject to the put option have not been transferred to the Group, the Group has adopted the double credit approach for balance sheet recognition. It has continued to recognise the non-controlling interest and separately recognised the put option as a liability by reclassification from Group equity. This financial liability is measured at management's best estimate of the redemption amount. Subsequent changes in the value of this liability are recorded in the Statement of comprehensive income.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's functional and presentation currency. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and Statement of comprehensive income items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in other reserves.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the Statement of comprehensive income.

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

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

	2010 Closing rate	2010 Average rate	2009 Closing rate	2009 Average rate
USD	0.936	1.042	1.030	1.085
GBP	1.450	1.609	1.664	1.696
EUR	1.251	1.380	1.484	1.510
SEK	0.140	0.145	0.145	0.142

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

(d) Derivative financial instruments and hedging

Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is enacted, and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of comprehensive income, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument; and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

1) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge)
2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge),
3) hedges of a net investment in a foreign operation (net investment hedge)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings, until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of comprehensive income. Amounts accumulated in equity are recycled to the Statement of comprehensive income in the periods in which the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of comprehensive income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the Other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the Statement of comprehensive income. Gains and losses accumulated in the Other comprehensive income are included in the Statement of comprehensive income when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Statement of comprehensive income.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 24.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Statement of comprehensive income

(i) Interest income and expenses

Interest income and expenses are recognised in the Statement of comprehensive income for all interest bearing instruments on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis. Fees and commissions relating to foreign exchange transactions, bank charges, brokerage activities and portfolio management are recognised, as applicable, on either a time-apportioned basis, at the transaction date or on completion of the underlying transaction.

Fees and commission arising from negotiating a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the Statement of comprehensive income.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
– Leasehold improvements: 5-20 years
– Computer hardware: 3-5 years
– Furniture, equipment and motor vehicles: 3-10 years

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

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported under 'Intangible assets', while goodwill on acquisition of associates is included in 'Investments in associates'. The carrying amount of goodwill is reviewed at least annually. Where evidence of impairment exists, the carrying amount of goodwill is re-assessed and written down to recoverable amount (where recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use).

Goodwill is allocated to cash generating units for the purpose of impairment testing (note 32.4). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets - Client Relationships

They are stated at estimated costs less accumulated amortisation calculated on a 4 to 25 year basis.

(iii) Other intangible assets - Trademarks

They are stated at estimated costs less accumulated amortisation calculated on a 10 to 14 year basis.

(iv) Other intangible assets - Non-compete agreement

They are stated at estimated costs less accumulated amortisation calculated on a 3 to 10 year basis (depending on contractual agreements).

(v) Other intangible assets - Computer software

Computer software are stated at cost less accumulated amortisation and impairment losses. They are periodically reviewed for impairment, with any impairment charge being recognised in the Statement of comprehensive income. Amortisation is calculated using the straight-line method over a 3-5 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial Assets and liabilities

All financial assets are recorded on the day the transaction is undertaken, with the exception of deposits and loans, which are entered in the balance sheet on their respective value dates.

Purchases and sales of financial assets at fair value, held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value category are included in the Statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the Other comprehensive income, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in the Other comprehensive income should be recognised in the Statement of comprehensive income. Interest calculated using the effective interest method, is recognised in the Statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the Statement of comprehensive income when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. If there is no active market for financial assets, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Life insurance policies are included as financial assets at fair value investments, available-for-sale and held-to-maturity. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy.

Life insurance policies that are classified as held-to-maturity generate a return based on an effective Internal Rate of Return, included in Interest income. For policies transferred from available-for-sale, any available-for-sale equity reserve at the date transferred is amortised into the income statement over the estimated remaining life of the insurance policies.

If objective evidence exists that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognised in the income statement. Premiums paid are recognised as part of the cost of the investment and increase the carrying value on the balance sheet.

The Group classifies its financial assets in the following categories: fair-value-through-profit-or-loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: a) those that the Group upon initial recognition designates as at fair value, or b) those that the Group upon initial recognition designates as available-for-sale. Assets classified as loans and receivables arise when the Group provides money, goods or services directly to a debtor.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(v) Financial liabilities at fair value

A financial liability is classified in this category if acquired principally for the purpose of buying in the short term, or if so designated by management as a hedge for an asset, or as a hedge for the derivative component of a structured product.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
   – adverse changes in the payment status of borrowers in the Group; or
   – national or local economic conditions that correlate with defaults on the assets in the Group.

(i) Available-for-sale assets

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of comprehensive income – is removed from the Other comprehensive income and recognised in the Statement of comprehensive income. Impairment losses recognised in the Statement of comprehensive income on equity investments are not reversed through the Statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Statement of comprehensive income, the impairment loss is reversed through the Statement of comprehensive income.

(ii) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of comprehensive income.

(k) Debt securities in issue

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

(l) Leases

The leases entered into by the Group are operating leases. The total payments made under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

(m) Deferred income tax

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

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of available-for-sale investments, which is taken directly to the Other comprehensive income, is charged or credited directly to the Other comprehensive income and is subsequently recognised in the Statement of comprehensive income together with the deferred gain or loss.

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

Deferred tax assets and liabilities are presented on a gross basis.

(n) Employee benefits

(i) Pension obligations

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. This applies to most of the locations where the Group operates except for Switzerland and Channel Islands.

In Switzerland, the Group maintains several pension plans which are classified as defined contribution or defined benefit plans according to Swiss pension law. The company's legal obligation, in respect of these plans, is merely to pay contributions at defined rates (defined contribution). However, these plans incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, these plans have been reported as defined benefit pension plans.

Pension cost and liability has been measured using the projected unit credit actuarial cost method and assumptions established as defined in IAS19. The calculations have been carried out by independent actuaries at the applicable reporting dates.

The pension expenses recognised in the Statement of comprehensive income for these plans considered as defined benefits for IAS 19 purposes is the actuarially determined expense less the amount of employee contributions.
Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

(ii) Short-term employee benefits

The Group recognises short-term compensated absences as a liability.

(iii) Share based compensation

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

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or restricted stock units granted, excluding the impact of any non-market vesting conditions (for example, profitability and revenue growth targets). Non-market vesting conditions are included in assumptions about the number of options and restricted stock units that are expected to become exercisable. The expense recognised during each period is the pro-rata amount of the fair value of options expected to become exercisable plus the impact of the revision of original estimates, if any, which is recognised in the Statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

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

(o) Related party transactions

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business.

(p) Provisions

Provisions are recognised when: a) the Group has a present legal or constructive obligation as a result of past events; b) it is probable that an outflow of economic benefits will be required to settle the obligation; and c) reliable estimates of the amount of the obligation can be made.

(q) Share Capital

Ordinary shares and non-voting Bons de Participation issued are classified as equity.

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(r) Fiduciary activities

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

(s) Cash and cash equivalents

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

(t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are determined based on the maximum of value in use and fair value less costs to sell which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. The value in use is determined by using a discounted cash-flow calculation based on the operating cash-flows of the asset and its future sale after the utilisation period (not exceeding 5 years). An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 32.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined by using valuation techniques (note 4.2.1). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Financial assets at fair value - Life insurance policies

The Group follows the guidance of IAS 39 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1) using models. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (1.2) million through the Income Statement, and a 3 month increase in actual life expectancies would result in a loss of CHF (16.0) million.

(d) Available-for-sale - Life insurance policies

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (1.3) million through Other comprehensive income, and a 3 month increase in actual life expectancies would result in a loss of CHF (2.1) million.

(e) Impairment of available-for-sale equity investments

The Group determines any impairment of available for sale equity investments through a two-step process. The Group first performs a review at each reporting date to determine whether there is objective evidence that impairment exists for a financial asset. If such evidence exists, the Group measures and records the impairment loss in the reporting period. The Group determines that available-for-sale equity investments are potentially impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(f) Held-to-maturity investments - Life insurance policies

The Group concluded that it is appropriate to classify the life insurance policies as held-to-maturity for the reasons explained below and that these financial assets fall within the definition of IAS 39.9 related to held-to-maturity classification:

– Non-derivative financial asset: Life insurance policies are not treated as derivatives and are akin to fixed income instruments. A derivative typically involves only a percentage of the notional exposure being paid for and a leverage effect. However, the full value of the life insurance policies was paid when they were acquired and no leverage effect exists.
– Fixed or determinable payments: Cashflows relating to life insurance policies are the premium payments required to keep the policies in force and the death benefits receivable. The cashflow timing is determined by mortality assumptions derived from the standard mortality tables.
– Fixed maturity: No financial assets with indefinite lives can be classified as held-to-maturity. The life insurance policies have a prefixed event that determines the maturity of the instrument (i.e. the death of the insured which is estimated based on actuarial data).
– Intention and ability to hold to maturity: the Group has concluded that it has the intention and the ability to hold these life insurance policies until maturity.

(g) Held-to-maturity investments - Others

The Group follows the IAS 39 guidance on classifying non-derivative financial assets, with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. The Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity, it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(h) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk, with most credit risk being limited to interbank placements with rated financial institutions and sovereign bodies, mortgages, Lombard loans and other secured loans as well as credit risk associated with it's holding of Life insurance policies, and market risk largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group along with market risk resulting from the Group's subsidiary EFG Financial Products AG.

Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which has delegated certain functions to its Risk Committee, which sets policies and risk appetite in collaboration with the Risk Committee. Implementation of the Group's policies and compliance with procedures is the responsibility of the Executive Committee and its sub-committees for market risk and credit risk.

In compliance with the art. 663b of Swiss Code of Obligation, the Board delegated to the Risk Committee the responsibility to analyse the main risks the Group may be exposed to. These main risks are the credit risks, market risks and operational risks as detailed below. Its monitoring of the credit risk is based on the ratings diversification and evolution; the one for the market risk is based on the average positions of last year and on the calculation of VaR (including back-testing and stress scenario analysis); the one for the operational risk on its inventory of the identified risks with an indication of their probability of occurrence and the potential financial impacts estimated. Besides, the Group has taken into account in its analysis the risk mitigation measures and the internal control framework (including the internal procedures). The Board has also focused its attention to the guarantee of a constant monitoring and evaluation of the risk, as well as the measurement of the potential impact of these risks on the financial statements. Based on this analysis, the Board has approved the Risk Policy.

4.1 Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. The Group's credit risk exposure is comparatively low because it's primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions.

4.1.1 Credit risk management

(a) Loans and advances

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by Client Relationship Officers and must be supported by Regional Business Heads and are thereafter analysed, submitted to the competent credit approval bodies and processed by the credit departments.

The Executive Credit Committee of the Group has overall responsibility for the client credit business, including the implementation of credit policies and procedures defined by the Board of the Group. Certain duties, including monitoring of day-to-day operations, have been delegated to the various Credit Departments of the Group under the supervision of the Credit Department of EFG Bank AG. The approval of loans, ceilings and other exposures has been delegated, based on certain defined risk and size criteria, to senior members of the credit departments, certain credit committees of international units and to the Executive Credit Committee of the Group.

The approval of large and higher risk profile exposures, is centralised in Switzerland, in compliance with local regulatory and legal requirements of the individual, international business units.

Management insists on thoroughly understanding the background and purpose of each loan (which is typically for investment in securities, funds or investment related insurance policies) as well as the risks of the underlying collateral of each loan.

The Group's internal rating system assigns each client credit exposure to one of ten rating categories. The rating assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit policy and the nature of the loans ensure that the Group's loan book is of high quality. Consequently, an overwhelming majority of the Group's credit exposures are rated within the top 3 categories.

Group's internal ratings scale and comparison to external ratings:

Group's ratings	Rating	Description of grade	Moody's rating
1	Top	Secured by "cash collateral or equivalent" - good diversification	Aaa
2	High	Secured by "cash collateral or equivalent" - imperfect diversification	Aa
3	Very good	Secured by "other collateral"	A
4	Good	Partly secured by "cash collateral or equivalent"	Baa
5	Acceptable	Unsecured by prime borrower	Ba
6	Weak	Borrower situation/collateral value is deteriorating	B
7	Poor	Conditions of initial credit are no longer being met	Caa
8	Unacceptable	Interest is no longer being paid - collateral is being held	Ca
9	Potential loss	Bank holds illiquid - uncollectible or no collateral	C
10	Loss	No collateral or uncollectible collateral	C

The ratings of a major rating agency (shown in the table above), are mapped to the Group's rating classes based on above internal definitions and on the long-term average default rates for each external grade. The Group uses the external ratings to benchmark its internal credit risk assessment.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Moody's rating or their equivalents, are used by the Group for managing the credit risk exposures.

4.1.2 Risk limit control and mitigation policies

To qualify as collateral for a margin loan, a client's securities portfolio must generally be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Close to 85% of mortgages are booked in the UK subsidiary, EFG Private Bank Ltd and these mortgages are related predominantly to properties in prime London locations.

Credit departments monitor credit exposures against approved limits and pledged collateral. If necessary, they initiate rectification steps. Most collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, hedge funds and some other mutual funds are valued monthly, whereas insurance policies are valued at least annually. Mortgage valuations are reviewed annually using statistical (indexation) methods, and larger mortgages are subject to periodic independent valuation.

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set and monitored by the Risk Committee, with delegated authority up to certain absolute size to the Management Risk Committee; depending on each counterparty's Fitch or Moody's ratings (individual and support ratings) and on its total equity.

Other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for credit exposures. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:

– Mortgages over residential and commercial properties;
– Charges over financial instruments such as debt securities and equities.

(b) Derivatives

The Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets with positive fair values).

(c) Credit related commitments

Credit related commitments include the following:

i) Guarantees and standby letters of credit - these carry the same credit risk as loans.
ii) Commitments to extend credit - these represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards.

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2010 and 2009, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2010 CHF millions	2009 CHF millions	2010 CHF millions	2009 CHF millions
Balances with central banks	**711.8**	265.4	**711.8**	265.4
Treasury bills and other eligible bills	**2,037.8**	770.8	**2,037.8**	770.8
Due from other banks	**2,227.1**	3,519.6	**2,090.5**	3,519.6
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	**6,973.0**	6,357.2	**48.0**	97.3
Mortgages	**1,984.8**	1,860.3		
Derivative financial instruments	**353.8**	285.9	**173.5**	227.2
Financial assets at fair value:				
Trading Assets - Debt securities	**90.5**	54.9	**90.5**	54.9
Designated at inception - Debt securities	**345.0**	702.4	**25.0**	339.2
Investment securities - Debt securities	**4,678.4**	4,776.9	**4,678.4**	4,776.9
Other assets	**214.1**	176.2	**214.1**	176.2
On-balance sheet assets	**19,616.3**	18,769.6	**10,069.6**	10,227.5
Financial guarantees	**315.9**	288.3	**1.0**	4.0
Loan commitments, and other credit related guarantees	**154.7**	232.7	**34.1**	2.0
Off-balance sheet assets	**470.6**	521.0	**35.1**	6.0
Total	**20,086.9**	19,290.6	**10,104.7**	10,233.5

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 99.3% (2009: 98.5%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2010 based on Moody's ratings:

	Aaa - Aa	A	Baa - Ba	B - C	Unrated	Total
Balances with central banks	711.8					711.8
Treasury bills and other eligible bills	2,037.8					2,037.8
Due from other banks	1,277.6	485.0	129.7	7.5	190.7	2,090.5
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans			28.0	20.0		48.0
Mortgages						-
Derivative financial instruments	49.6	65.3	1.0		57.6	173.5
Financial assets at fair value:						
Trading Assets - Debt securities	6.4	30.2	53.9			90.5
Designated at inception - Debt securities	25.0					25.0
Investment securities - Debt securities	3,216.7	1,298.7	146.2		16.8	4,678.4
Other assets					214.1	214.1
Total on-balance sheet assets 2010	**7,324.9**	**1,879.2**	**358.8**	**27.5**	**479.2**	**10,069.6**
Total on-balance sheet assets 2009	7,287.2	2,388.4	274.3	6.0	271.6	10,227.5
Financial guarantees					1.0	1.0
Loan commitments, and other credit related guarantees					34.1	34.1
Total off-balance sheet assets 2010	**-**	**-**	**-**	**-**	**35.1**	**35.1**
Total off-balance sheet assets 2009					6.0	6.0

Concentration of risks of financial assets with credit risk exposure

The Group manages the risk of concentration by monitoring and reviewing on a regular basis its large exposures.

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		31 December 2010		31 December 2009	
		Loans and advances to customers CHF millions	Due from other banks CHF millions	Loans and advances to customers CHF millions	Due from other banks CHF millions
Neither past due nor impaired	a)	8,870.3	2,227.1	8,171.7	3,519.6
Past due but not impaired	b)	87.5		45.8	
Impaired		6.1		17.0	
Gross		8,963.9	2,227.1	8,234.5	3,519.6
Less: allowance for impairment		(6.1)		(17.0)	
Net		**8,957.8**	**2,227.1**	8,217.5	3,519.6

The total impairment provision for loans and advances of CHF 6.1 million (2009: CHF 17.0 million) comprises specific provisions against individual loans. Note 22 relates to the impairment allowance for loans and advances to customers.

(a) Loans and advances neither past due or impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (refer to 4.1.1 for definition of internal grades).

	Loans and advances to customers		
	Individuals		
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2010			
Grade 1–2	5,519.6	155.6	5,675.2
Grade 3	1,165.8	1,364.8	2,530.6
Grade 4–5	206.7	383.9	590.6
Grade 6–7	73.9		73.9
Grade 8			
Grade 9–10			
	6,966.0	**1,904.3**	**8,870.3**
31 December 2009			
Grade 1–2	5,115.6	86.4	5,202.0
Grade 3	922.6	1,447.4	2,370.0
Grade 4–5	279.7	275.3	555.0
Grade 6–7	38.6	6.1	44.7
Grade 8			
Grade 9–10			
	6,356.5	1,815.2	8,171.7

(b) Loans and advances past due, but not impaired

Loans and advances less than 180 days past due, are not considered impaired unless other information is available to indicate the contrary. The gross amount of loans and advances to customers by class, that were past due but not impaired, were as follows:

	Individuals		
	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2010			
Greater than 180 days, past due	6.3	33.5	39.8
Less than 180 days, past due	0.7	47.0	47.7
Total	**7.0**	**80.5**	**87.5**
Fair value of collateral	8.0	120.5	128.5
31 December 2009			
Greater than 180 days, past due	0.4	33.5	33.9
Less than 180 days, past due	0.3	11.6	11.9
Total	0.7	45.1	45.8
Fair value of collateral		79.2	79.2

4.1.5 Impairment and provisioning policies

The internal and external rating systems described in note 4.1.1 focus primarily on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that are expected at the balance sheet date based on objective evidence of impairment (see note 2 (j)).

All the impairment provisions come from the bottom grade. The table below shows the percentage of the Group's on balance sheet items relating to loans and advances to customers, and the associated impairment provision for each of the Group's internal grade descriptions:

Grade descriptions	2010 Loans and advances %	2010 Impairment provision %	2009 Loans and advances %	2009 Impairment provision %
Grade 1–2	**63.3**		63.2	
Grade 3	**28.2**		28.8	
Grade 4–5	**6.6**		6.7	
Grade 6–7	**1.8**		1.1	
Grade 8	**0.0**		0.0	
Grade 9–10	**0.1**	**100.0**	0.2	100.0
	100.0	**100.0**	100.0	100.0

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on criteria set out by the Group including delinquency in contractual payments of principal or interest, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration in the value of collateral; and downgrading below investment grade level.

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at 31 December 2010, based on internal ratings:

31 December 2010 Moody's rating	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at fair value CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
Grade 1–2	2,037.8	6.4	135.0	2,713.9	502.9	5,396.0
Grade 3		30.2	189.7	822.9	475.8	1,518.6
Grade 4–5		53.9	15.0	106.0	40.2	215.1
Unrated			6.1	11.2	5.6	22.9
Total	**2,037.8**	**90.5**	**345.8**	**3,654.0**	**1,024.5**	**7,152.6**
31 December 2009						
Moody's rating						
Grade 1–2	770.8	7.3	149.9	3,391.7	506.7	4,826.4
Grade 3		33.3	515.7	828.1		1,377.1
Grade 4		14.3	30.0	24.0		68.3
Unrated			6.8	22.6	3.8	33.2
Total	**770.8**	**54.9**	**702.4**	**4,266.4**	**510.5**	**6,305.0**

4.2 Market risk

Market risk refers to fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk derives from trading in treasury and investment market products which are priced daily; as well as from more traditional banking business, such as loans.

The Group engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted primarily out of dealing rooms in Geneva, Zurich, Cayman, Hong Kong, London, Monaco and Stockholm. The Group does not engage in proprietary trading in securities other than its of holding of fixed income securities and life insurance policies in its banking book and equities and commodities held as part of EFG Financial Products AG's hedging activities. The Group maintains small proprietary positions in foreign exchange instruments.

The Group separates exposures to market risk into either trading or non-trading portfolios. Both securities and foreign exchange exposures are strictly limited by nominal overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. Adherence to all limits is monitored independently by the internal risk management department.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to currency risk in connection with the capital of our subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

IFRS 7 amended requires classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in 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 (ie as price) or indirectly (ie derived from prices)
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	31 December 2010				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	1.4	227.5		228.9	
Interest rate derivatives	1.4	16.5		17.9	
Other derivatives	48.7	10.8	47.5	107.0	
Total derivatives assets					**353.8**
Financial assets at fair value:					
Equity	534.2			534.2	
Debt	90.5			90.5	
Total trading assets					**624.7**
Designated at inception:					
Equity		9.8	15.2	25.0	
Debt	53.6	0.4		54.0	
Life Insurance related			291.8	291.8	
Total financial assets designated at inception					**370.8**
Investment securities: Available-for-sale					
Equity	4.7		29.1	33.8	
Debt	2,530.6	1,078.3		3,608.9	
Life Insurance related			47.6	47.6	
Total investment securities available-for-sale					**3,690.3**
Total assets measured at fair value	**3,265.1**	**1,343.3**	**431.2**	**5,039.6**	**5,039.6**
Derivative financial instruments (liabilities):					
Currency derivatives		268.4		268.4	
Interest rate derivatives		41.2		41.2	
Other derivatives	320.6	0.3	3.3	324.2	
Total derivatives liabilities					**633.8**
Financial liabilities designated at fair value:					
Equity	197.5		18.6*	216.1	
Life Insurance related			270.6	270.6	
Total financial liabilities designated at fair value					**486.7**
Total liabilities measured at fair value	**518.1**	**309.9**	**292.5**	**1,120.5**	**1,120.5**
Assets less liabilities measured at fair value	**2,747.0**	**1,033.4**	**138.7**	**3,919.1**	**3,919.1**

	31 December 2009				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	0.1	196.6		196.7	
Interest rate derivatives	2.9	6.6		9.5	
Other derivatives	21.6	11.4	46.7	79.7	
Total derivatives assets					**285.9**
Financial assets at fair value:					
Equity	255.6			255.6	
Debt	54.9			54.9	
Total trading assets					**310.5**
Designated at inception:					
Equity	2.0	10.4		12.4	
Debt	64.8			64.8	
Life Insurance related			637.6	637.6	
Total financial assets designated at inception					**714.8**
Investment securities: Available-for-sale					
Equity	4.9		27.8	32.7	
Debt	2,620.1	1,295.9		3,916.0	
Life Insurance related			350.4	350.4	
Total investment securities available-for-sale					**4,299.1**
Total assets measured at fair value	**3,026.9**	**1,520.9**	**1,062.5**	**5,610.3**	**5,610.3**
Derivative financial instruments (liabilities):					
Currency derivatives		154.2		154.2	
Interest rate derivatives	0.3	11.9		12.2	
Other derivatives	271.2	16.4		287.6	
Total derivatives liabilities					**454.0**
Financial liabilities designated at fair value:					
Equity	78.4		22.0*	100.4	
Life Insurance related			313.7	313.7	
Total financial liabilities designated at fair value					**414.1**
Total liabilities measured at fair value	**349.9**	**182.5**	**335.7**	**868.1**	**868.1**
Assets less liabilities measured at fair value	**2,677.0**	**1,338.4**	**726.8**	**4,742.2**	**4,742.2**

* *Valuation of Put Options held by non-controlling interests are based on a contractual valuation and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.*

(b) Movements of level 3 instruments

	Assets in Level 3				
	Derivative financial instruments CHF millions	Trading assets CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in level 3 CHF millions
At 1 January 2010	46.7	-	637.6	378.2	1,062.5
Total gains or losses					
in consolidated statement of comprehensive income	4.0		(23.7)	8.7	(11.0)
in statement of other comprehensive income			(16.6)	(20.1)	(36.7)
Purchases/Premiums paid	4.6		61.9	32.6	99.1
Disposals/Premiums received	(3.5)		(285.2)	(1.8)	(290.5)
Transfers out of Level 3*				(323.5)	(323.5)
Transfers in Level 3				3.8	3.8
Exchange differences	(4.3)		(67.0)	(1.2)	(72.5)
At 31 December 2010	**47.5**	**-**	**307.0**	**76.7**	**431.2**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4.0	-	(23.7)	8.7	(11.0)

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilitites in level 3 CHF millions
At 1 January 2010	-	335.7	335.7
Total gains or losses			
in consolidated statement of comprehensive income		(47.2)	(47.2)
Purchases/Premiums paid	3.3		3.3
Disposals/Premiums received		30.8	30.8
Exchange differences		(30.1)	(30.1)
At 31 December 2010	**3.3**	**289.2**	**292.5**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	(47.2)	(47.2)

* *Transfers out of level 3 include available-for-sale Life insurance policies reclassified to the Held-to-maturity portfolio.*

The total gains or losses for the period included in profit or loss for assets held at the end of the reporting period is composed of CHF 47.4 million recorded in Net interest income (2009: CHF 50.0 million) and CHF (11.2) million recorded in Net gain / (loss) from financial instruments designated at fair value (2009: CHF (13.7) million).

No significant transfer between level 1 and level 2 instruments occured during the year.

(c) Fair value methodology used for level 3 instruments - valuation technique

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

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

Valuation technique		31 December 2010 CHF millions	31 December 2009 CHF millions
Recent arm's length transactions	**Products**		
Available-for-sale - Equity securities	Unquoted private equity holding	3.8	
Discounted cash flow analysis			
Derivatives	Credit default Swaps	0.9	2.2
Available-for-sale - Equity securities	Equities in stock exchanges and clearing houses	25.3	27.8
Financial liabilities designated at fair value	Liability to purchase non-controlling shareholders interests	(18.6)	(22.0)
Discounted cash flow analysis, and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	43.2	44.5
Financial assets at fair value	Physical life settlement policies	35.6	337.7
Financial assets at fair value	Physical life settlement policies*	256.2	299.9
Financial assets at fair value	Contractual right to perpetual revenue stream	15.2	
Available-for-sale	Physical life settlement policies	47.7	350.4
Financial liabilities designated at fair value	Synthetic life settlement policies*	(270.6)	(313.7)
Total		**138.7**	726.8

* *Assets valued at CHF 256.2 million (2009: CHF 299.9 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.*

4.2.2 Assets and liabilities not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Changes in credit risk related to the Group are not reflected in the table below.

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2010				
Financial Assets				
Due from other banks	(i)	2,227.1	2,235.5	8.4
Loans and advances to customers	(ii)	8,957.8	9,002.3	44.5
Investment securities - Held-to-maturity - Life insurance related	(iii)	594.4	483.8	(110.6)
Investment securities - Held-to-maturity - Debt	(iv)	430.1	429.7	(0.4)
		12,209.4	**12,151.3**	**(58.1)**
Financial Liabilities				
Due to other banks	(v)	337.8	337.9	(0.1)
Due to customers	(vi)	14,904.4	14,902.3	2.1
Other financial liabilities	(vii)	2,863.0	2,876.5	(13.5)
		18,105.2	**18,116.7**	**(11.5)**
Net financial instruments		**(5,895.8)**	**(5,965.4)**	**(69.6)**
31 December 2009				
Financial Assets				
Due from other banks		3,519.6	3,519.7	0.1
Loans and advances to customers		8,217.5	8,240.2	22.7
Investment securities - Held-to-maturity - Debt		510.5	478.9	(31.6)
		12,247.6	12,238.8	(8.8)
Financial Liabilities				
Due to other banks		447.1	447.2	(0.1)
Due to customers		15,727.9	15,729.5	(1.6)
Other financial liabilities		1,002.0	1,021.9	(19.9)
		17,177.0	17,198.6	(21.6)
Net financial instruments		(4,929.4)	(4,959.8)	(30.4)

(i) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount.

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows discounted at an Internal Rate of Return ("IRR"). The IRR used in the carrying value is 10.7%, whilst an IRR of 14.0% was used for the fair value calculation in the table above.

(iv) Investment securities - Held-to-maturity - Debt

Fair value for held-to-maturity assets is calculated using expected cash flows discounted at current market rates, based on estimates using quoted market prices for securities with similar credit, maturity and yield characteristics.

(v) & (vi) Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(vii) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	2.2	-
Deferred profit on new transactions		2.3
Recognised profit in the Statement of comprehensive income	(0.4)	(0.1)
At 31 December	1.8	2.2

4.2.4 Market risk measurement techniques

Market risk exposure is measured in several ways : nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks. It is used internally only, for control and management purposes. As part of the management of market risk, the Group may from time to time, undertake various hedging strategies (note 24). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets as well as fixed rate liabilities.

The major measurement techniques used to measure and control market risk, are outlined below.

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates excluding credit spreads, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The Group uses two different VaR models. The first is a delta based parametric approach (based on a variance/co-variance approach and uses a 99% one-sided confidence level and assumes a 10-day holding period with a 250-day observation period for interest rate and equity VaR and 130-day observation period for foreign exchange VaR) and the second is a full valuation historical VaR approach. The results of these two approaches are added together without taking the benefits of any correlation effects.

The VaR computation does not purport to represent actual losses in fair value on earnings to be incurred by the Group, nor does it consider the effect of favourable changes in market rates. The Group cannot predict actual future movements in such market rates, and it does not claim that these VaR results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

Daily risk reports review compliance with nominal and stop loss limits. The following table presents VaR (as described above) for market risk, by risk type:

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2010				
Interest rate risk	2.8	2.0	3.0	1.2
Currency risk	1.2	1.1	1.7	0.3
Equity price risk	2.0	2.6	4.9	1.9
VaR	**6.0**	**5.7**	**9.6**	**3.4**
2009				
Interest rate risk	2.0	4.1	7.2	2.0
Currency risk	0.7	1.8	3.0	0.4
Equity price risk	2.8	2.9	4.8	2.0
VaR	5.5	8.8	15.0	4.4

The Group considers interdependencies between the risk variables to be insignificant.

(b) Alternative sensitivity analysis

Alternative sensitivity analysis is performed on the following financial instruments, which are not covered by VaR:

i) Trading assets and designated at fair value through profit or loss, which includes Life insurance policies, Structured products and unquoted equities

ii) Available-for-sale - Life insurance policies

iii) Financial liabilities - Life insurance policies and liabilities to purchase non-controlling interests.

The sensitivity analysis calculates the impact from changes in interest rates, foreign currencies and equity prices. The computation does not purport to represent actual gains and losses to be incurred by the Group. The Group cannot predict actual future movements in such market rates, and it does not claim that these results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

The following risks exist for positions at 31 December 2010 for which VaR is not calculated above.

Risk Category	Product	Impact from	Market value CHF millions	P&L CHF millions	Other comprehensive income CHF millions
i) Price risk					
Financial assets at fair value	Quoted equities	10% price decrease	6.6	(0.7)	
Available-for-sale	Unquoted equities	10% price decrease	29.6		(3.0)
Financial assets at fair value	Life insurance companies	10% price decrease	256.2*	(25.6)	
Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(270.6)*	27.1	
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(18.6)	-	
ii) Interest rate risk					
Financial assets at fair value	Life insurance policies	100 bps increase in IRR**	35.6	(1.2)	
Available-for-sale	Life insurance policies	100 bps increase in IRR**	38.0		(1.3)
iii) Life expectancy (actual changes based on actuarial evidence)					
Financial assets at fair value	Life insurance policies	3 month increase	291.8	(16.0)	
Available-for-sale	Life insurance policies	3 month increase	38.0		(2.1)
Financial liabilities at fair value	Synthetic life insurance exposure	3 month increase	(270.6)	13.3	

* *Assets and liabilities fair values are linked and thus a loss on the asset will offset part of the gain on the liability.*

** *Including changes in the market perception of changes in life expectancies that may arise (i.e. excluding actual changes in life expectancy based on actuarial evidence).*

(c) Stress tests

VaR calculations are complemented by various stress tests, which identify the potential impact of extreme market scenarios on portfolios values. These stress tests simulate both exceptional movements in prices or rates; and drastic deteriorations in market correlations. In addition to nominal limits and stop losses, they are the primary tools used by internal market risk management. Stress test results are calculated monthly by the Market Risk Management Unit and reported to management.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests include:

i) risk factor stress testing, where stress movements are applied to each risk category, and
ii) ad hoc stress testing, which includes applying possible stress events to specific positions or regions

Results of the stress tests are reviewed by senior management in each business unit and by the Risk Committee of the Board. Stress testing is tailored to the business and typically uses scenario analysis.

4.2.5 Interest rate risk

The Board sets limits for the interest repricing gap or mismatch; which is monitored by the Market Risk Management Unit. The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 3 months CHF millions	3 - 12 months CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
31 December 2010						
Assets						
Cash and balances with central banks	703.4				8.4	711.8
Treasury bills	1,789.2	248.6				2,037.8
Due from other banks	1,968.1	133.8	55.7		69.5	2,227.1
Loans and advances to customers	7,524.9	887.2	508.3	3.6	33.8	8,957.8
Derivative financial instruments	197.4	3.0			153.4	353.8
Financial assets at fair value:						
Trading Assets		12.1	78.4		534.2	624.7
Designated at inception	15.1		51.9	291.7	12.1	370.8
Investment securities:						
Available-for-sale	1,804.0	604.9	1,113.4	99.0	69.0	3,690.3
Held-to-maturity	0.4	426.6		594.5	3.0	1,024.5
Other assets					214.1	214.1
Total financial assets	**14,002.5**	**2,316.2**	**1,807.7**	**988.8**	**1,097.5**	**20,212.7**
Liabilities						
Due to other banks	273.0	8.8	43.4		12.6	337.8
Due to customers	14,115.0	510.3	42.4		236.7	14,904.4
Derivative financial instruments	142.4	3.3			488.1	633.8
Financial liabilities designated at fair value				270.6	216.1	486.7
Other financial liabilities	982.4	580.2	1,246.1	54.3		2,863.0
Other liabilities					299.9	299.9
Total financial liabilities	**15,512.8**	**1,102.6**	**1,331.9**	**324.9**	**1,253.4**	**19,525.6**
On-balance-sheet interest repricing gap	(1,510.3)	1,213.6	475.8	663.9	(155.9)	687.1
Off-balance-sheet interest repricing gap	(25.7)	(138.6)	164.3			-
31 December 2009						
Total financial assets	13,304.6	3,061.4	813.6	1,231.6	659.1	19,070.3
Total financial liabilities	15,555.6	1,078.2	458.7	402.8	855.8	18,351.1
On-balance-sheet interest repricing gap	(2,251.0)	1,983.2	354.9	828.8	(196.7)	719.2
Off-balance-sheet interest repricing gap	124.4	(4.8)	(47.2)	5.5		77.9

4.2.6 Foreign exchange risk

The Group carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, in foreign operations. The overall net nominal positions per currency are monitored against intraday and overnight limits. In addition, daily and monthly stop loss limits are in place. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions.

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG Bank AG use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, at 31 December 2010, the Group did not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiaries (currency translation risk).

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure. See note 4.2.4 which reflects the Currency risk VaR.

4.3 Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Group manages its liquidity risk in such a way as to ensure that sufficient liquidity is available to meet its commitments to customers, both in demand for loans and repayments of deposits, and to satisfy its own cash flow needs.

4.3.1 Liquidity risk management process
The Group attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business. The Group also has a liquidity management process in place that includes liquidity contingency plans. These contingency measures include the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or drawdowns on lines of credit (Lombard facility) with the Swiss National Bank.

The Group complies with all regulatory requirements, including overnight liquidity limits (in the various countries in which it operates banks). It reports its liquidity situation to management on an individual entity basis for its banking subsidiaries on a daily basis. Stress tests are undertaken monthly, or as necessary. Both the Group's capital and reserves position and its conservative gapping policy, when funding customer loans ensure that the Group runs only a small liquidity risk.

The Group's liquidity risk management process is carried out by Financial Markets and monitored by the Market Risk Management Unit. It includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- Maintaining a portfolio of highly marketable assets that can easily be liquidated (repoed or sold) as protection against any unforeseen interruption to cash flow
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements, and
- Managing the concentration and profile of debt maturities

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, and the expected collection date of the financial assets (notes 4.3.3-4.3.4).

Financial Markets also monitors unmatched medium-term assets and the usage of overdraft facilities.

4.3.2 Funding approach
Sources of liquidity are regularly reviewed by Financial Markets to maintain a wide diversification by currency, geography, provider, product and term.

4.3.3 Financial liabilities cash flows

The table below analyses the Group's financial liabilities by remaining contractual maturities, at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month CHF millions	1 - 3 months CHF millions	3 - 12 months CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2010						
Liabilities						
Due to other banks	272.3	6.0	9.4	50.2		337.9
Due to customers	12,664.1	1,618.9	533.7	98.0		14,914.7
Derivative financial instruments	7,176.8	2,986.1	1,552.8	160.4		11,876.1
Financial liabilities designated at fair value	4.3	28.2	36.1	83.4	334.7	486.7
Other financial liabilities	516.7	476.7	546.5	1,251.4	83.6	2,874.9
Other liabilities	204.0	34.8	32.0	15.8	13.3	299.9
Total financial liabilities	**20,838.2**	**5,150.7**	**2,710.5**	**1,659.2**	**431.6**	**30,790.2**
Total off balance-sheet	**47.3**	**32.7**	**185.2**	**257.2**	**100.7**	**623.1**
31 December 2009						
Liabilities						
Due to other banks	322.0	23.6	3.5	59.5	38.5	447.1
Due to customers	13,856.4	1,196.2	620.8	54.5		15,727.9
Derivative financial instruments	4,957.0	3,505.9	947.3	505.6		9,915.8
Financial liabilities designated at fair value	30.3	48.1		22.0	313.7	414.1
Other financial liabilities	268.3	58.3	162.4	404.5	108.5	1,002.0
Other liabilities	237.0	27.3	4.1	18.8	18.8	306.0
Total financial liabilities	19,671.0	4,859.4	1,738.1	1,064.9	479.5	27,812.9
Total off balance-sheet	31.0	52.5	259.6	232.0	102.6	677.7

4.3.4 Summary of Liquidity

The Group's central treasury manages the liquidity and financing risks on an integrated basis. The liquidity positions of the Group's entities are monitored and managed daily and exceed the regulatory minimum, as required by the Group's market risk framework and policy. Overall, the Group, through its business entities enjoys a favorable funding base with stable and diversified customer deposits, which provide the vast majority of the Group's total funding. Together with its capital resources, the surplus of stable customer deposits over loans to the Group's customers is placed with the given treasury units where the Group's funding and liquidity are managed to ensure this complies with the different local regulatory requirements. In addition, all entities operate within the Group's liquidity policies and guidelines.

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

- The overall level of market and credit exposures are tightly monitored by means of specific risk parameters and indicators approved by the Board of Directors and/or Board delegated Risk Committee's and in line with the Groups overall committed level of risk appetite and avoidance of any concentration risk.
- These exposures and corresponding limits are proactively reviewed through Management Risk Committee and/or Board delegated Risk Committee's to ensure both full adequacy to the given market and liquidity conditions and overall risk framework of the Group as well as to avoid any possible concentration risk in light of changing market environments.

4.4 Capital Management

The Group's objectives when managing regulatory capital is to comply with the capital requirements set by regulators of the jurisdictions in which the Group entities operate; to safeguard the Group's ability to continue as a going concern.

Capital adequacy and the use of regulatory capital is continually monitored and reported by the Group's management, using the framework developed by the Bank for International Settlements ("BIS"). The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority.

The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of acquisition related intangible assets net of acquisition related liabilities is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: collective impairment allowances and unrealised gains arising on the fair valuation of security instruments held as available-for-sale.

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and includes amounts in respect of credit risk, market risk, non-counterparty related risk, settlement risk and operational risk.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2010 and 2009. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2010 CHF millions	31 December 2009 CHF millions
Tier 1 capital		
Share capital	73.1	73.2
Share premium	1,153.8	1,157.4
Other reserves	42.6	160.1
Retained earnings	6.4	762.0
Non-controlling interests	22.8	85.6
IFRS: Total shareholders' equity	**1,298.7**	2,238.3
Less: Proposed dividend on Ordinary Shares (note 48)	(13.4)	(13.4)
Less: Accrual for estimated expected future dividend on Bons de Participation	(2.5)	(3.7)
Less: Available-for-sale investment securities revaluation reserve	(3.8)	(9.2)
Less: Loans to employees	(0.7)	(3.5)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(498.9)	(1,413.0)
Less: Financial asset at fair value related to MBAM net of non-controlling interests	(13.6)	
Total qualifying Tier 1 capital	**765.8**	795.5
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)	1.7	4.1
Total regulatory capital	**767.5**	799.6
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,620.9	3,776.1
Non-counterparty related risk	63.4	70.4
Market risk*	455.4	344.7
Operational risk*	1,359.4	1,640.4
Total risk-weighted assets	**5,499.1**	5,831.6

	31 December 2010 %	31 December 2009 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**14.0**	13.7

** Risk weighted figure calculated by taking 12.5 times the capital adequacy requirement.*

5. NET INTEREST INCOME

	31 December 2010 CHF millions	31 December 2009 CHF millions
Interest and discount income		
Banks and customers	238.0	256.9
Treasury bills and other eligible bills	3.4	3.7
Trading securities		1.1
Financial assets at fair value	60.9	50.2
Available-for-sale securities	78.9	109.6
Held-to-maturity	26.5	14.8
Total interest and discount income	**407.7**	436.3
Interest expense		
Banks and customers	(95.0)	(150.3)
Financial liabilities	(62.2)	(22.7)
Total interest expense	**(157.2)**	(173.0)
Net interest income	**250.5**	263.3

Interest income accrued on impaired financial assets is CHF Nil (2009: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

Banking fee and commission income		
Securities and investment activities commission	520.0	512.5
Other services commission	90.4	81.9
Lending activities commission	0.1	0.4
Total fee and commission income	**610.5**	594.8
Commission expenses	(114.2)	(97.2)
Net banking fee and commission income	**496.3**	497.6

7. DIVIDEND INCOME

Trading assets	8.4	2.1
Available-for-sale investment securities	1.2	1.4
Total	**9.6**	3.5

8. NET TRADING INCOME

Foreign exchange	64.1	38.7
Equity securities	3.3	17.1
Total	**67.4**	55.8

9. NET (LOSS)/GAIN FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31 December 2010 CHF millions	31 December 2009 CHF millions
Equity securities	(0.8)	4.5
Debt securities	(4.5)	1.2
Life insurance securities	(29.9)	(2.5)
Other losses*	(499.4)	
Other gains**	16.8	
Total	**(517.8)**	3.2

* *In the period to June, the performance of Marble Bar Asset Management was below that forecasted at the end of 2009. The restructuring of the partnership at the end of April 2010 resulted in deconsolidation of the business, and in reflecting the right to receive a perpetual cash flow stream. This right to a perpetual cash flow stream is recognised as a financial asset designated at fair value through profit and loss. This financial asset is valued using a discounted cash-flow model, and any inputs to the model valuation are reflected in the asset valuation at each period end. Due to additional client redemptions late in the second quarter of 2010, the Assets under Management reduced significantly. Given the unpredictable environment existing at that time, the estimated value of the financial asset was considered to be zero. This represented a mark down in the value of the financial asset to CHF 0, with a loss of CHF 499.4 million being recorded at the end of June 2010.*

** *In the period from July to December, the performance of Marble Bar Asset Management has stabilised and the Group continues to earn revenues from the structure agreed in April 2010. Marble Bar Asset Management has generated positive market performance on the funds they manage. The Group is entitled to a share of the performance and management fees. The forecasted revenues are the key input for the valuation of the financial asset, and the value has thus increased (using a discounted cash-flow model). The Group revalued the financial asset at 31 December 2010 to reflect the current business outlook, and recognised a gain of CHF 16.8 million relative to the carrying value at 30 June 2010 of CHF 0.*

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain on disposal of Available-for-sale securities - Transfer from Equity		
Debt securities	11.4	19.8
Life insurance securities	4.7	5.4
Total	**16.1**	25.2

11. REVERSAL OF IMPAIRMENT / (IMPAIRMENT) ON LOANS AND ADVANCES TO CUSTOMERS

Impairments on amounts due from customers	(0.9)	(7.5)
Reversal of impairments on amounts due from customers	5.2	2.1
Reversal of impairment/(impairment) on loans and advances to customers (note 22)	**4.3**	(5.4)

12. OPERATING EXPENSES

	31 December 2010 CHF millions	31 December 2009 CHF millions
Staff costs (note 13)	(473.9)	(469.0)
Professional services	(38.3)	(30.7)
Advertising and marketing	(10.8)	(8.8)
Administrative expenses	(75.9)	(76.3)
Operating lease rentals	(38.4)	(39.7)
Depreciation of property, plant and equipment (note 33)	(15.4)	(15.6)
Amortisation of intangible assets		
Computer software and licences (note 32)	(6.5)	(6.6)
Other intangible assets (note 32)	(28.8)	(65.7)
Other	(29.5)	(31.7)
Operating expenses	**(717.5)**	(744.1)

13. STAFF COSTS

Wages, salaries and staff bonuses	(379.8)	(375.7)
Social security costs	(28.1)	(30.1)
Pension costs		
Defined benefits (note 40)	(7.6)	(7.8)
Defined contribution	(9.9)	(9.7)
Employee Equity Incentive Plans (note 50)	(26.6)	(25.0)
Other	(21.9)	(20.7)
Staff costs	**(473.9)**	(469.0)

As at 31 December 2010 the number of employees of the Group was 2,462 and the average for the year was 2,410 (31 December 2009: 2,394 and average for the year: 2,362).

14. INCOME TAX GAIN/(EXPENSE)

	31 December 2010 CHF millions	31 December 2009 CHF millions
Current tax gain/(expense)	7.5	(15.9)
Deferred tax gain (note 15)	18.2	10.5
Total income tax gain/(expense)	**25.7**	(5.4)

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent, as follows:

Operating (loss)/profit before tax	(794.4)	109.6
Tax at the weighted average applicable rate of 11% (2009: 11%)	87.4	(12.1)
Tax effect of:		
Income not subject to tax	6.4	7.5
Impairments not deductible for tax*	(41.6)	
Release of prior years tax over-provisions	3.3	
Prior years losses recognised	10.5	
Current year losses not recognised**	(46.5)	
Current year losses offsetting current year profits	4.2	
Future years profits recognised	10.3	
Impairment of deferred tax assets***	(8.7)	
Different tax rates in different countries	0.5	(0.8)
Non tax deductible items	(0.1)	
Total income tax gain/(expense)	**25.7**	(5.4)

The weighted average tax rate of 11% is based on the operating entities local tax rates relative to the taxable income in these jurisdictions.

* *The tax effect of impairments not deductible for tax of CHF 41.6 million relate to the impairments of goodwill and intangible assets of C.M. Advisors and DSAM of CHF 378.8 million (see note 32.1). These businesses are primarily in zero tax rate jurisdictions. This tax effect arises when comparing these impairments at a zero tax rate to the theoretical 11% tax rate applied above.*

** *The tax effect of current year losses not recognised of CHF 46.5 million relates to the net CHF 482.6 million loss on financial assets related to MBAM (see note 9). At the theoretical tax rate of 11% applied above, this would generate a deferred tax asset of CHF 53.1 million. This deferred tax asset can only be recognised if the business would generate sufficient taxable profits in future periods to utilise this tax loss. Management have estimated that the deferred tax asset that can be recognised related to this business is CHF 6.6 million, hence CHF 46.5 million has not been recognised.*

*** *The tax effect of impairment of deferred tax assets of CHF 8.7 million relates to the value of deferred tax assets recognised in the MBAM business at the date when it was deconsolidated. In June this deferred tax assets was no longer considered recoverable against the business disposed of (see note 31).*

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated under the liability method on all temporary differences; using the expected effective local applicable rate

Deferred income tax assets and liabilities comprise the following:

	31 December 2010 CHF millions	31 December 2009 CHF millions
Deferred income tax assets	54.2	32.4
Deferred income tax liabilities	(58.1)	(51.5)
Net deferred income tax liabilities	**(3.9)**	(19.1)

The movement on the net deferred income tax account is as follows:

At 1 January	(19.1)	(40.2)
Charge for period in the statement of comprehensive income	18.2	10.5
Available-for-sale adjustment through Other comprehensive income	1.9	3.7
Changes in estimates related to prior years	(4.2)	7.9
Exchange differences	(0.7)	(1.0)
At 31 December	**(3.9)**	(19.1)

Deferred income tax assets and liabilities are attributable to the following items:

Tax losses carried forward	49.3	30.7
Temporary differences - income under IFRS not recognised in taxable income*	4.9	1.7
Deferred income tax assets	**54.2**	32.4
Arising from acquisition of intangible assets	(45.5)	(50.3)
Temporary differences - expenses under IFRS not recognised in taxable income**	(12.6)	(1.2)
Deferred income tax liabilities	**(58.1)**	(51.5)
Net deferred income tax liabilities	**(3.9)**	(19.1)

The deferred income tax gain in the statement of comprehensive income comprises the following temporary differences:

Utilisation of tax losses carried forward	(2.4)	(0.7)
Creation of deferred tax assets	33.6	12.8
Impairment of deferred tax assets	(8.7)	
Other temporary differences	(4.3)	(1.6)
Deferred income tax benefit	**18.2**	10.5

* *Temporary differences resulting in deferred tax assets of CHF 4.9 million relate to valuation adjustments made to financial liabilities only reflected in local tax accounts for CHF 1.0 million, timing differences on amortisation of fixed assets for tax and accounting purposes of CHF 1.9 million and CHF 2.0 million related to sundry other differences between local tax rules and accounting standards.*

** *Temporary differences resulting in deferred tax liabilities of CHF 12.6 million relate to valuation of financial assets not reflected in local tax accounts of CHF 6.4 million, losses of foreign operations deducted for local tax purposes expected to reverse in future periods of CHF 3.6 million, pension assets recognised for IFRS but not for local tax purposes of CHF 1.2 million and CHF 1.4 million related to sundry other differences between local tax rules and accounting standards.*

The Group has deferred tax assets related to tax losses carried forward of CHF 49.3 million as a result of subsidiaries with tax losses of CHF 303 million (2009: CHF 184.0 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 35 million will expire in less than 3 years, CHF 218 million will expire in more than 3 but less than 7 years and CHF 50 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

16. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2010			
Interest and discount income	145.9	261.8	407.7
Interest expense	(72.6)	(84.6)	(157.2)
Net interest income	**73.3**	**177.2**	**250.5**
Banking fee and commission income	257.3	353.2	610.5
Banking fee and commission expense	(73.8)	(40.4)	(114.2)
Net banking fee and commission income	**183.5**	**312.8**	**496.3**
Dividend income	9.4	0.2	9.6
Net trading income	27.4	40.0	67.4
Net (loss)/gain from financial instruments designated at fair value	(7.3)	(510.5)	(517.8)
Gains less losses from investment securities	(0.2)	16.3	16.1
Other operating income/(loss)	32.5	(29.1)	3.4
Net other (loss)/income	**61.8**	**(483.1)**	**(421.3)**
Operating income	**318.6**	**6.9**	**325.5**
Operating expenses	(325.3)	(392.2)	(717.5)
Loss on disposal of subsidiary		(23.5)	(23.5)
Reversal of impairment/(impairment) on loans and advances to customers	4.7	(0.4)	4.3
Impairment on financial assets held-to-maturity		(4.4)	(4.4)
Impairment of intangible assets		(378.8)	(378.8)
Loss before tax	**(2.0)**	**(792.4)**	**(794.4)**
Income tax gain	11.5	14.2	25.7
Net (loss)/profit for the period	**9.5**	**(778.2)**	**(768.7)**
Net (loss)/profit for the period attributable to:			
Net (loss)/profit attributable to owners of the Group	10.0	(731.8)	(721.8)
Net loss attributable to non-controlling interests	(0.5)	(46.4)	(46.9)
	9.5	**(778.2)**	**(768.7)**

16. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION (CONTINUED)

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2009			
Interest and discount income	149.6	286.7	436.3
Interest expense	(75.0)	(98.0)	(173.0)
Net interest income	74.6	188.7	263.3
Banking fee and commission income	217.7	377.1	594.8
Banking fee and commission expense	(45.8)	(51.4)	(97.2)
Net banking fee and commission income	171.9	325.7	497.6
Dividend income	12.2	(8.7)	3.5
Net trading income	42.5	13.3	55.8
Net gain/(loss) from financial instruments designated at fair value	(0.5)	3.7	3.2
Gains less losses from investment securities	3.0	22.2	25.2
Other operating income/(loss)	42.0	(31.5)	10.5
Net other (loss)/income	99.2	(1.0)	98.2
Operating income	345.7	513.4	859.1
Operating expenses	(303.0)	(441.1)	(744.1)
Reversal of impairment/(impairment) on loans and advances to customers	(7.1)	1.7	(5.4)
Profit before tax	35.6	74.0	109.6
Income tax gain/(expense)	(8.6)	3.2	(5.4)
Net profit for the period	27.0	77.2	104.2
Net (loss)/profit for the period attributable to:			
Net profit attributable to owners of the Group	22.9	78.2	101.1
Net (loss)/profit attributable to non-controlling interests	4.1	(1.0)	3.1
	27.0	77.2	104.2

17. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Cash in hand	**9.1**	8.6
Balances with central banks	**702.7**	256.8
Cash and balances with central banks	**711.8**	265.4

18. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	31 December 2010 CHF millions	31 December 2009 CHF millions
Cash and balances with central banks	711.8	265.4
Treasury bills and other eligible bills	454.2	625.3
Due from other banks - At sight	763.1	680.4
Due from other banks - At term	985.7	2,369.1
Cash and cash equivalents with less than 90 days maturity	**2,914.8**	3,940.2

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Treasury bills	705.3	193.9
Other eligible bills	1,332.5	576.9
Treasury bills and other eligible bills	**2,037.8**	770.8
Pledged treasury bills with central banks and clearing system companies.	*149.8*	*133.3*

20. DUE FROM OTHER BANKS

At sight	763.1	680.4
At term - with maturity of less than 90 days	985.7	2,369.1
At term - with maturity of more than 90 days	478.3	470.1
Due from other banks	**2,227.1**	3,519.6
Pledged due from other banks	*72.2*	*103.2*

The pledged due from other banks relates to collateral for derivative transactions, and a bank account of the Group with a balance of CHF 16.8 million which has been blocked as a result of an arrangement with a client. The client raised a complaint relating to an investment product. An arrangement with the client has been reached pending the valuation at maturity of the investment product in 2012. The Group believes it has strong defences to any potential legal action and intends to defend the case vigorously if a formal proceeding is initiated.

21. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Due from customers	6,979.1	6,374.2
Mortgages	1,984.8	1,860.3
Gross loans and advances	**8,963.9**	8,234.5
Less: Provision for impairment losses (note 22)	(6.1)	(17.0)
Net loans and advances	**8,957.8**	8,217.5

Geographic sector risk concentrations within the Group's customer loan portfolio were as follows:

	31 December 2010		31 December 2009	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,730.6	30.5	2,690.1	32.7
Asia and Oceania	2,099.5	23.4	1,555.3	19.0
Europe (other)	1,933.1	21.6	2,095.4	25.5
United Kingdom	1,076.9	12.0	1,047.0	12.7
Africa and Middle East	398.0	4.4	272.9	3.3
Switzerland	225.4	2.5	253.4	3.1
Luxembourg	283.6	3.2	167.3	2.0
United States and Canada	210.7	2.4	136.1	1.7
Total	**8,957.8**	**100.0**	8,217.5	100.0

This analysis is based on the client's place of residence and not necessarily on the domicile of the credit risk.

22. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	17.0	14.7
Exchange differences	(0.8)	(0.9)
(Reversal of impairment)/ impairment on loans and advances to customers (note 11)	(4.3)	5.4
Utilisation of provision	(5.8)	(2.2)
At 31 December	**6.1**	17.0

23. COLLATERAL FOR LOANS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Loans and advances to customers		
Mortgages	**1,984.8**	1,860.3
Secured by other collateral	**6,925.0**	6,259.9
Unsecured*	**48.0**	97.3
Total loans and advances	**8,957.8**	8,217.5
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	**435.5**	515.0
Contingent liabilities unsecured	**35.1**	6.0
Total	**470.6**	521.0

* *The unsecured loans include CHF 33 million (2009: 61.0 million) of loans made with no collateral and CHF 15 million (2009: CHF 36.3 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 within approved unsecured lending limits for the customer.*

See note 4.1 for further details on collateral.

24. DERIVATIVE FINANCIAL INSTRUMENTS

24.1 Derivatives

The Group's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.

The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

24.1 Derivatives, (continued)

The fair values of derivative instruments held, are set out in the following table:

	31 December 2010			31 December 2009		
	Contract/ notional amount CHF millions	Fair value Assets CHF millions	Fair value Liabilities CHF millions	Contract/ notional amount CHF millions	Fair value Assets CHF millions	Fair value Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	11,578.6	183.8	229.3	9,556.7	158.7	116.4
OTC currency options	2,572.9	43.7	39.1	2,695.4	37.9	37.8
Futures	25.3	1.4		6.2	0.1	
		228.9	**268.4**		196.7	154.2
Interest rate derivatives						
Interest rate swaps	1,446.7	15.0	15.0	435.3	2.5	8.6
OTC interest rate options	48.2	0.4	0.6	90.0	2.3	1.8
Interest rate futures	307.7	1.4		294.1	2.9	0.3
		16.8	**15.6**		7.7	10.7
Other derivatives						
Equity options and index futures	3,024.0	54.4	320.6	1,495.3	31.1	287.6
Credit default swaps	122.8	4.3	3.3		2.2	
Total return swaps	126.3	43.2		139.0	44.5	
Commodity options and futures	62.4	5.1	0.3	26.6	1.9	
		107.0	**324.2**		79.7	287.6
Total derivative assets/liabilities held for trading		**352.7**	**608.2**		284.1	452.5
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	700.9	1.1	25.6	37.6	1.8	1.5
Total derivative assets/liabilities held for hedging		**1.1**	**25.6**		1.8	1.5
Total derivative assets/liabilities		**353.8**	**633.8**		285.9	454.0

24.2 Hedging activities

The hedging practices and accounting treatment are disclosed in note 2(d).

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2010 was negative CHF 24.5 million (2009: positive CHF 0.3 million).

25. FINANCIAL ASSETS AT FAIR VALUE - TRADING ASSETS

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public issuers:	Government	1.7	3.2
Issued by non public issuers:	Banks	87.6	15.8
Issued by non public issuers:	Other	535.4	291.5
Total		**624.7**	310.5

The movement in the account is as follows:

At 1 January	**310.5**	720.3
Additions	5,857.5	3,839.5
Disposals (sale and redemption)	(5,551.9)	(4,268.5)
Gains from changes in fair value	8.6	19.2
At 31 December	**624.7**	310.5

26. FINANCIAL ASSETS AT FAIR VALUE - DESIGNATED AT INCEPTION

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public issuers:	Government	52.8	63.3
Issued by non public issuers:	Banks	7.1	
Issued by non public issuers:	Others	4.0	13.9
Issued by other issuers:	US life insurance companies*	256.2	299.9
Issued by other issuers:	US life insurance companies	35.6	337.7
Other	MBAM revenue share	15.1	
Total		**370.8**	714.8

Equity securities:	Unlisted but quoted	9.8	12.4
Equity securities:	Unquoted - Recent arm's length transactions	0.1	
Debt securities:	Listed	53.6	63.3
Debt securities:	Unlisted	0.4	1.5
Life insurance policies securities:	Unquoted - Discounted cash flow analysis*	256.2	299.9
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	35.6	337.7
Other	Unquoted - Discounted cash flow analysis	15.1	
Total		**370.8**	714.8

The movement in the account is as follows:

At 1 January	**714.8**	533.4
Additions	32.8	531.5
Recognised on deconsolidation of MBAM (note 31)	496.8	
Net unrealised loss on decrease in value of MBAM financial asset	(482.6)	
Disposal of Life insurance policies	(323.5)	
Disposals (sale and redemption)	(30.8)	(366.8)
(Losses)/gains from changes in fair value	(21.1)	16.7
Exchange differences	(15.6)	
At 31 December	**370.8**	714.8

* See note 37.

27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public bodies:	Government	**1,561.0**	1,640.4
Issued by public bodies:	Other public sector	**65.9**	88.2
Issued by other issuers:	Banks	**1,978.9**	2,179.9
Issued by other issuers:	US life insurance companies	**47.6**	350.4
Issued by other issuers:	Other	**36.9**	40.2
		3,690.3	4,299.1

Debt securities:	Listed/Quoted	**2,521.0**	2,620.2
Debt securities:	Unlisted	**61.6**	101.7
Debt securities:	Unquoted - Discounted cash flow analysis	**1,023.8**	1,194.1
Equity securities:	Listed/Quoted	**4.7**	4.9
Equity securities:	Unquoted - Other valuation Models	**31.6**	27.8
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	**47.6**	350.4
Gross securities available-for-sale		**3,690.3**	4,299.1
Allowance for impairment		-	-
Total		**3,690.3**	4,299.1
*Pledged securities with central banks and clearing system companies or third party banks***		*1,875.5*	*573.8*

The movement in the account is as follows:

At 1 January	**4,299.1**	3,351.4
Exchange differences	(336.2)	7.4
Additions	3,778.5	6,704.3
Disposals (sale and redemption)	(3,664.3)	(5,761.6)
Transfer to held-to-maturity*	(323.5)	
Losses from changes in fair value	(48.9)	(19.5)
Accrued interest	(14.4)	17.1
At 31 December	**3,690.3**	4,299.1

** During the year, the Group transferred a portion of its investments in life insurance policies from available-for-sale to held-to-maturity. Transfers out of available-for-sale into held-to-maturity are permitted under IFRS, except in periods where the held-to-maturity category is tainted. The Group has never sold any held-to-maturity assets, and thus the tainting rules do not apply (see note 29). The carrying value at 31 December 2010 of life insurance policies transferred during the year from available-for-sale to held-to-maturity is CHF 301.0 million.*

*** The Group has pledged Financial Investments as collateral in an amount of CHF 1,582.9 million. This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.*

28. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE EQUITY RESERVE

Other comprehensive income - revaluation of the investment securities available-for-sale:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities, are recognised in a revaluation reserve for available-for-sale financial assets in Other comprehensive income (note 42).

The movement of the reserve, is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	(79.7)	(38.2)
Fair value losses on available-for-sale investment securities, before tax, net of non-controlling interests	(48.9)	(19.5)
Transfer to net profit of available-for-sale investment securities reserve, before tax	(16.1)	(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	1.9	3.2
At 31 December	**(142.8)**	(79.7)

29. INVESTMENT SECURITIES - HELD-TO-MATURITY

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public bodies:	Government	113.0	134.1
Issued by public bodies:	Other public sector	313.8	372.6
Issued by other issuers:	US Life insurance companies	602.1	3.8
Gross investment securities - Held-to-maturity		**1'028.9**	510.5
Impairment on financial assets held-to-maturity		(4.4)	-
Total		**1'024.5**	510.5

The movement in the account, is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	510.5	514.1
Exchange differences	(147.0)	(2.4)
Reclassification from available-for-sale*	323.5	
Additions**	323.5	
Redemptions	(0.5)	(0.2)
Impairment charge	(4.4)	
Accrued interest	18.9	(1.0)
At 31 December	**1,024.5**	510.5
Pledged securities with central banks and clearing system companies.	-	*44.5*

* *During the year, the Group transferred a portion of its investments in life insurance policies from available-for-sale to held-to-maturity (see note 27).*
** *During the year, the Group acquired a portfolio of life insurance policies which it intends to hold to maturity (see note 26).*

30. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2010:

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank AG, Zurich	Bank	Switzerland	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	EUR	26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD	27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF	25,000
EFG Bank (Luxembourg) SA, Luxembourg	Bank	Luxembourg	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	GBP	1,596
EFG Private Bank (Channel Islands) Ltd, Guernsey	Bank	Guernsey	GBP	5,000
EFG Bank AB, Stockholm	Bank	Sweden	SEK	100,000
EFG Banque Privée SA, Paris	Bank	France	EUR	10,000
PRS Investment Services (Cayman) Ltd, Georgetown	Investment Advisory & Fund Administration	Cayman Islands	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD	-
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD	276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD	500
EFG Wealth Management (India) Private Limited, Mumbai	Investment Advisory	India	INR	75,556
Asesores y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	EUR	92
On Finance SA, Lugano	Investment Advisory	Switzerland	CHF	1,000
EFG Offshore Ltd, Jersey	Trust Services	Jersey	GBP	9
EFG Platts Flello Ltd, Birmingham	Financial Planning	England & Wales	GBP	2
EFG Independent Financial Advisors Ltd (formerly Ashby London Financial Services Ltd), Wolverhampton	Financial Planning	England & Wales	GBP	200
SIF Swiss Investment Funds SA, Geneva	Funds Administration	Switzerland	CHF	2,500
C.M. Advisors Ltd, Hamilton	Fund of Hedge Funds, Investment Advisor, Investment Manager	Bermuda	USD	12
Quesada Kapitalförvaltning AB, Stockholm	Asset Management	Sweden	SEK	2,000
EFG Capital International Corp, Miami	Broker-dealer	USA	USD	12,200
EFG Finance (Bermuda) Ltd, Hamilton	Finance Company	Bermuda	USD	12
EFG Finance (Guernsey) Ltd, Guernsey	Finance Company	Guernsey	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	CHF	3
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	CHF	10,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	EUR	573,603
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	CHF	600
LFS Invest VII AB, Stockholm	Investment Company	Sweden	SEK	100

All the subsidiaries above are 100% held, with the exception of EFG Financial Products Holding AG (56.9%), EFG Wealth Management (India) Private Ltd (75%), Asesores y Gestores Financieros S.A. (72%) and LFS Invest VII AB (10.7% and control).

31. DISPOSAL OF SUBSIDIARY UNDERTAKING

Effective 1 May 2010, the Group disposed of the business of Marble Bar Asset Management (MBAM). MBAM is an investment manager specialising in long/short equity strategies, serving institutional clients as well as ultra-high-net-worth individuals. Considering the disposal of the business, the Group received CHF 13.9 million in cash and a share in the future revenues of the MBAM business. The share in the future revenues in MBAM was valued at that date of disposal at CHF 496.8 million and recognised as a financial asset at fair value.

Details of value of net assets and of goodwill/intangible assets at date deconsolidated:

	CHF millions
Comprising	
Intangible assets (note 32.2)	496.8
Tangible assets (note 33)	3.4
Cash and cash equivalents	15.0
Other net liabilities	(4.5)
Currency translation reserves since acquisition	23.5
	534.2
Consideration received (discharged by cash)	13.9
Consideration received (discharged by revenue share agreement)	496.8
Total proceeds on disposal	**510.7**
Currency loss realised on disposal of subsidiary	**23.5**

32. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2009				
Cost	32.4	553.8	1,305.2	1,891.4
Accumulated amortisation	(15.0)	(78.4)	(35.0)	(128.4)
Net book value	17.4	475.4	1,270.2	1,763.0
Year ended 31 December 2009				
Opening net book amount	17.4	475.4	1,270.2	1,763.0
Acquisitions and revaluation of earnout obligations	3.3		(194.5)	(191.2)
Amortisation charge for the year - Computer software and licences (note 12)	(6.6)			(6.6)
Amortisation charge for the year - Other intangible assets (note 12)		(65.7)		(65.7)
Exchange differences		(3.4)	(4.8)	(8.2)
Closing net book value	14.1	406.3	1,070.9	1,491.3
At 31 December 2009				
Cost	33.7	546.7	1,105.9	1,686.3
Accumulated amortisation and impairment	(19.6)	(140.4)	(35.0)	(195.0)
Net book value	14.1	406.3	1,070.9	1,491.3
Year ended 31 December 2010				
Opening net book amount	14.1	406.3	1,070.9	1,491.3
Acquisition of computer software and licences	8.7			8.7
Amortisation charge for the year - Computer software and licences (note 12)	(6.5)			(6.5)
Amortisation charge for the year - Other intangible assets (note 12)		(28.8)		(28.8)
Impairment charge for the year (note 32.1)		(12.0)	(366.8)	(378.8)
Disposal as part of MBAM restructuring (note 32.2)		(226.1)	(270.7)	(496.8)
Revaluation of earnout obligations (note 32.3)			7.3	7.3
Exchange differences	(0.3)	(7.9)	(9.4)	(17.6)
Closing net book value	**16.0**	**131.5**	**431.3**	**578.8**
At 31 December 2010				
Cost	40.8	296.5	805.9	1,143.2
Accumulated amortisation and impairment	(24.8)	(165.0)	(374.6)	(564.4)
Net book value	**16.0**	**131.5**	**431.3**	**578.8**

The Group has acquired several legal entities and/or businesses since its inception. These business combinations have generally been made in order to achieve one or several of the following objectives: acquiring "client relationships", acquiring specific know-how or products, or establishing a permanent establishment in a given location.
The accounting for these business combinations was dependent on the accounting standard in force at the time of the acquisition, as described below.

32.1 Impairment charge for the year

	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
C.M. Advisors Limited	(11.0)	(199.6)	(210.6)
Derivative Structured Asset Management	(1.0)	(167.2)	(168.2)
Total	**(12.0)**	**(366.8)**	**(378.8)**

In the period to June, the performance of the C.M. Advisors Limited ("CMA") and Derivative Structured Asset Management ("DSAM") businesses was below that forecasted at the end of 2009. CMA lost clients acquired through the acquisition and on-going profitability is significantly lower. Given the uncertainty of the future cash-flows, a full impairment has been made of the intangible assets and goodwill related to CMA. DSAM's performance relied on substantial revenues from structured products, which were below those generated in prior years. The goodwill value that results after an impairment of CHF 168.2 million is CHF 77.1 million, which represents the value of the private banking business component within DSAM.

32.2 Disposal as part of MBAM restructuring

	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Carrying value at the beginning of the year	224.4	259.0	483.4
Amortisation charge for the period to end April 2010	(8.5)		(8.5)
Value at date disposed of (note 31)	(226.1)	(270.7)	(496.8)
Exchange differences	10.2	11.7	21.9
Total	**-**	**-**	**-**

In April the Group sold the business of MBAM back to the management team, and from 1 May ceased to consolidate this business. This resulted in the derecognition of intangible assets and goodwill of CHF 496.8 million and the recognition of a financial asset. See notes 26 and 31.

32.3 Revaluation of earnout obligations

In the period, a net CHF 7.3 million adjustment was made to earnout obligations as a result of the annual reassessment of these liabilities. These liabilities are based on the levels of profit generated by subsidiaries post acquisition. These earnout adjustments all relate to acquisitions made prior to 2010, and therefore are accounted for as adjustments to goodwill.

32.4 Impairment tests

The Group's goodwill and intangible assets (together "Intangibles") acquired in business combinations are reviewed at least annually for impairment at 31 December by comparing the recoverable amount of each cash generating unit ("CGU") to which Intangibles have been allocated a carrying value.

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2010 balances of Intangibles allocated to all its cash generating units remain recoverable.

Where the carrying values have been compared to recoverable amounts using the "value in use" approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 5% to 7%. A period of 5 years is used for all cash flow projections.

Where the carrying values have been compared to "fair value less costs to sell", the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles based on comparable market transactions (3% to 5% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 12 and 14) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

The carrying amounts of goodwill and intangible assets allocated to each cash generating units are as follows:

			31 December 2010	
Cash generating unit	Recoverable amount based on	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
PRS Group	Value in use	32.2	49.3	81.5
Derivative Structured Asset Management	Fair value less costs to sell	7.9	69.2	77.1
Asesores y Gestores Financieros SA	Fair value less costs to sell	32.3	45.2	77.5
Banque Edouard Constant	Fair value less costs to sell		76.3	76.3
Harris Allday	Value in use	22.4	35.4	57.8
Bank von Ernst (Liechtenstein) AG	Value in use	4.3	32.2	36.5
Banque Monégasque de Gestion	Fair value less costs to sell	6.2	24.2	30.4
Other Cash Generating Units	Fair value less costs to sell	26.2	99.5	125.7
Total carrying values		**131.5**	**431.3**	**562.8**

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles and goodwill remained recoverable at 31 December 2010.

Earnings are estimated based on current and future business initiatives and forecast results derived there from.

The table below shows the sensitivity to permanent declines in assets under management, which would have an impact on forecasted future profits. For sensitivity purposes the impact of a 20% and a 50% decline in forecasted profit before tax are presented.

	Current assets under management CHF millions	Impairment impact of 20% decline in forecast profit before tax CHF millions	Impairment impact of 50% decline in forecast profit before tax CHF millions
PRS Group	2.3		36.1
Derivative Structured Asset Management	4.2		17.2
Asesores y Gestores Financieros SA	4.7		
Banque Edouard Constant	3.4		
Harris Allday	3.7		
Bank von Ernst (Liechtenstein) AG	1.2	4.5	21.8
Banque Monégasque de Gestion	0.6		3.1

33. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2009					
Cost	3.8	38.9	19.2	34.4	96.3
Accumulated depreciation	(0.4)	(12.4)	(8.5)	(17.9)	(39.2)
Net book value	3.4	26.5	10.7	16.5	57.1
Year ended December 2009					
Opening net book amount	3.4	26.5	10.7	16.5	57.1
Additions	0.3	6.3	3.7	4.1	14.4
Depreciation charge for the year	(0.1)	(5.0)	(3.1)	(7.4)	(15.6)
Disposal and write-offs		(0.1)	(0.3)		(0.4)
Exchange differences	0.3		0.1	0.1	0.5
Closing net book value	3.9	27.7	11.1	13.3	56.0
At 31 December 2009					
Cost	4.4	43.5	21.8	35.2	104.9
Accumulated depreciation	(0.5)	(15.8)	(10.7)	(21.9)	(48.9)
Net book value	3.9	27.7	11.1	13.3	56.0
Year ended December 2010					
Opening net book amount	3.9	27.7	11.1	13.3	56.0
Additions		3.5	3.0	7.2	13.7
Depreciation charge for the year		(5.0)	(3.1)	(7.3)	(15.4)
Disposal of subsidiary (note 31)		(2.6)	(0.4)	(0.4)	(3.4)
Disposal and write-offs		(0.1)	(0.2)	(0.1)	(0.4)
Exchange differences	(0.6)	(1.3)	(0.7)	(0.4)	(3.0)
Closing net book value	**3.3**	**22.2**	**9.7**	**12.3**	**47.5**
At 31 December 2010					
Cost	3.8	40.2	21.4	39.1	104.5
Accumulated depreciation	(0.5)	(18.0)	(11.7)	(26.8)	(57.0)
Net book value	**3.3**	**22.2**	**9.7**	**12.3**	**47.5**

34. OTHER ASSETS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Prepaid expenses and accrued income	72.0	63.0
Settlement balances	72.4	31.9
Current income tax assets	24.3	1.6
Other assets	45.4	79.7
Other assets	**214.1**	176.2

35. DUE TO OTHER BANKS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Due to other banks at sight	175.9	285.5
Due to other banks at term	161.9	161.6
Due to other banks	**337.8**	447.1

36. DUE TO CUSTOMERS

Non interest bearing	7,476.6	6,713.2
Interest bearing	7,427.8	9,014.7
Due to customers	**14,904.4**	15,727.9

37. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Synthetic life insurance		270.6	313.7
Equities (short positions)		197.5	78.4
Liabilities to purchase non-controlling interests		18.6	22.0
		486.7	414.1
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	270.6	313.7
Equity securities:	Unquoted - Recent arm's length transactions	36.8	48.1
Equity securities:	Listed/Quoted	160.7	30.3
Equity securities:	Discounted cash flow analysis	18.6	22.0
Total		**486.7**	414.1

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is economically hedged by a portfolio of life insurance policies classified as financial asset - life insurance policies securities at fair value of CHF 256.2 million (2009: CHF 299.9 million, see note 26).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. The liability was initially recognised in 2008 by reclassification from Group equity. As of 31 December 2010, the financial liability was valued at CHF 18.6 million (2009: CHF 22.0 million).

38. OTHER FINANCIAL LIABILITIES

	31 December 2010 CHF millions	31 December 2009 CHF millions
Structured products issued	2,863.0	1,002.0
	2,863.0	1,002.0

39. OTHER LIABILITIES

Deferred income and accrued expenses	153.4	149.1
Settlement balances	58.9	35.7
Contingent acquisition obligations	32.4	41.1
Short term compensated absences	8.2	7.8
Other liabilities	47.0	72.3
Total other liabilities	**299.9**	306.0

Legal proceedings

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

The Group is engaged in litigation proceedings in Switzerland linked to fraudulently approved contracts where claims have been brought for a net exposure of approximately EUR 26 million. The Group is defending the cases vigorously and it is not practicable to estimate the Group's possible loss in relation to these matters, if any.

A class action lawsuit is pending in the United States District Court for the Southern District of New York against a subsidiary of the Group, claiming that the Group failed to exercise appropriate due diligence in relation to the purchase of the Fairfield Sentry fund by clients. The lawsuit alleges damages of USD 130 million. The Group is vigorously defending the case and believes it has strong defences.

Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigman Ltd. in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 160 million. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

The Group does not expect the ultimate resolution of any of the proceedings to which the Group is party to have a significantly adverse effect on its financial position.

40. RETIREMENT BENEFIT OBLIGATIONS

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland ("the Switzerland plan") and Channel Islands ("the Channel Islands plan"). The Switzerland plan is not technically a defined benefit plan, however due to a minimum guaranteed return in Swiss pension legislation, this fund is classified under IFRS as a defined benefit plan though the Group has no obligation relative to this fund other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 3.9 million, the fair value of plan assets is CHF 4 million and the unfunded liability decreased by CHF 0.5 million in the current year.

The Group applies the corridor approach, whereby actuarial gains and losses are recognised over the remaining working lives of the employees as income or expense, if the net cumulative actuarial gains and losses exceed the greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets.

The Switzerland plan - defined benefit

The movement in the present value of the funded obligation, is as follows:

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 1 January	182.4	189.0
Service cost	8.4	8.8
Employee's contributions	6.9	6.5
Benefit payments	(13.6)	(17.1)
Interest cost	5.3	5.1
Pension transfers	(3.7)	(4.3)
Actuarial (gain)/loss for the year	(1.1)	(5.6)
At 31 December	**184.6**	182.4

The movement in the fair value of the plan assets, is as follows:

At 1 January	163.1	167.3
Employee's contributions	6.9	6.5
Employer's contributions	14.0	12.2
Benefit payments	(13.6)	(17.1)
Expected return on plan assets	6.6	6.8
Actuarial loss for the year	(7.9)	(8.3)
Pension transfers	(3.7)	(4.3)
At 31 December	**165.4**	163.1

40. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 31 December		
Present value of funded obligation	184.6	182.4
Fair value of plan assets	(165.4)	(163.1)
Deficit	19.2	19.3
Unrecognised actuarial loss	(23.6)	(23.7)
Pension prepaid	(4.4)	(4.4)
Unrecognised asset at year end		
Net asset recognised in balance sheet	**(4.4)**	(4.4)
Experience adjustments on plan liabilities	(1.1)	(3.6)
Experience adjustments on plan assets	(7.9)	(8.3)

None of the plan assets have been pledged as collateral (2009: Nil).

The movement in the net asset recognised in the balance sheet, is as follows:

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 1 January	(4.4)	-
Net periodic pension cost	7.6	7.8
Supplemental cost under IAS 19	6.4	
Employer's contributions	(14.0)	(12.2)
Pension prepaid	**(4.4)**	(4.4)
At 31 December	**(4.4)**	(4.4)

The movement in unrecognised actuarial loss, is as follows:

At 1 January	23.7	26.5
Actuarial gain for the year arising on defined benefit obligation	(1.1)	(5.6)
Actuarial loss arising on the plan assets	7.9	8.3
Effect from asset ceiling	(6.4)	(4.8)
Loss recognised in year	(0.5)	(0.7)
At 31 December	**23.6**	23.7

The movement recognised in the Statement of comprehensive income, is as follows:

Service cost	8.4	8.8
Interest cost	5.3	5.1
Expected return on plan assets	(6.6)	(6.8)
Amortisation of the corridor's variance	0.5	0.7
Total net periodic pension cost (note 13)	**7.6**	7.8

The asset allocation, is as follows:

	At 31 December 2010 %	At 31 December 2009 %
Debt instruments	**58.5**	74.4
Equity instruments	**22.4**	4.1
Cash	**18.6**	21.2
Real estate	**0.0**	0.0
Other	**0.5**	0.3
	100.0	100.0

The actual return on plan assets was CHF (1.3) million in 2010 (2009: CHF (1.5) million).

	31 December 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions	31 December 2007 CHF millions	31 December 2006 CHF millions
Present value of Defined benefit obligation	184.6	182.4	189.0	163.0	149.9
Fair value of plan assets	165.4	163.1	167.3	165.4	144.3
Funded status: (Underfunding)/Surplus	(19.2)	(19.3)	(21.7)	2.4	(5.6)
Experience adjustments on plan assets	(7.9)	(8.3)	(21.6)	2.1	(1.4)
Experience adjustments on plan liabilities	(1.1)	(3.6)	(4.6)	2.6	5.0

The principal annual actuarial assumptions used, were as follows:

	31 December 2010 %	31 December 2009 %
Discount rate (p.a)	**3.00**	3.00
Expected return on plan assets (p.a)	**4.00**	4.00
Future salary increases (p.a)	**1.00**	1.00
Future pension increases (p.a)	**0.00**	0.00
Turnover (average) (p.a.)	**10.00**	9.20
	Age	Age
Retirement age (Male/Female)	**65/64**	65/64

The assumptions regarding expected mortality rates are set based on advice, published statistics and experience. The average life expectancy at 31 December 2010 (based on the average age of 68.9) for current male pensioners is 15.1 years and for current female pensioners (based on the average age of 67.6) is 18.8 years (based on the LPP 2005 tables).

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and real estate investments reflect long-term real rates of return experienced in the respective markets.

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2011 are CHF 13.7 million.

41. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

The following is an analysis of the movement of share capital and share premium. The par value of EFG International's registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation "B" (Preference shares) is CHF 15. All of the EFG International shares and Bons de Participation "B" are fully paid.

41.1 Share Capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2009	73.3	6.0	(1.9)	(0.1)	77.3
Ordinary shares sold			0.5		0.5
Ordinary shares repurchased			(4.7)		(4.7)
Bons de Participation sold				0.1	0.1
At 31 December 2009	73.3	6.0	(6.1)	-	73.2
Ordinary shares repurchased			(0.1)		(0.1)
At 31 December 2010	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

41.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2009	1,330.6	2.0	(120.0)	(7.3)	1,205.3
Bons de Participation sold				2.7	2.7
Loss on disposal of Bons de Participation transferred to Other reserves				4.6	4.6
Ordinary shares sold			14.7		14.7
Ordinary shares repurchased			(69.9)		(69.9)
At 31 December 2009	1,330.6	2.0	(175.2)	-	1,157.4
Ordinary shares sold			0.4		0.4
Ordinary shares repurchased			(4.0)		(4.0)
At 31 December 2010	**1,330.6**	**2.0**	**(178.8)**	**-**	**1,153.8**

* *Each Bons de Participation B represents the part of the Fiduciary Certificate issued by EFG International AG and are also linked to an interest in the Class B share issued by EFG Finance (Guernsey) Ltd.*

41.3 Number of shares

The following is an analysis of the movement in the number of shares issued by the Group:

	Ordinary shares with voting right	Bons de Participation without voting right*	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation B*	Net
Nominal	CHF 0.50	CHF 15.--	CHF 0.50	CHF 15.--	
At 1 January 2009	146,670,000	400,000	(3,874,827)	(4,965)	
Ordinary shares sold			1,072,167		
Ordinary shares repurchased			(9,480,434)		
Bons de Participation sold				4,965	
At 31 December 2009	146,670,000	400,000	(12,283,094)	-	
Ordinary shares sold			26,539		
Ordinary shares repurchased			(155,656)		
At 31 December 2010	**146,670,000**	**400,000**	**(12,412,211)**	**-**	
Net share capital (CHF millions)	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

All transactions in EFG International AG shares are traded at market prices.
The total number of shares sold during 2010 is 26,539 at an average price per share of CHF 16.15. The total number of treasury shares acquired during 2010 is 155,656 and the average purchase price of these shares in the period was CHF 26.33 per share, pursuant to a contractual obligation entered into in 2008 whereby if certain conditions arose, the Group was obliged to acquire the shares at this price.

Conditional share capital

The share capital may be increased by a maximum of CHF 2,282,500 by issuing 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 28 April 2012, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

42. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2009	(38.2)	31.0	167.3	160.1
Non-controlling interests put option*			12.6	12.6
Other Reserves adjustments			(1.4)	(1.4)
Employee stock option plan		25.0		25.0
Fair value losses on available-for-sale investment securities, before tax	(19.5)			(19.5)
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(25.2)			(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	3.2			3.2
Transfer to Other reserves on disposal of Bons de Participation			(4.6)	(4.6)
Currency translation adjustments			9.9	9.9
At 31 December 2009	(79.7)	56.0	183.8	160.1
Balance at 1 January 2010	**(79.7)**	**56.0**	**183.8**	**160.1**
Employee stock option plan		26.6		26.6
Fair value losses on available-for-sale investment securities, before tax	(48.9)			(48.9)
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(16.1)			(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	1.9			1.9
Currency translation adjustments			(81.0)	(81.0)
At 31 December 2010	**(142.8)**	**82.6**	**102.8**	**42.6**

* *Non-controlling interests put option represents the put options held by the non-controlling shareholders of Asesores y Gestores Financieros SA which give rise to a financial liability that corresponds to the estimated discounted repurchase amount, which is deducted from shareholders' equity when the put options were created/restructured in prior years. As of 31 December 2010, the financial liability was valued at CHF 18.6 million (2009: CHF 22.0 million) with the change in value due to exchange rates.*

43. OFF-BALANCE SHEET ITEMS - CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Guarantees issued in favour of third parties	**315.9**	288.3
Irrevocable commitments	**154.7**	232.7
Operating lease commitments	**152.5**	156.7
Total	**623.1**	677.7

The following table summarises the Group's off-balance sheet items by maturity:

	Not later than 1 year CHF millions	1-5 year CHF millions	Over 5 year CHF millions	Total CHF millions
31 December 2010				
Guarantees issued in favour of third parties	**163.1**	**88.6**	**64.2**	**315.9**
Irrevocable commitments	**70.2**	**84.3**	**0.2**	**154.7**
Operating lease commitments	**31.9**	**84.3**	**36.3**	**152.5**
Total	**265.2**	**257.2**	**100.7**	**623.1**
31 December 2009				
Guarantees issued in favour of third parties	181.4	50.2	56.7	288.3
Irrevocable commitments	131.3	93.6	7.8	232.7
Operating lease commitments	30.4	88.2	38.1	156.7
Total	343.1	232.0	102.6	677.7

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases is disclosed in the table above.

44. FIDUCIARY TRANSACTIONS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Fiduciary transactions with third party banks	**2,633.0**	2,875.3
Deposits with affiliated banks of the Group	**7.1**	936.5
Loans and other fiduciary transactions	**6.3**	8.7
Total	**2,646.4**	3,820.5

45. SEGMENTAL REPORTING

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, and Asset Management.

The Private Banking and Wealth Management business is managed on a regional basis and is thus split into Switzerland, Asia, America's, United Kingdom and Rest of Europe. The Asian region includes Hong Kong, Singapore, Taiwan and India. The America's region includes United States of America, Canada, Bahamas and Cayman. In 2010, the PRS business has been incorporated into the "Rest of Europe" division to align with the revised management structure implemented in the

	Private Banking and Wealth management			
	Switzerland CHF millions	Rest of Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2010				
Segment revenue from external customers	234.5	145.6	71.6	118.0
Other revenues/losses				
Segment expenses	(143.4)	(135.6)	(69.1)	(92.1)
Tangible assets and software depreciation	(8.2)	(3.5)	(1.5)	(1.7)
Cost to acquire intangible assets and impairment of intangible assets	(6.7)	(177.8)	(1.0)	(2.0)
Reversal of impairment/(impairment) on loans and advances to customers	4.0	0.2		(0.6)
Impairment on financial assets held-to-maturity	(4.4)			
Segment profit before tax	75.8	(171.1)		21.6
Income tax (expense)/gain	5.2	8.8	(0.9)	4.0
Net profit/(loss) for the period	81.0	(162.3)	(0.9)	25.6
Net loss/(profit) attributable to non-controlling interests	1.3	0.9		
Net profit attributable to owners of the Group	**82.3**	**(161.4)**	**(0.9)**	**25.6**
Segment assets	12,727.5	2,826.8	1,291.0	4,663.8
Segment liabilities	12,476.3	2,466.3	1,661.6	4,256.8
Assets under management	18,626	19,865	12,762	10,983
Employees	564	420	243	484
At 31 December 2009				
Segment revenue from external customers	283.8	139.6	57.0	131.0
Segment expenses	(156.0)	(133.6)	(56.2)	(88.1)
Tangible assets and software depreciation	(8.8)	(3.6)	(1.5)	(1.6)
Cost to acquire intangible assets	(2.4)	(10.2)	(1.0)	(4.8)
Impairment charges	(4.5)	(0.1)		1.3
Segment profit before tax	112.1	(7.9)	(1.7)	37.8
Income tax (expense)/gain	(7.6)	3.5	2.6	(7.6)
Net profit for the period	104.5	(4.4)	0.9	30.2
Net loss/(profit) attributable to non-controlling interests	(1.1)	0.9		
Net profit attributable to owners of the Group	103.4	(3.5)	0.9	30.2
Segment assets	15,252.0	3,105.9	614.5	5,046.8
Segment liabilities	14,478.1	2,746.4	584.5	4,742.2
Assets under management	22,393	18,328	13,154	12,504
Employees	542	413	242	487

year. The comparatives for 31 December 2009 have been restated to reflect this change in PRS. The Rest of Europe includes private banking operations in France, Gibraltar, Luxembourg, Monaco, Spain, Sweden, Derivatives Structured Asset Management and the PRS business.

The Asset Management segment includes Marble Bar Asset Management, C. M. Advisors, EFG Asset Management and EFG Financial Products. These are reported as a single segment as they are considered to have similar economic characteristics and provide similar products and services (though provide these products and services to different markets and customer groups).

The basis for expense allocation between segments follows the arm's length principle.

		Asset Management	Corporate Overheads	Eliminations*	Total
Asia CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
100.0	669.7	143.3	11.3	(16.2)	808.1
		(482.6)			(482.6)
(78.9)	(519.1)	(127.0)	(44.2)		(690.3)
(2.1)	(17.0)	(4.4)	(0.5)		(21.9)
(0.5)	(188)	(219.5)	(0.1)		(407.6)
0.7	4.3				4.3
	(4.4)				(4.4)
19.2	(54.5)	(690.2)	(33.5)	(16.2)	(794.4)
(3.9)	13.2	3.7	8.8		25.7
15.3	(41.3)	(686.5)	(24.7)	(16.2)	(768.7)
0.2	2.4	44.5			46.9
15.5	**(38.9)**	**(642.0)**	**(24.7)**	**(16.2)**	**(721.8)**
6,913.3	28,422.4	3,470.2	1,182.9	(12,182.3)	20,893.2
6,884.7	27,745.7	3,399.1	632.0	(12,182.3)	19,594.5
14,158	76,394	9,531	1,178	(1,142)	85,961
457	2,168	274	20		2,462
85.8	697.2	167.0	11.9	(17.0)	859.1
(66.9)	(500.8)	(112.0)	(43.4)		(656.2)
(1.8)	(17.3)	(4.4)	(0.5)		(22.2)
(0.5)	(18.9)	(46.8)			(65.7)
(2.1)	(5.4)				(5.4)
14.5	154.8	3.8	(32.0)	(17.0)	109.6
(3.0)	(12.1)	8.6	(1.9)		(5.4)
11.5	142.7	12.4	(33.9)	(17.0)	104.2
0.3	0.1	(3.2)			(3.1)
11.8	142.8	9.2	(33.9)	(17.0)	101.1
5,742.1	29,761.3	2,522.9	1,308.1	(12,942.3)	20,650.0
5,718.5	28,269.7	2,148.1	936.2	(12,942.3)	18,411.7
11,379	77,758	9,947	1,445	(1,470)	87,680
404	2,088	281	25		2,394

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

46. ANALYSIS OF SWISS AND FOREIGN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2010			
Assets			
Cash and balances with central banks	527.8	184.0	711.8
Treasury bills and other eligible bills	619.7	1,418.1	2,037.8
Due from other banks	5,190.8	(2,963.7)	2,227.1
Loans and advances to customers	2,634.5	6,323.3	8,957.8
Derivative financial instruments	285.5	68.3	353.8
Financial assets at fair value:			
Trading Assets	624.7		624.7
Designated at inception	61.2	309.6	370.8
Investment securities:			
Available-for-sale	299.6	3,390.7	3,690.3
Held-to-maturity	50.2	974.3	1,024.5
Intangible assets	154.2	424.6	578.8
Property, plant and equipment	19.8	27.7	47.5
Deferred income tax assets	20.2	34.0	54.2
Other assets	94.0	120.1	214.1
Total assets	**10,582.2**	**10,311.0**	**20,893.2**
Liabilities			
Due to other banks	3,051.1	(2,713.3)	337.8
Due to customers	4,306.3	10,598.1	14,904.4
Derivative financial instruments	559.7	74.1	633.8
Financial liabilities designated at fair value	197.5	289.2	486.7
Other financial liabilities	2,372.8	490.2	2,863.0
Current income tax liabilities	5.3	5.5	10.8
Deferred income tax liabilities	33.8	24.3	58.1
Other liabilities	164.2	135.7	299.9
Total liabilities	**10,690.7**	**8,903.8**	**19,594.5**
Equity			
Share capital	73.1		73.1
Share premium	1,153.8		1,153.8
Other reserves	82.5	(39.9)	42.6
Retained earnings	258.1	(251.7)	6.4
Total shareholders' equity	**1,567.5**	**(291.6)**	**1,275.9**
Non-controlling interests	11.6	11.2	22.8
Total shareholders' equity	**1,579.1**	**(280.4)**	**1,298.7**
Total equity and liabilities	**12,269.8**	**8,623.4**	**20,893.2**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2009			
Assets			
Cash and balances with central banks	217.9	47.5	265.4
Treasury bills and other eligible bills	212.1	558.7	770.8
Due from other banks	3,921.9	(402.3)	3,519.6
Loans and advances to customers	2,677.8	5,539.7	8,217.5
Derivative financial instruments	163.9	122.0	285.9
Financial assets at fair value:			
Trading assets	310.5		310.5
Designated at inception	61.2	653.6	714.8
Investment securities:			
Available-for-sale	131.3	4,167.8	4,299.1
Held-to-maturity	59.6	450.9	510.5
Intangible assets	154.7	1,336.6	1,491.3
Property, plant and equipment	20.3	35.7	56.0
Deferred income tax assets	7.7	24.7	32.4
Other assets	52.6	123.6	176.2
Total assets	7,991.5	12,658.5	20,650.0
Liabilities			
Due to other banks	3,157.8	(2,710.7)	447.1
Due to customers	4,597.6	11,130.3	15,727.9
Derivative financial instruments	411.7	42.3	454.0
Financial liabilities designated at fair value	78.3	335.8	414.1
Other financial liabilities	1,002.0		1,002.0
Current income tax liabilities	0.8	8.3	9.1
Deferred income tax liabilities	23.1	28.4	51.5
Other liabilities	127.4	178.6	306.0
Total liabilities	9,398.7	9,013.0	18,411.7
Equity			
Share capital	73.2		73.2
Share premium	1,157.4		1,157.4
Other reserves	200.0	(39.9)	160.1
Retained earnings	282.0	480.0	762.0
Total shareholders' equity	1,712.6	440.1	2,152.7
Non-controlling interests	7.4	78.2	85.6
Total shareholders' equity	1,720.0	518.3	2,238.3
Total equity and liabilities	11,118.7	9,531.3	20,650.0

47. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

47.1 Basic

		31 December 2010 CHF millions	31 December 2009 CHF millions
Net (loss)/profit for the period		(721.8)	101.1
Estimated, pro-forma accrued dividend on Bons de Participation		(19.4)	(24.5)
Net (loss)/profit for the period attributable to ordinary shareholders		**(741.2)**	76.6
Weighted average number of ordinary shares	('000s of shares)	134,277	135,411
Basic earnings per ordinary share		(5.52)	0.57

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 12,393,411 (2009: 11,259,212). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1 January 2010 until 30 April 2010 of 3.795%, 3.5% from 1 May 2010 until 30 October 2010 and a rate of 3.035% thereafter.

47.2 Diluted

	31 December 2010 CHF millions	31 December 2009 CHF millions
Net (loss)/profit for the period	(721.8)	101.1
Estimated, pro-forma accrued dividend on Bons de Participation	(19.4)	(24.5)
Net (loss)/profit for the period attributable to ordinary shareholders	**(741.2)**	76.6
Diluted-weighted average number of ordinary shares	134,277	139,431
Diluted earnings per ordinary share	(5.52)	0.55

Pursuant to its employee equity incentive plan, EFG International issued in 2010 restricted stock units and options to purchase 874,791 (2009: 4,555,853) shares of EFG International which would increase the diluted-weighted average number of ordinary shares of EFG International by 5,426,041 (2009: 4,020,325) shares to 139,702,630 (2009: 139,431,113) 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. However, where an entity has incurred a loss from continuing operations, options that are in the money would only be dilutive if they increased the loss per share from continuing operations, that is, made the loss per share more negative but as the effect of bringing in more shares will be to increase the denominator and therefore reduce the loss per share, in the money options will be anti-dilutive and so are not included in the diluted EPS presented at year-end 2010 as required by IAS 33.41. For information regarding the Employee Equity Incentive Plans, see note 50.

48. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 27 April 2011. A dividend in respect of 2010 of CHF 0.10 (2009: CHF 0.10) per share amounting to approximately CHF 13.4 million (2009: CHF 13.4 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2010 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2011.

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
Dividends on ordinary shares		
CHF 0.10 per share related to 2009 paid in 2010	13.4	
CHF 0.25 per share related to 2008 paid in 2009		33.3
	13.4	33.3
Dividends on Bons de Participation		
For the period 1 November 2008 to 30 April 2009 at 4.716%		14.2
For the period 1 May 2009 to 30 October 2009 at 3.697%		11.2
For the period 1 November 2009 to 30 April 2010 at 3.795%	10.8	
For the period 1 May 2010 to 30 October 2010 at 3.5%	9.6	
	20.4	25.4

49. RELATED PARTY TRANSACTIONS

49.1 Transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2010		
Assets		
Due from other banks	67.7	
Derivatives	2.1	
Loans and advances to customers		11.3
Investment securities	2.8	
Other assets	1.9	
Liabilities		
Due to other banks	30.3	
Due to customers	0.2	29.0
Other liabilities	0.1	
Year ended 31 December 2010		
Interest income	2.2	0.1
Interest expense	(1.2)	(0.1)
Commission income	1.1	0.4
Commission expense	(0.1)	(0.1)
Net other income	2.1	
Other operating expenses	0.2	

49.1 Transactions (continued)

31 December 2009	EFG Group CHF millions	Key management personnel CHF millions
Assets		
Due from other banks	81.4	
Derivatives	0.5	
Loans and advances to customers		16.9
Investment securities	4.1	
Other assets	2.9	
Liabilities		
Due to other banks	39.9	
Due to customers	0.2	63.7

Year ended 31 December 2009		
Interest income	8.8	0.5
Interest expense		(0.5)
Commission income	1.3	0.4
Commission expense	(0.9)	
Net other income	2.0	
Other operating expenses	(1.9)	

A number of banking transactions are entered into with related parties. These include loan, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits by the Group with EFG Eurobank Ergasias of CHF 65.6 million (2009: CHF 74.4 million), which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis. Due to other banks reflects mainly callable deposits made by EFG European Financial Group SA with Group companies on which interest rates of 0.1% are being paid.

Key management personnel includes directors and key management of the company and its parent, and closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2009: Nil).

49.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2010 comprised of cash compensation of CHF 8,460,857 (2009: 7,323,296), pension contributions of CHF 345,984 (2009: 282,110) and restricted stock units valued at approximately CHF 150,000 (2009: 4,250,000). Other compensation of CHF 3,807,006 (2009: 2,855,764) includes a provision for payments under a long term incentive plan of CHF 2,112,279 which became payable in October 2010 (2009: CHF 1,800,000) and an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years (2009: CHF 814,286).

The compensation of the members of the Board of Directors relating to the year 2010 comprised of cash compensation of CHF 1,207,514 (2009: CHF 926,667).

For additional details required under Swiss Law (SCO 663) see note 19 of the parent company financial statements on page 167.

50. EMPLOYEE EQUITY INCENTIVE PLANS

The EFG International Employee Equity Incentive Plan (the "Plan") has different classes of options and restricted stock units, which have a vesting period of three years and different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date. No options were exercised during the year.

The expense recorded in the Statement of comprehensive income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of comprehensive income for the period ended 31 December 2010 was CHF 26.6 million (2009: CHF 25.0 million).

The Plan has been developed internally by the company without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2010 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Outstanding
2006	In-the-money	25.33	754,746			754,746
2007	In-the-money	32.83	954,255			954,255
2007	At-the-money	49.25	1,229,953			1,229,953
2008	In-the-money	24.00	506,684			506,684
2008	At-the-money	35.95	762,277		2,289	759,988
2008	Restricted stock units with 5 year lock-up	0	774,401		601	773,800
2009	In-the-money	5.00	1,199,069			1,199,069
2009	Restricted stock units with 3 year lock-up	0	2,170,640		10,479	2,160,161
2009	Restricted stock units with 5 year lock-up	0	1,120,533			1,120,533
2010	**In-the-money**	**12.19**		**91,036**		**91,036**
2010	**Restricted stock units with 3 year lock-up**	**0**		**718,407**	**4,668**	**713,739**
2010	**Restricted stock units with 5 year lock-up**	**0**		**68,540**		**68,540**
			9,472,558	**877,983**	**18,037**	**10,332,504**

50.1 2010 incentive plan

EFG International granted 877,983 options and restricted stock units in 2010. There are three classes, with options having an exercise price of CHF 12.19 ("In-the-money Options") and restricted stock units with 3 year lock-up ("Restricted stock units with 3 year lock-up") and with 5 year lock-up ("Restricted stock units with 5 year lock-up") respectively. All three classes have a vesting period of three years. The deemed value of each In-the-money Options was estimated to be CHF 7.64, each Restricted stock unit with 3 year lock-up at CHF 17.40 and each Restricted stock unit with 5 year lock-up at CHF 16.36. The values of the options were determined using a modified version of the Black Scholes Merton formula which takes into account expected dividend yield during the period between the end of the vesting period and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 18.50), expected volatility (40%), dividend yield (3%), the expected life of the options (72 months) and the risk free rate (1.65%). Expected volatility was calculated using estimates of the expected volatility over the expected life of the options after taking account of third party quotes, historic volatility and volatility of other private banks listed in Switzerland.

The expected life of the options has been assumed to be the mid-point of the exercise period. The risk free rate is the yield on Swiss treasury notes with an outstanding maturity of 72 months as of the grant date. Dividend yield has been calculated according to management's estimates of the long term dividend payments.

50.2 2011 incentive plan

EFG International will grant restricted stock units in March 2011 at prices to be determined based on the relevant valuation inputs on the date of issue.

51. INFORMATION RELATING TO THE EFG FIDUCIARY CERTIFICATES IN CIRCULATION

In connection with the EUR 400,000,000 EFG Fiduciary Certificates, which were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates, Banque de Luxembourg acquired 400,000 Class B Bons de Participation issued by EFG International and 400,000 Class B Shares issued by EFG Finance (Guernsey) Limited. The proceeds of issue of the Class B Shares issued by EFG Finance (Guernsey) Limited were invested by EFG Finance (Guernsey) Limited in income generating assets. The sole eligibility criterion for investing the proceeds of issue of the Class B Shares is that the investments have an investment grade credit rating of at least BBB- from Standard & Poor's, or an equivalent credit rating from Moody's or Fitch.

52. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2010 CHF millions	31 December 2009 CHF millions
Character of client assets		
Equities	22,943	22,893
Deposits	17,009	17,949
Bonds	14,722	14,780
Structured notes	7,846	7,707
Loans	9,290	8,183
EFG funds	7,069	8,745
Fiduciary deposits	2,695	3,820
EFG International shares	1,178	1,446
Other	3,209	2,157
Total Assets under Management	**85,961**	87,680
Total Assets under Administration	**6,834**	9,424
Total	**92,795**	97,104

Assets under Administration are trust assets administered by the Group.

	31 December 2010 CHF millions	31 December 2009 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,457	1,689
Assets with discretionary management agreements	17,037	21,044
Other assets under management	57,177	56,764
Total Assets under Management (including double counts)	**76,671**	79,497
Thereof double counts	*3,863*	*1,511*
Loans	9,290	8,183
Total Assets under Administration	6,834	9,424
Total	**92,795**	97,104
Net new asset inflows (including double counts)	9,676	6,305

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 assets under management.

Net new money consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts, and related interest expenses result in net new money. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new money. Effects resulting from any acquisition or disposal of Group companies are not included in net new money.

53. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

54. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*, Chairman
Emmanuel L. Bussetil
Erwin Richard Caduff*
Spiro J. Latsis
Hugh Napier Matthews*
Hans Niederer*
Pericles Petalas

* independent directors.

55. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to shareholders' equity (see consolidated statement of comprehensive income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in shareholders' equity is included in net profit or loss for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported in shareholders' equity, is included in the statement of income for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value. Reductions, as well as gains or losses on disposals, are included in gains and losses from other securities.

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as fair-value-through-profit-and-loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Under Swiss law, the fair value option is not available. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive requirements are met.

Under Swiss law, the majority of the Group's derivative instruments qualify for hedge accounting and are recorded on balance sheet at their fair values (gross positive and negative replacement values). Changes in fair values are accounted for in accordance with the accounting treatment of the item being hedged. Replacement values are reported on a net basis, provided the netting agreements are legally enforceable.

(d) Goodwill and Intangible Assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalised in the balance sheet.

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangibles assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Statement of comprehensive income.

(e) Extraordinary income and expense

Under IFRS, items of income and expense can only be classified as extraordinary if they are clearly distinct from the ordinary activities and their occurrence is expected to be rare.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (e.g. realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less cost to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

AUDITOR'S REPORT

Report of the statutory auditor
to the general meeting of
EFG International AG
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 76 to 157), for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

AUDITOR’S REPORT

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Alex Astolfi
Audit expert
Auditor in charge

Christophe Kratzer

Geneva, 8 March 2011

Appendix 4: Extract of Annual Report of EFG International AG for the Financial Year 2011

RISK MANAGEMENT

The management of EFG International believes that the proper assessment and control of risks are critical for the firm's continued success. In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, EFG International has established a comprehensive risk supervision framework. As part of this risk supervision framework, EFG International is responsible for creating and maintaining its own policies and procedures to ensure that various categories of risk, such as credit, country, market, liquidity, operational, legal and reputational, can be identified throughout EFG International and controlled by management in an effective and consistent manner.

EFG International's primary activities performed through its business units reflect the execution of client related activities, with the customers carrying the risk. Within the risk appetite framework agreed and approved by the Board of Directors and related Risk Committee's, the bank also maintains "nostro" positions in a number of selected areas. Consequently, the company takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients as well as exposures to banks and financial institutions. EFG International is exposed to limited market risk (price and liquidity), which is mainly restricted to foreign exchange, interest rate gapping and life insurance positions maintained within defined parameters. EFG International is also exposed to operational and reputational risks. Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which sets policies and risk appetite. The Board of Directors has delegated certain review and approval functions to its Risk Committee.

Implementation of policies and compliance with procedures is the responsibility of the EFG International Executive Committee, the EFG International Management Risk Committee and the EFG International Executive Credit Committee, assisted by both internal and external auditors.

RISK MANAGEMENT ORGANISATION

The EFG International Board of Directors determines the overall risk appetite for EFG International.

The Board has delegated responsibilities for Risk Management as follows:

– The Risk Committee has responsibility for determining direction of risk profile and the organisation of risk supervision.

– The Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations which also include operational, legal and reputation risks.

– The Executive Committee has assigned responsibility for the implementation of its market risk policies to the Management Risk Committee. This Committee monitors market, country and liquidity risks, including compliance with policies and procedures, as well as exposures relative to limits. In addition, the Management Risk Committee has credit approval authorities delegated from the Risk Committee for custodian relationships, counterparty credit risk up to predefined limit guidelines and parameters for banks, financial institutions, insurance companies + selected corporate names including Country limits.

– The Executive Credit Committee has responsibility for the management of client credit risk.

In addition, the Product Approval Committees and/or procedures within various EFG International subsidiaries review applications for the offer and sale of new investment products to clients and ensure compliance with internal and external rules and regulations.

CREDIT RISK

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. Because EFG International's primary credit exposures relate to loans collateralised by security portfolios and by mortgages, or to financial institutions, credit risk exposure is comparatively low.

CREDIT RISKS RELATED TO CLIENTS

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by CROs and must be supported by Regional Business Heads.

The approval of loans and other exposures has been delegated, depending on certain defined risk and size parameters, to the credit departments of EFG International's business units, to local credit committees, to specific bank executives and management functions within the Organisation and, to the Executive Credit Committee of EFG International. The approval competencies for large exposures and exposures with increased risk profiles are centrally reviewed and approved or recommended in Switzerland, in compliance with local regulatory and legal requirements of the individual international business units. Regional Business Heads and CROs have credit approval competencies only within established limits and client collateral diversification parameters.

To qualify as collateral for a margin loan, a client's securities portfolio must be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Mortgages booked at EFG Private Bank Ltd, London are related predominantly to properties in prime London locations.

Management insists on thoroughly understanding the background and purpose of each loan, which is typically investment in securities, funds or investment related insurance policies, as well as the risks of the underlying collateral of each loan.

The credit departments of EFG International's business units monitor credit exposures against approved limits and pledged collateral. Most of the collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, hedge funds and some other mutual funds are valued monthly, whereas insurance policies are normally valued annually, mortgages less frequently.

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

CREDIT RISKS RELATED TO FINANCIAL INSTITUTIONS

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG Group level, subject to country limits. Limits for exposure to counter-parties are granted based upon internal analysis. Up to a certain absolute size or ceiling, depending on each counterparty's Fitch ratings and on its total equity, the limits are set by the EFG International Management Risk Committee. Beyond that ceiling, prior opinion from the EFG Group is required before final submission to EFG International's Management Risk Committee for approval. Limits for exposures to Insurance Companies and selected corporate names are granted in cooperation with the Executive Credit Committee based on a predefined matrix which sets maximum limits criteria based on their Company's long – term rating's and consolidated Company's net worth.

COUNTRY RISK

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

EFG International measures country risk based on the company's internal country ratings, predominantly derived from information provided by external rating agencies such as Fitch, and enhanced by in-house analysis, which is broken into two components: (1) quantitative economic risk and (2) qualitative examination of political and socio-economic trends. In addition to the default probability and the loss given default, calculation of country risk incorporates the structure of the particular transaction.

Management of country risk is based on a centralised process at the EFG Group level. The EFG Group Risk Unit makes the final determination of country ratings, and the Group Credit Risk Committee at the EFG Group level coordinates all country limits.

EFG International's Management Risk Committee monitors country risk exposures within these limits.

EFG International's exposure to emerging market countries is minimal.

MARKET RISK

Market risk refers to fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk derives from trading in treasury and investment market products for which prices are fixed daily, as well as from more traditional banking business, such as loans.

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco, Zurich and Stockholm. In the case of foreign exchange, EFG Bank maintains proprietary positions in linear foreign exchange measured against overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to daily and ten sliding day stop loss monitoring. Furthermore, the activity of issuing and marketing alternative and structured products is being performed by EFG Financial Products, established in 2007 to primarily address an increasing demand by our clients for these products. Specific market risk limits have also been approved for their activities, properly risk managed by an independent Control Unit within EFG Financial Products and overseen by the Global Risk Management Division of EFG International. Adherence to all limits is monitored independently by the Global Risk Management Division, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market, counterparty and country risks through the whole EFG International organisation.

The Global Risk Management Division is under the direct supervision of the Chief Risk Officer.

MARKET RISK MEASUREMENT AND LIMITS IN TRADING

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports and sensitivity to stress tests. VaR is not used for regulatory reporting of risks. It is published internally, within the EFG Group, as an indication only. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. EFG Group's self developed internal model, which has been implemented on an EFG Group-wide base, takes into account relevant market risk takers and units.

In general, the internal model is based on a historical approach and uses a 99% one-tailed confidence level. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in our risk management needs. Where appropriate, if specific models are required, these are developed, tested and approved by the EFG International Quantitative Models Department within the Global Risk Management Division.

Risk parameters based on the VaR methodology are calculated by the EFG International Global Risk Management Division, which produces monthly market risk reports, showing the relationship between risks calculated on the VaR basis and their related returns.

These VaR computations are complemented by various stress tests to identify the potential impact of extreme market scenarios on the value of portfolios. These stress tests simulate both exceptional movements in prices or rates and drastic deteriorations in market correlations. They, along with nominal and sensitivity limits and stop losses, are the primary tools used for internal market risk management. Stress test results are calculated monthly by the EFG Bank Market Risk Management Unit and reported to management.

In line with the FINMA circular 08/6 related to interest rate income, Net Interest Income (NII) sensitivity and Interest Earnings at Risk (IEAR) measurements have been implemented and outcomes are regularly reviewed against defined stress scenario limits.

Daily risk reports are made which review compliance with nominal and sensitivity limits and stop loss limits. Detailed disclosures on market risk measures and exposures can be found in the Consolidated Financial Report, Note 4, Financial Risk Assessment and Management, page 91.

CURRENCY RISK

Apart from the exposure to foreign currencies which relates to banking and trading activities performed within EFG International's subsidiary banks, and which are managed by the local treasury departments within preestablished risk parameters and limits, the company is also exposed to foreign currency fluctuations at the EFG International level because most of the subsidiary banks use local currencies as their reporting currencies.

ASSET/LIABILITY MANAGEMENT

EFG International applies a matched fund transfer pricing system that distinguishes between the margins earned by the customer business and the profits arising out of certain interest rate positions. The system is based on current market rates and is the basis for calculating the profitability of profit centres and products.

Despite strong asset growth, the bank's capital and deposit base has continued to provide a substantial excess of funding. Structural mismatches are reflected in the interest rate position of EFG International and the result of the maturity transformation is shown in net interest income.

LIQUIDITY RISK

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits, and to satisfy the company's own cash flow needs within all of its business entities.

Funding operations aim to avoid concentrations in funding facilities. The pricing of assets and credit business is based on the current liquidity situation. EFG International also has a liquidity management process in place that includes liquidity contingency plans, encompassing repo borrowing and liquidation of marketable securities. Stress tests are undertaken monthly as part of the reporting requirements established within the EFG International Risk Guidelines.

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

OPERATIONAL RISK

Operational risk describes the risk of losses resulting from inadequate or failed internal processes, people and systems, or external events. At EFG International, it is a company wide concern which permeates every level of the organisation, including those areas not viewed as "operating units".

Operational risk management is an ongoing responsibility of senior management and the Executive Committee of EFG International. Results are monitored within the risk management function. There is a set of comprehensive policies and procedures for controlling, measuring and mitigating the operational risk of EFG International and its subsidiaries. Compliance with these policies is assessed through regular internal auditing.

Quarterly reports are prepared to reveal newly identified or potential risks. These help to ensure that EFG International remains alert to emerging risks, as well as enhancing understanding and management of operational risk at all levels in the organisation. In addition, a bottom-up operational risk "self-assessment" is produced by all business units, providing a specific operational risk profile for the business lines and highlighting areas with high risk potential. The above process is the responsibility of operational risk managers in the various EFG International entities. It involves the collection, analysis, evaluation and quality assurance of risk data; the planning and execution of appropriate measures; and continual monitoring of unusual or exceptional events. The operational risk managers report to the Senior Executive of EFG International (in his capacity as Global Chief Operating Officer), who presents the information to the Executive Committee. As a consequence of this dynamic approach, operational losses have been relatively small.

There are further layers of protection. Detailed reports on the activity of all CROs are produced by a global IT system on a daily basis, and are closely monitored in order to detect any large or unusual transactions. All securities purchases are executed through central trading desks and large transactions are reviewed by traders as to size and quality of securities. EFG International is protected from interruption to its main business services through regularly-tested business continuity plans and a disaster recovery plan. In the event of a crisis scenario, the company will be able to recover essential technology infrastructure and data. In addition, due diligence reports relating to the evaluation of acquisition candidates include detailed operational risk assessments, both in relation to the acquisition company and subsequent its integration. The company's IT system provides an immediate duplicate of all transactions, ensuring a backup system is continuously available off-site. Operations are also audited by EFG Group's internal auditors and external auditors, and results presented to EFG International's audit committee.

COMPLIANCE RISK

The Compliance Department is responsible for ensuring EFG International's observance of applicable rules and regulations. Changes in the regulatory environment are monitored and directives and procedures are adapted as required. Global compliance is centrally managed from Geneva with local compliance officers situated in virtually all of EFG International's booking centre subsidiaries around the world.

LEGAL RISK

The Legal department ensures that the legal risks are adequately managed and controlled and supervises outside counsel on a variety of legal matters.

Any change in the legal environment can constitute a challenge for the Bank in its relations with the competent authorities, clients and counterparties both at Swiss and International level. The legal department is responsible for implementing internal rules and processes in order to control its legal risks; for providing internal advice to the Bank's management, front and back officers; and for managing litigations in which the bank is involved, as well as client complaints and special investigations.

REPUTATION RISK

Reputation risk for EFG International may arise from service delivered to clients that are substandard, as well as EFG International's involvement with politically exposed persons, persons with a public profile or those associated with high risk activities. EFG International ensures service quality by employing highly skilled CROs and minimising operational error (see "Operational Risk", earlier). Reputation risk arising from client selection is a common concern for all private banks, and the Swiss Financial Market Supervisory Authority (FINMA), along with regulators throughout the world have put in place rules and regulations to monitor the reputation risk inherent in the industry. A transaction Reputation Risk Policy has been established in line with an effective control and reporting process that would screen evaluate and assess clients and/or transactions before any final consideration for approval.

To comply with anti-money laundering laws, EFG International operates strict due diligence procedures for the acceptance of new clients. In addition, EFG International closely monitors transactions on an ongoing basis and investigates any transaction activity that is unusual and is deemed suspicious. In addition, proper staff hiring directive has been implemented as the hiring of good people is also key to managing reputation risk.

PARENT COMPANIES

PARENT COMPANIES

EFG International's largest shareholder is EFG Bank European Financial Group SA, based in Geneva, with 49.34%. This is in turn part of EFG Group, based in Luxembourg.

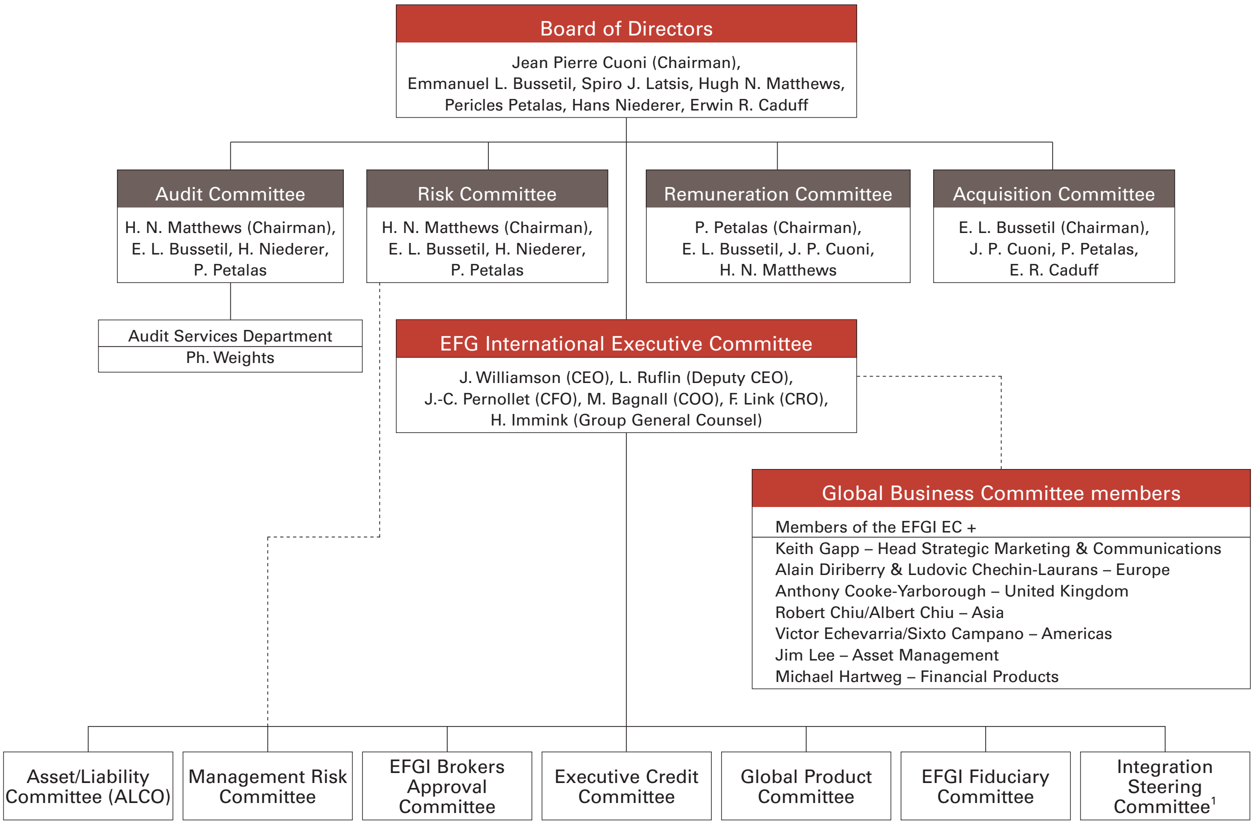
Details for EFG Group can be found at
www.efggroup.com

EFG Bank European Financial Group SA
24 Quai du Seujet
1211 Geneva 2
Switzerland

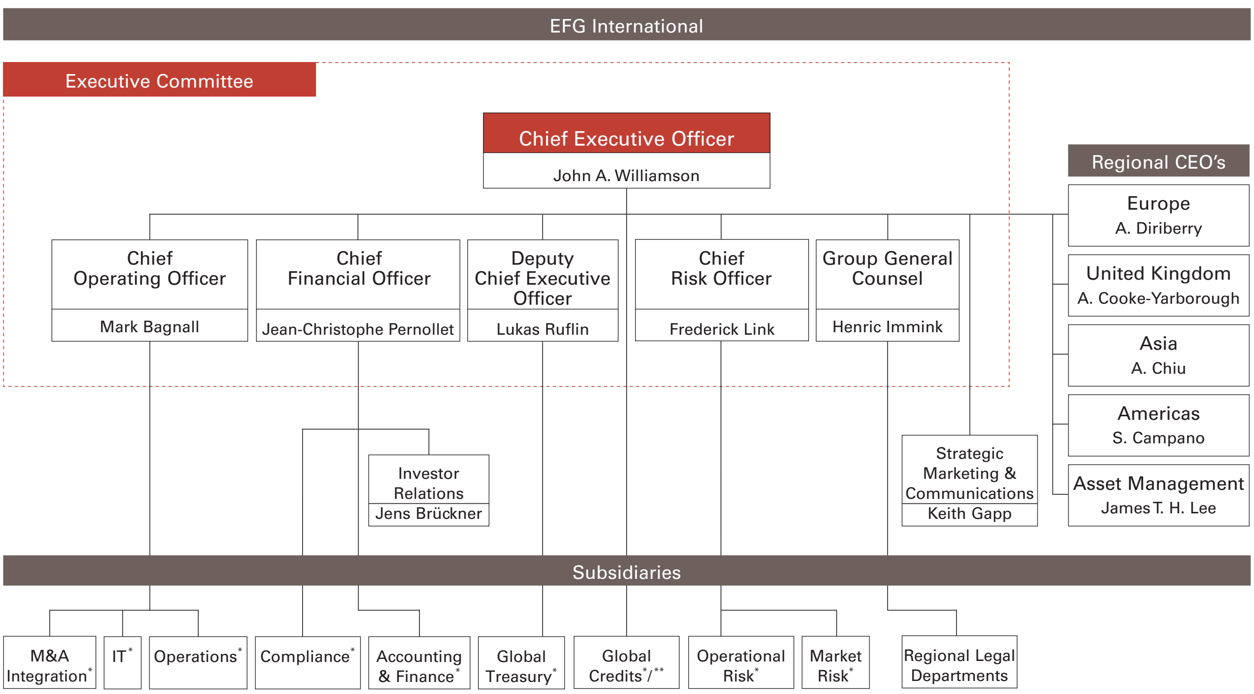
European Financial Group EFG (Luxembourg) SA
5, rue Jean-Monnet
L-2180 Luxembourg

CORPORATE GOVERNANCE

EFG International Board and Committees



Structure of the central management of EFG International as of 31 December 2011



* Located at EFG Bank but reporting to EFG International
** Reporting to the CEO with delegated supervision to James Lee

1 Currently not active.

— Advisory function
··· Reporting line to Risk Committee due to Market Risk Limits approvals above a certain threshold

As a publicly listed Swiss company, EFG International AG (EFG International) is subject to the Directive on Information relating to Corporate Governance (Corporate Governance Directive) and its Annexes and Commentary, issued by the SIX Swiss Exchange. The information provided in this section adheres to the Corporate Governance Directive of the SIX Swiss Exchange that entered into force on 1 July 2002 and was revised on 1 July 2009, with the guidelines and recommendations of the "Swiss Code of Best Practice for Corporate Governance" of the Swiss Business Federation economiesuisse dated 25 March 2002, as well as, with this best practice code's Appendix 1, "Recommendation on compensation for board of directors and executive board", dated 6 September 2007, which takes into account the articles 663b^{bis} and 663c, paragraph 3, of the Swiss Code of Obligations that entered into force on 1 January 2007, and which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Board.

The following information corresponds to the situation as at 31 December 2011, unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International

EFG International is a global private banking and asset management group operating in over 30 locations worldwide. The EFG International group is organised into six business segments: Americas, Asia, United Kingdom, Continental Europe, Asset management and Financial Products. Further information can be found in note 47 of the annual report.

The structure of the central management of EFG International as of 31 December 2011 is outlined on the previous page.

1.2 Group entities

The main consolidated entities are listed on page 128. There are no listed companies belonging to the EFG International group other than EFG International.

1.3 Significant shareholders

The shareholding structure of EFG International as of 31 December 2011 is shown in the table below.

As of 31 December 2011	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA*	72,366,556	49.34%
Lawrence D. Howell	8,052,705	5.49%
Cuoni Family Interests	6,809,500	4.64%
Norges Bank**	5,526,887	3.77%
Other Shareholders	53,914,352	36.76%
Total	**146,670,000**	**100.00%**

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies.
** On 6 February 2012 Norges Bank reported that due to sales of EFG International shares their total holdings have fallen below 3%.

At year-end 2011, EFG International group held a stake of EFG International registered shares corresponding to 8.43% of the total share capital of EFG International.

For notifications received by EFG International in 2011 according to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 see the published reports on the Disclosure Office's publication platform of the SIX Swiss Exchange (see http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=14226).

1.4 Lock-up agreements
Currently there are no lock-up agreements in place.

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

2. CAPITAL STRUCTURE

2.1 Capital
Share capital
The outstanding share capital amounts to CHF 73,335,000, consisting of 146,670,000 registered shares with a face value of CHF 0.50 each; the shares are fully paid-up. The conditional share capital amounts to CHF 12,282,500.

The registered shares are traded on the main standard of the SIX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 954,952,753 on 31 December 2011 excluding treasury shares.

Participation capital
The outstanding participation capital of the company amounts to CHF 6,000,000, consisting of 400,000 non voting preference Class B Bons de Participation with a nominal value of CHF 15.00 each. These Bons de Participation have been issued to Banque de Luxembourg as fiduciary in connection with the issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005. The EFG Fiduciary Certificates are listed on the Luxembourg Stock Exchange (ISIN: XS0204324890). The preference rights attached to the Class B Bons de Participation consist of preferential dividend and liquidation rights, as mainly set out in article 13 of the Articles of Association (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting.

2.2 Authorised and conditional capital in particular
Authorised capital
The Board of Directors is authorised, at any time until 28 April 2012, to increase the share capital by no more than CHF 25,000,000 by issuing no more than 50,000,000 fully paid-up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free reserves are permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

In addition, the Board of Directors is authorised to withdraw the preferred subscription rights of the shareholders and the participants and to allocate them to third parties for the financing of the acquisition of all or part of an enterprise or of an investment in another company, or for new investments purposes for EFG International at market conditions at the moment of the issuance, as well as, in particular, for direct or indirect fund raising purposes on the international capital markets.

Conditional capital

The share capital may be increased by no more than CHF 2,282,500 by issuing no more than 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of EFG International and its group companies. The preferential subscription rights of the shareholders and the participants are excluded in favour of the holders of the option rights. The conditions for the allocation and the exercise of the option rights are set by the Board of Directors. The shares may be issued at a price below the market price.

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

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

(a) an issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue; or

(b) the financing instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the company.

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

(a) Conversion rights may be exercised only for up to 7 years; and option rights only for up to 4 years from the date of the respective issuance.

(b) The respective financing instruments must be issued at the relevant market conditions.

2.3 Changes in capital structure

There have been no changes in the capital structure of EFG International since the initial public offering which took place in October 2005.

Basel III compliant Tier 2 Bond / Reduction of Participation capital EFG International
On 30 November 2011 EFG International (Guernsey) Ltd, a wholly owned subsidiary of EFG International, offered to the holders of EUR 400,000,000 EFG Fiduciary Certificates the option of exchanging them for Basel III compliant Tier 2 Notes issued by EFG International (Guernsey) Ltd. A total of 135,219 EFG Fiduciary Certificates, representing approximately 33.8% of the outstanding principal amount of EFG Fiduciary Certificates, were validly tendered and accepted for exchange by EFG International (Guernsey) Ltd. In exchange, EFG International (Guernsey) Ltd has issued EUR 67,604,000 principal amount of Basel III compliant Tier 2 bonds on settlement of the Exchange Offer on 13 January 2012. The new bonds have a maturity of 10 years and for the first 5 years pay an annual interest coupon of 8%.

The acquired 135,219 EFG Fiduciary Certificates have been cancelled and, consequently, the outstanding number of EFG Fiduciary Certificates has been reduced from 400,000 to 264,781, representing a total nominal amount of approximately EUR 265 million. Further to the cancellation of the above EFG Fiduciary Certificates, EFG International bought-back 135,219 registered participation certificates of class B with a face value of CHF 15 per certificate and the Board will propose to the 2012 Annual General Meeting of shareholders a corresponding reduction of the participation capital through cancellation of the bought-back registered participation certificates of class B.

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2011:

Registered shares of CHF 0.50 par value	146,670,000

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

Participation certificates

Number of participation certificate as of 31 December 2011:

Preference Class B Bons de Participation of CHF 15.00 par value	400,000

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see section 2.1 above and 2.3). They do not confer voting rights.

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

EFG International's shares are freely transferable, without any limitation, provided that the buyers expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act.

Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is affected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder and notification of such assignment to the company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any shareholders' meeting but may still receive dividends and other rights with financial value. The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the company needs to be notified. According to the Articles of Incorporation, a person having acquired shares will be recorded in the company's share register as a shareholder with voting rights upon request.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to evade the entry restriction are considered as one shareholder or nominee. The Board of Directors is authorised to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

EFG International, acting through its subsidiary EFG Financial Products and EFG Financial Products (Guernsey) Ltd., has issued warrants and structured notes (Express Certificate on EFG International; ISIN: CH0115890904) which reference EFG International shares. The issue size was EUR 1,000,000 with an issue price of 100% and EUR 1,000 denomination. The conversion ratio will be determined on the final fixing date of 17 August 2015. These instruments are generally classified as cash-settled derivatives and are held for trading. To hedge the economic exposure, EFG Financial Products AG holds a limited number of shares in EFG International.

In addition, EFG International has issued options and restricted stock units in relation to its Employee Equity Incentive Plan and has sold a total of 55,000 options to employees with a strike price of CHF 49.25 per share, 447,617 options with a strike price of CHF 24.00 per share and 18,349 restricted stock units with a zero exercise price. Each option and restricted stock unit entitles to the purchase of one EFG International restricted share. Further details can be found under section 5.1 and in Note 52 to the financial statements.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

The Board of Directors currently comprises seven members all of whom are non-executive directors. The Board of Directors of EFG Bank is composed of the same members as the Board of Directors of EFG International.

No member of the Board has held a management position in EFG International or any of its group companies over the last three years. No director (neither as individual nor as representative of a third party) has any significant business connection with EFG International or any of its subsidiaries. The law firm Niederer Kraft & Frey AG of which Dr. Hans Niederer is a partner has provided legal services to EFG International in connection with a number of matters.

Jean Pierre Cuoni is a Swiss citizen, born in 1937 and is co-founder of EFG Bank. He has been Chairman of the Board of Directors of EFG Bank since 1997 and was appointed Chairman of EFG International in 2005 at the time of the listing of the latter on the SIX Swiss Exchange. He has been a member of the Board of Directors of EFG Bank European Financial Group SA since 1995.

Prior to these positions, Mr. Cuoni was Chief Executive Officer of Coutts and Co International (1990–1994) and Chief Executive Officer of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988–1990). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva and Zurich. He was Citibank's Regional Head of Private Banking for Europe and Middle East/Africa and Senior Officer (Country Corporate Officer) for Citicorp and Citibank in Switzerland. Mr. Cuoni was Senior Vice President of Citibank N.A. from 1981 to 1988 and Chairman of Citibank (Switzerland) S.A. from 1982 to 1988.

Mr. Cuoni received his Federal Commercial Banking Diploma in 1957 and attended the Executive Development Programme at IMD in Lausanne in 1974. Mr. Cuoni was a member of the Board of the Swiss Bankers Association (1982–1993) and a member of its Executive Committee (1985–1993). He was Chairman of the Association of Foreign Banks in Switzerland (1986–1993) and member of the Board of the Association of Swiss Exchanges (1988–1992), as well as member of the Board of the Zurich Chamber of Commerce (1988–1996). From 1998 until 2004 he was Vice President of the British Swiss Chamber of Commerce. From 1985 until 2009, Mr. Cuoni was also a member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva. He is presently a member of the Board of Right to Play International in Toronto, a charitable organization, and a non-executive Vice Chairman of Right to Play Switzerland in Zurich.

Emmanuel Leonard Bussetil is a British citizen, born in 1951. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005 and has been a member of the Board of Directors of EFG Bank since 2001. He is the Group Finance Executive of EFG Bank European Financial Group SA and is a member of the Board of EFG Group's parent companies as well as of EFG Eurobank Ergasias, a company listed on the Athens Stock Exchange. He also is a member of the Board of Lamda Developments Limited, a property company listed on the Athens Stock Exchange and of other principal commercial holding and operating companies controlled by Latsis family interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that he was an Audit Manager at PricewaterhouseCoopers, in the UK, where he was employed from 1976 to 1982.

Mr. Bussetil was educated at Bootle Grammar School for Boys, Liverpool, England and received his GCSE A Levels in Mathematics and Physics in 1970. He attended the Thames Polytechnic London, England and obtained his Higher National Diploma in Mathematics, Statistics & Computing in 1972. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972–1973) and at Morland and Partners, Liverpool (1974–1976). He is a Fellow of the Institute of Chartered Accountants of England and Wales.

Spiro J. Latsis is a Greek citizen, born in 1946. He was appointed a member of the Board of Directors of EFG International AG effective as of 8 September 2005. He has been a non-executive member of the Board of Directors of EFG Bank AG since 1997. Mr. Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chairman since 1997. In addition, he is a non-executive director in other EFG Group companies, including European Financial Group EFG (Luxembourg) SA (since 2009; as Chairman), Private Financial Holdings Limited, Bermuda (since 2009), EFG European Financial Group Limited, Malta (since 2009), EFG Consolidated Holdings SA, Luxembourg (since 1989) and EFG Eurobank Ergasias SA, Athens (since 1990). Mr. Latsis is also President of SETE SA, Geneva, and Chairman of Paneuropean Oil and Industrial Holdings SA, Luxembourg.

Mr. Latsis obtained his bachelor degree in Economics in 1968, a master degree in Logic and Scientific Method in 1970 and a doctorate in Philosophy in 1974, all from the London School of Economics. He is an Honorary Fellow and a member of the Court of Governors of the London School of Economics. He is also a member of the Board of Trustees of the Institute for Advanced Study at Princeton.

Hugh Napier Matthews is a Swiss and British citizen, born in 1943. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 2003 and is Chairman of EFG International's audit committee, risk committee and a member of the remuneration committee. Mr. Matthews has also been a member of the Board of Directors of EFG Bank European Financial Group SA since 2001 and is a member of EFG Group's parent companies. He is Chairman of its risk committee. Before that, Mr. Matthews worked for Coutts Bank (Switzerland) (1996–2000), ultimately in the position of Chief Executive Officer, and for Coutts Group, London (1994–1996), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960–1969), Brussels, Los Angeles and New York (1969–1971) and Zurich (1971–1994).

Mr. Matthews was educated at The Leys School in Cambridge, before joining Peat Marwick Mitchell in 1960, qualifying as a Chartered Accountant in 1966.

Pericles Petalas is a Swiss citizen, born in 1943. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 1997. Mr. Petalas has been Chief Executive Officer of EFG Bank European Financial Group SA since 1997. He is also a non-executive director of various EFG Group companies and in particular the EFG Group's parent companies. Prior to his position at EFG Group, Mr. Petalas was senior vice President and General Secretary of Banque de Dépôts, Geneva. Previously, he worked for Union Bank of Switzerland in Zurich (1978–1980) and Petrola International, Athens (1977–1978).

Mr. Petalas obtained a Diploma (1968) and a Doctorate (1971) in Theoretical Physics, both at the Swiss Federal Institute of Technology in Zurich. He also received a post-graduate degree in Industrial and Management Engineering from the same institute in 1977.

Hans Niederer is a Swiss/Paraguayan citizen, born in 1941. He was appointed a member of the Board of Directors of EFG International effective as of 5 October 2005. Mr. Niederer is an Advisor at Niederer Kraft & Frey AG, attorneys-at-law and a member of the Board of Directors of various companies. He is vice Chairman of the Board of Investec Bank (Switzerland) AG and Frankfurter Bankgesellschaft (Schweiz) AG as well as a member of the Boards of Hinduja Bank (Suisse) SA, Algerian Foreign Commerce Bank Ltd., Sberbank (Schweiz) AG and LB(Swiss) Investment AG.

Mr. Niederer holds a doctorate in law from the University of Zurich (1968) and a master's degree in law (LL.M.) from the University of California, Berkeley (1970). He was admitted to the bar in Switzerland in 1971.

Erwin Richard Caduff is a Swiss citizen, born in 1950 and educated in Switzerland (commercial school and bank apprenticeship). He was appointed a member of the Board of Directors of EFG International effective as of 29 April 2009.

Mr. Caduff is the owner of E.R.C. Consultants & Partners Pte Ltd in Singapore, a company specialised in executive search for wealth management and management consulting. From 1998 to 2007 he worked for Deutsche Bank AG in Singapore and was a managing director and Regional Head of Private Wealth Management Asia Pacific. Prior to that, he worked for Banque Paribas in Singapore as Head of Private Banking for South East Asia (1997–1998) and for Banque Paribas (Suisse) S.A. as the Head of the Zurich Branch (1993–1997). Between 1990 and 1993 he was Chief Representative for Coutts & Co in Singapore after having spent 5 years with Citibank in Zurich and Singapore. The first 10 years of his professional career (1976–1986) he worked for Swiss Volksbank in Zurich and in Singapore.

3.2 Other activities and vested interests of the Members of the Board of Directors

Please refer to the information provided in each director's biography in section 3.1.

3.3 Elections and terms of office

According to the articles of association, the Board of Directors consists of three or more members, who are individually elected by the general meeting for one-year terms with a possibility of being re-elected. Furthermore there is no limit to the numbers of terms and the term of office ends on the day of the ordinary general meeting. Please reference the CVs of the members of the Board of Directors in section 3.1 for each initial date of election.

The tenure of all the current members of the Board of Directors will expire at the 2012 general meeting, at which time all directors will be subject to re-election by the shareholders.

3.4 Internal organisational structure

The internal organisational structure is laid down in the organisational regulations of the Company (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board meeting. In order to make a binding decision, a simple majority of the Board of Directors must be present. The Board of Directors takes decisions on the basis of an absolute majority of present members. In the event of a tie, the Chairman does not have a casting vote. The composition of the board and its committees is disclosed in the organigram on page 43 (EFG International Board & Committees).

Ian Cookson, the former Chief Operating Officer of EFG International, currently non-executive Board of Directors member on a number of EFG International companies, provides consulting services to EFG International. These fall into two categories, the first is to attend EFG International (and EFG Bank) Board meetings as a guest where opinion is frequently sought on many subjects but most often in the areas of IT and Human Resources; the second is as secretary to the EFG International Board of Directors Remuneration Committee. He is currently concluding a specific project which relates to the implementation of Swiss Financial Market Supervisory Authority (FINMA) and other regulators regulations regarding remuneration throughout the EFGI group.

The Board of Directors met ten times in 2011. Meetings typically last half a day; see the details in the table below:

#	Date (dd/mm/yyyy)	J. P. Cuoni (Chairman)	E.L. Bussetil	E.R. Caduff	S.J. Latsis	H. Matthews	H. Niederer	P. Petalas
1	14.01.2011	X	X	X	X	X	E	X
2	08.03.2011	X	X	X	X	X	X	X
3	27.04.2011	X	X	X	X	X	X	X
4	23.06.2011	X	X	X	X	X	X	X
5	26.07.2011	X	E	X	X	X	X	X
6	12.10.2011	X	X	X	X	X	E	X
7	17.10.2011	X	X	E	X	X	X	X
8	27.10.2011	X	X	E	E	X	E	X
9	29.11.2011	X	X	X	E	E	X	E
10	06.12.2011	X	X	X	X	X	X	X

"X" – in attendance, "E" – excused from attending.

The Board of Directors has established an audit committee, a risk committee, a remuneration committee and an acquisition committee according to the terms of the internal regulations:

Audit committee

The audit committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to:

(i) the financial and business reporting processes,
(ii) the risk domination process,
(iii) the monitoring of compliance with laws and regulations and the own Code of Conduct,
(iv) of the monitoring of operational risk,
(v) integrated internal control systems
(vi) the internal and external audit processes.

The role of the audit committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role.

The audit committee comprises at least three Board members (at present, Mr. Matthews has been appointed as Chairman and Messrs. Bussetil, Petalas and Niederer have been appointed as members of the audit committee).

The audit committee meets quarterly as well as when necessary to review the accounts before approval by the Board. Meetings typically last three to four hours and are attended by members of the executive management responsible for areas supervised by the audit committee. During 2011, the audit committee met six times. See the details in the table below:

#	Date (dd/mm/yyyy)	H. Matthews (Chairman)	E.L. Bussetil	H. Niederer	P. Petalas
1	17.02.2011	X	X	E	X
2	07.03.2011	X	X	X	X
3	07.06.2011	X	X	X	X
4	25.07.2011	X	E	X	X
5	13.09.2011	X	X	X	X
6	15.11.2011	X	E	X	X

"X" – in attendance, "E" – excused from attending.

Minutes of the audit committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report from the Chairman of the audit committee is given to the Board of Directors at each of its meetings.

Risk committee

The risk committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to the monitoring of credit, market and bank and country risk. The risk committee may also recommend to the Board of Directors changes in its risk limits and policies. However, the role of the risk committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role.

The risk committee comprises at least three Board members (at present, Mr. Matthews has been appointed as Chairman and Messrs. Bussetil, Petalas and Niederer have been appointed as members of the risk committee).

The risk committee meets quarterly. Meetings typically last three to four hours and are attended by members of the executive management responsible for risk management. During 2011, the risk committee met four times. See the details in the table below:

#	Date (dd/mm/yyyy)	H. Matthews (Chairman)	E. L. Bussetil	H. Niederer	P. Petalas
1	17.02.2011	X	X	E	X
2	07.06.2011	X	X	X	X
3	13.09.2011	X	X	X	X
4	15.11.2011	X	E	X	X

"X" – in attendance, "E" – excused from attending.

Minutes of the risk committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report from the Chairman of the risk committee is given to the Board of Directors at each of its meetings.

Remuneration committee

The remuneration committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its governance responsibilities by reviewing and ensuring the implementation of:

(i) The general remuneration policy of EFG International and its subsidiaries
(ii) The fixing of the remuneration of members of the Board of Directors of EFG International, its key executives and key executives of subsidiaries
(iii) The annual remuneration review process of EFG International
(iv) An approval process for credit requests pertaining to members of the Board of Directors of EFG International and key executives of EFG International group as well as to related parties
(v) Any other tasks conferred on it by the Board of Directors from time to time

For more details about competences and responsibilities of the remuneration committee see also section 5.1 (General).

The remuneration committee comprises of at least three Board members (at present Mr. Petalas has been appointed as Chairman and Messrs. Cuoni, Bussetil and Matthews have been appointed as members of the remuneration committee).

The remuneration committee meets annually in the first quarter to review salary and bonus decisions as well as when necessary. Meetings typically last two to three hours and are attended by the Chief Executive Officer (CEO). During 2011, the remuneration committee met eight times: see the details in the table below:

#	Date (dd/mm/yyyy)	P.P. Petalas	J.P. Cuoni	H. Matthews	E.L. Bussetil	I.R. Cookson*	CEO EFG International**
1	14.01.2011	X	X	X	E	X	X
2	25.01.2011	X	X	X	X	X	X
3	17.02.2011	X	E	X	X	X	X
4	07.03.2011	X	X	X	X	X	X
5	26.04.2011	X	X	X	X	X	X
6	25.07.2011	X	X	X	X	X	X
7	12.10.2011	X	X	X	X	X	X
8	06.12.2011	X	X	X	X	X	X

"X" – in attendance, "E" – excused from attending.
* Secretary to the Committee.
** Attendee; from June 27, 2011, John Williamson assumed role of CEO EFGI from Lawrence D. Howell.

The minutes of the remuneration committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report by the Chairman of the remuneration committee is given to the Board of Directors at each of its meetings.

Acquisition committee

The acquisition committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in evaluating and approving acquisitions made by the EFG International group. The acquisition committee has the power to approve any acquisition for which the purchase price is less than or equal to CHF 150 million. Acquisitions with a value of more than CHF 150 million must be approved by the full Board of Directors.

The acquisition committee comprises at least three Board members (at present, Mr. Bussetil has been appointed as Chairman and Messrs. Petalas, Cuoni and Caduff have been appointed as members of the acquisition committee).

The acquisition committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the CEO and Chief Financial Officer regarding the status of negotiations with various acquisition targets. Meetings vary in length from one to three hours.

The minutes of the acquisition committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report from the Chairman of the acquisition committee is given to the Board of Directors at each of its meetings.

During 2011, no meeting of the acquisition committee took place.

3.5 Definition of areas of responsibility

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

Details of the powers and responsibilities of the Board of Directors can be found in the Organisational Regulations of the Board of Directors, which is available at www.efginternational.com/auditors-regulations.

The Board of Directors has delegated the operational management and that of its subsidiaries to the CEO and the Executive Committee. Members of the Executive Committee are appointed by the Board of Directors upon recommendation of the CEO. The executive officers, under the responsibility of the CEO and the control of the Board of Directors, manage the operations of the company pursuant to the internal regulations and report thereon to the Board of Directors on a regular basis.

EFG International Executive Committee

The EFG International group is organised as a single structure, reporting to the CEO. Various support, service or control units report either directly to the CEO or to member of the Executive Committee.

The titles and brief job descriptions for members of senior management are set forth as follows:

Chief Executive Officer

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

Deputy Chief Executive Officer

The Deputy Chief Executive Officer assists the CEO in all of his tasks. He has prime oversight responsibilities for selected operating businesses. He is also responsible for intra-group capital allocation and funding and – together with the Chief Financial Officer – for capital raising.

Chief Financial Officer

The Chief Financial Officer (CFO) has overall responsibility for the financial management of the EFG International Group. He is responsible for EFG International accounting policies as well as for the preparation of the Group's financial statements and management accounts. The CFO is also responsible for regulatory reporting and compliance with capital adequacy requirements. He is the designated Executive Committee member responsible for Compliance and is in charge of regulatory relations on a global basis.

Chief Operating Officer

The Chief Operating Officer (COO) is responsible for the management, co-ordination, supervision, planning and control of the Operations and Technology activities of the Group. In addition, he is responsible for the evaluation and management of operational risks.

Chief Risk Officer

The Chief Risk Officer (CRO) monitors and assesses risk throughout the whole EFGI organisation, encompassing market, counterparty, country, liquidity and other risks. In this function, he also reports to the EFGI Risk Committee, and provides an independent oversight on credit and operational risks, albeit these risks are addressed primarily by the Head of Credit Control and the COO.

Group General Counsel

The Group General Counsel provides legal advice to the EFG International group. In addition, he is responsible for corporate governance throughout the EFG International group. He is also responsible for corporate tax matters.

EFG International Global Business Committee

The EFG International Executive Committee has also created (in October 2011) the EFG International Global Business Committee (GBC), with an advisory role in assessing and validating business strategy, key business aspects and priorities as well as in debating industry trends and issues.

The GBC consists of the members of the EFG International Executive Committee, the Regional CEOs and selected Senior Managers (see the organigram "Board and Committees" on page 27).

3.6 Information and control instruments vis-à-vis the Executive Committee

The Board of Directors supervises the management of EFG International through various meetings with management, including meetings of the Board and its committees.

Members of the Executive Committee attend each of the Board meetings during the year and are available to answer questions from the Board. The CEO provides a written report to the Board on a quarterly basis summarising developments in the business; including, financial reporting, business reporting, business proposals/approval, staff matters, credit approvals, risk management and audit, regulatory and compliance issues, a report on claims and litigation, a risk report, an annual external activities report and any other business matters. The CEO is also readily available to answer questions from the Board. In addition, the CFO reports on the financial results to the Board on a quarterly basis.

Members of management responsible for the finance and accounting function, including the CFO, attend audit committee meetings and are available to answer questions from the committee relating to the financial statements. Also, the Head of Global Compliance attends audit committee meetings and is available to answer questions relating to compliance issues. The CRO provides oversight of all major areas of risk within EFG International. The CRO also provides an update on the overall key risk aspects of EFG International at each board delegated risk committee and provides an annual written risk assessment to the audit committee.

The members of management responsible for credit, market and bank and country risk management attend the risk management committee meetings.

Additionally, independent audits are performed by the EFG International group's audit services department, which reports to the audit committee. Organisationally independent of management, it continuously provides the Board of Directors and the audit committee with an independent, objective assurance on the adequacy and effectiveness of the internal control system. The internal audit services department maintains a regular dialogue with the external auditors to share risk issues arising from their respective audits and to coordinate their activities. The obligations and rights of the internal audit services department are set forth in the internal regulations and in an internal audit charter. In accordance with this charter the internal audit services department has an unlimited right of access to premises, people, information and documents with respect to all elements of EFG International and its subsidiaries.

See also the information on risk management on page 32.

4 EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

John Williamson is the CEO of EFG International, effective June 2011. He was formerly the CEO of EFG Private Bank Ltd., EFG International's UK and Channel Islands business, from 2002–2011. During this time he transformed the business into one of the most significant contributors to EFG International performance, and oversaw the merger of EFG Private Bank Ltd. with EFG International ahead of the latter going public.

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

Mr. Williamson is a British national, was born in 1962, and has an MA in modern languages from St. Catharine's College, Cambridge.

He is also currently a Trustee of the Southbank Sinfonia.

Lukas Ruflin was appointed as Deputy CEO of EFG International as of June 2009. In the year 2010 he also acted as CEO of EFG Bank. Mr. Ruflin was one of the founding partners of EFG Financial Products in 2007, where he ran its issuing entity in Guernsey. He joined EFG Bank in 2004 and held different management positions within EFG Bank and EFG International in Zurich and in London. Lukas Ruflin started his career at Lehman Brothers (2000–2004), JP Morgan (1999–2000) and PricewaterhouseCoopers and joined EFG in 2004.

He is a Swiss citizen, was born in 1975 and holds a Master in Economics from University of St. Gallen as well as a CEMS Master in International Management.

Jean-Christophe Pernollet was appointed as CFO of EFG International in October 2010. Prior to joining EFG International Mr. Pernollet worked for over 17 years for PricewaterhouseCoopers in Geneva and New York. Partner in charge of their Geneva office since 2005, he was also a Business Unit Leader since 2008. He started his career in 1990 as an auditor with Deloitte & Touche in Paris.

Mr. Pernollet is a French citizen, was born in 1966, completed the Columbia Business School Senior Executive Program and holds a Master in Management of the EDHEC Business School and a Bachelor of Science in Economics and Politics. He was a Lead-Bank auditor accredited by the Swiss regulator (FINMA) and is a member of the American Institute of CPAs.

Frederick Link served as Group General Counsel of EFG International from March 2006 until 31 December 2010. He was appointed as CRO in July 2008 and continues in that role. As CRO he is responsible for risk assessment, management and controlling throughout the EFG International Group. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products. Mr. Link is a US citizen and was born in 1975.

He is a member of the New York bar and holds a Ph.D. in Economics from the Massachusetts Institute of Technology, a J.D. from Harvard Law School and an A.B. in Economics from the University of Michigan.

Henric Immink was appointed Group General Counsel and member of the Executive Committee of EFG International as of 1 January 2011. He joined EFG International in July 2010 as Senior General Legal Counsel. Prior to joining EFG International, he was a partner at Python & Peter Attorneys-at-Law (2002–2010) in Geneva, a partner at Suter Attorneys-at-Law (1998–2001) in Geneva and a legal and tax advisor at Pricewaterhouse-Coopers (1995–1997) in Zurich.

He is a Swiss citizen born in 1965, and holds a Master of Law from the University of Geneva and he was admitted to the Geneva Bar in 2004.

Mark Bagnall was appointed COO of EFG International effective 1 January 2011. He joined EFG International in December 2008 as Global Chief Technology Officer. Prior to joining EFG, he worked from 2004 to 2008 at Merrill Lynch in London and Geneva, where he was Head of International Private Client & Wealth Management Technology, having previously held IT management roles in Capital Markets & Investment Banking in London & New York from 1998 to 2003. He started his career on the IT graduate programme with British Petroleum in 1989, before moving to JP Morgan in 1994. Mr. Bagnall was born in 1967 and is a UK citizen. He holds a BSc in Mathematics & Computer Science from Liverpool University.

Alain Diriberry (CEO of Continental Europe) and James T.H. Lee (CEO of EFG Asset Management) stepped down from the Executive Committee effective 18 October 2011.

Alain Diriberry was appointed COO of EFG International in July 2008. As of January 2011 he was appointed CEO of EFG Bank and CEO of EFG Europe in April 2011. He joined EFG Bank in August 2003 as Deputy CEO with COO responsibilities, and then became Head of Private Banking, Geneva in January 2005. He has no other activities or vested interests other than his functions at EFG International. Prior to joining EFG, he worked at Coutts Switzerland (1994–2003) as COO, responsible for operations, IT and central functions, and subsequently as Head of Private Banking for Switzerland starting in 2000. Between 1989 and 1994, he worked as Head of IT at NatWest Bank in Paris and then became Head of Central Support and Deputy General Manager. He began his career as an IT engineer and then joined Price Waterhouse as an IT consultant and project manager in various business areas, including finance and banking.

James T. H. Lee is a British citizen, born in 1948. Since June 2009 he was appointed CEO Asset Management. He previously was the Deputy CEO of EFG International and EFG Bank (since 2003). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee in January 2002 and a member of the management. Prior to 2001, Mr. Lee worked for UBS on strategic and tactical acquisitions in the field of private banking (1999–2000), and was the Global Head of International Private Banking for Bank of America (1997–1998). Between 1973–1997 he held various positions at Citigroup in Corporate, Investment and Private Banking, including being responsible for the Private Bank's Ultra-High Net Worth business in Asia and for the Global Investment Advisory business of the Private Bank. In 2000, Mr. Lee acted as advisor to several start-up businesses active in the fields of e-commerce and healthcare and co-founded an e-commerce company in the UK to build portals for specific industries in which he no longer holds any interest.

Mr. Lee obtained a Bachelors of Science (Honours) degree in Electrical Engineering in 1970 and a Masters degree in Management Science and Operational Research, both from Imperial College, University of London.

In addition, Lawrence D. Howell stepped down from his position as CEO of EFG International effective 27 June 2011.

Lawrence D. Howell is a U.S. citizen, born in 1953. He is the former CEO of EFG International, a role he held for sixteen years. Previously, he was the CEO of EFG Bank (since 1997) and a member of the management (since 1997). From 1995 to 1997 he was CEO of the Zurich office of Banque de Depôts, the predecessor entity to EFG Bank European Financial Group SA. Prior to joining the EFG, Mr. Howell was with Coutts and Co. International Private Banking from 1989 to 1995. Prior to 1993, he was Head of Americas and Asia in Zurich and New York and until 1995 he was Head of Americas based in New York and responsible for clients domiciled in the Americas as well as for the bank's offices in the US, the Bahamas, Bermuda, Cayman, and Latin America.

From 1986 to 1989, Mr. Howell spent three years at Citibank Switzerland as vice President in charge of Swiss Ultra-High Net Worth Clients and from 1985 to 1986 he was with McKinsey and Co. in New York as a consultant for financial services companies, including private banks. Mr. Howell started his career at Citibank in 1978 as internal legal counsel for the International Private Banking Division and from 1981 to 1984 he was chief of staff for Jean Pierre Cuoni, the Head of Private Banking for Europe, Middle East and Africa.

Mr. Howell holds a B. A. and J. D. from the University of Virginia.

4.2 Other activities and vested interests

There are no other activities and vested interests of any members of the Executive Committee other than mentioned in the CVs above.

4.3 Management contracts

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. Content and method of determining the compensation and the share-ownership programmes

General

Compensation of the Board of Directors, the CEO and other member of the Executive Committee, as well as other senior executives, is set by the Board of Directors' remuneration committee (see section 3.4 above). The committee convenes at least once a year to set compensation levels for members of the Board of Directors and members of the Executive Committee within parameters established by the full Board of Directors. In addition, special meetings may be convened to approve the remuneration of any new members of the Executive Committee and as required.

The current responsibilities and competencies of the remuneration committee are defined as follows:

- It ensures that management of EFG International and its subsidiaries maintain and observe an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed.
- It ensures that the total annual salary increases and variable compensation amounts are within the overall amount fixed by the Board of Directors.
- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interests or FINMA Circular 2010/1.
- It decides on the contractual arrangements of the Members and the Chairman of the Board of Directors, the CEO of EFG International and other key executives, including those of the company's subsidiaries, as appropriate.
- It approves all salary increases to non-key executives, with the exception of those resulting from existing contractual conditions, in cases where the increase places the person into the key executive category.
- It sets the rules for staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the remuneration committee for approval.
- It decides on the granting of loans to members of the Board of Directors and key executives as well as to related parties.
- It decides on EFG International's contribution to pension and social institutions for the Swiss entities and their branches.
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of EFG International and its subsidiaries.

– It is informed of decisions regarding the waiving the cancellation of rights on EFG International's share options or restricted stock held by staff, who leave for illness or other justifiable cause made by the chairman of the committee.
– The remuneration committee reports annually to the Board of Directors with a formal remuneration report.

The EFG International group has adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Employee Equity Incentive Plan") in order to strengthen the company's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan has been reviewed and amended in 2011 and will cover any options granted during the financial years 2005 to 2011 and last up to the point in time that all options and restricted stock units granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

The CEO identifies and recommends each year all persons who are eligible to participate in the Employee Equity Incentive Plan to the remuneration committee, which then considers the recommendation and, at its absolute discretion, determines the level of equity incentives to be granted to each eligible person.

Details of the options granted under the Employee Equity Incentive Plan can be found in Note 52 to Consolidated Financial Statements of the EFG International group included in this annual report.

Members of the Board of Directors

The compensation of members of the Board of Directors who receive compensation is determined by the remuneration committee and does not include any cash bonus or other variable component. No employment contracts with Board Members have a "severance payment" foreseen.

Executive Committee and other Members of the Executive Management

The compensation of the members of the Executive Committee and other members of senior management is determined by the remuneration committee. The following elements of compensation are applied at the level of senior management:

– Base salary in cash,
– Variable compensation defined annually,
– Other cash compensations (expenses allowances, etc.),
– EFG International Employee Equity Incentive Plan,
– Pension fund.

Variable compensation for members of senior management other than the CEO is determined entirely within the discretion of the remuneration committee based upon recommendations of the CEO (except in relation to his own variable compensation), including any deferral and/or vesting period. The remuneration committee considers a number of quantitative and qualitative elements such as the performance of EFG International through the year, the relation between variable compensation and key performance indicators, the risk profile of the institution and the individual performance of senior management members.

The fixed and variable compensation review is carried out annually. Whilst there is a strong emphasis on the Personal Contribution when determining the discretionary variable compensation for staff with a modest income, this becomes a strong emphasis on Corporate Performance, in particular profitability, with a corresponding diminution of the impact of Personal Contribution, at the senior management level.

Poor performance of the company can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives.

Whilst salary surveys are used to help establish the appropriate remuneration for most members of staff they are rarely used at the highest level of management since an insufficient number of organisations with the same level of international complexity render comparison difficult.

The variable component of pay to members of the executive committee amounted from 0 to 37.6% of the fixed component, averaging at 17.6%.

There is one member of the Executive Committee who benefits from a severance package within his contract; the package covers the payment of his remuneration up until 31st December 2013 in the case of termination without valid reason by the employer. EFG International is currently paying a severance package to a former Executive Committee member until 31st December 2013.

EFG International has decided to implement on a voluntary basis the principles of the FINMA Circular 10/1 "Minimum standards for remuneration schemes of financial institutions" which has been applicable since January 2011.

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

Persons who acquired registered shares will, upon application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act (for details please refer to section 2.6 above). There are no voting right restrictions, no statutory group clauses and hence no rules on making exceptions.

In line with the legal provisions, any shareholder with a voting right may have his/her share represented at any general meeting by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives need not be shareholders.

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

The statutory rules on the convocation of the general meeting of shareholders correspond with legal provisions. Accordingly, the general meeting of shareholders is summoned at least 20 days before the date of the meeting by notice published in the Swiss Official Gazette of Commerce and by letter sent to the addresses of the shareholders entered in the register of shares.

6.4 Agenda

The Board of Directors announces the agenda. Shareholders representing shares with a nominal value of at least CHF one million may request that an item of business be placed on the agenda until 40 days at the latest before the date of the meeting. Such request must be in writing and must state the relevant motions.

6.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the general meeting. However, for organisational reasons, no shareholders will be entered into the share register during the period beginning 15 days prior to a general meeting and ending immediately after the close of the general meeting.

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Duty to make an offer

EFG International has not taken any defence measures against take-over attempts. Therefore, there are no statutory rules on "opting up" and "opting out". The articles of association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 33 1/3% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Art. 22 para. 2 Stock Exchange Act) or which would increase such threshold to 49% of the voting rights (opting up provision pursuant to Art. 32 para. 1 Stock Exchange Act). "Opting up" is a rule based on which the triggering threshold would be lifted to a higher percentage, while "opting out" is a rule waving the legal duty to submit an offer.

7.2 Clauses on changes of control

Stock options and restricted stock units granted to officers and employees would become exercisable upon a mandatory or a voluntary tender offer that becomes unconditional according to the Swiss Federal Act on Stock Exchanges.

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers SA, Geneva, were appointed as statutory auditors and group auditors of EFG International on 8 September 2005, when EFG International was incorporated. The shareholders must confirm the appointment of the auditors on an annual basis at the general meeting.

Mr. Alex Astolfi took up office as lead auditor on 29 April 2008.

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 4,163,682 for auditing the 2011 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 311,000 and fees for tax advice, consultancy and other services of CHF 9,356 were paid.

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

The audit committee, on behalf of the Board of Directors, monitors the qualification, independence and performance of the EFG International group auditors and their lead partners. The audit committee confers with the EFG International group auditors about the effectiveness of the internal control systems in view of the risk profile of the EFG International group.

The audit committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to the EFG International group auditors for additional audit, audit-related and permitted non audit work are subject to pre-approval by the audit committee.

The external auditors provide timely reports to the audit committee on critical accounting policies and practices used, on alternative treatments of financial information discussed with management, and other material written communication between external auditors and management.

The audit committee regularly meets with the lead partners of the external auditors, and at least four times per year. It also regularly meets with the Head of Group Internal Audit.

At least once per year, the chairman of the audit committee discusses with the lead partners of PricewaterhouseCoopers the audit work performed, the main findings and critical issues that arose during the audit.

The chairman of the audit committee reports back to the Board of Directors about their contacts and discussions with the external auditors.

The external auditors have direct access to the audit committee at all times.

9. INFORMATION POLICY

EFG International informs its shareholders and the public each year by means of the annual and half-year reports, as well as press releases, presentations and brochures as needed. The documents are available to the public, in both electronic form at
www.efginternational.com/financial-reporting
and
www.efginternational.com/press-releases
as well as in print form.

It also publishes press releases, presentations and brochures as needed.

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

Important Dates
An updated list can be found on our investor relations homepage at
www.efginternational.com/investors (see Financial calendar)

Contact address can be found on the back cover.

www.efginternational.com

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EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Interest and discount income		419.5	407.7
Interest expense		(207.8)	(157.2)
Net interest income	5	**211.7**	250.5
Banking fee and commission income		561.1	610.5
Banking fee and commission expense		(107.2)	(114.2)
Net banking fee and commission income	6	**453.9**	496.3
Dividend income	7	19.3	9.6
Net trading income	8	83.1	67.4
Net loss from financial instruments designated at fair value	9	(10.8)	(517.8)
Gains less losses from investment securities	10	5.1	16.1
Other operating income		0.9	3.4
Net other income/(loss)		**97.6**	(421.3)
Operating income		**763.2**	325.5
Operating expenses	12	(713.7)	(717.5)
Impairment of intangible assets and goodwill	14	(244.4)	(378.8)
Impairment on available-for-sale investment securities	15	(72.5)	
Impairment on financial assets held-to-maturity	32		(4.4)
Provision for restructuring costs	16	(10.0)	
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)	
Loss on disposal of subsidiary			(23.5)
(Impairment)/Reversal of impairment on loans and advances to customers	11	(1.9)	4.3
Loss before tax		**(289.3)**	(794.4)
Income tax (expense)/gain	17	(2.1)	25.7
Net loss for the period		**(291.4)**	(768.7)
Net loss for the period attributable to:			
Net loss attributable to owners of the Group		(294.1)	(721.8)
Net profit attributable to non-controlling interests		2.7	
Net loss attributable to non-controlling interests			(46.9)
		(291.4)	(768.7)
		CHF	CHF
Earnings per ordinary share			
Basic	49.1	(2.32)	(5.52)
Diluted	49.2	(2.32)	(5.52)

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Net loss for the period		**(291.4)**	(768.7)
Other comprehensive income			
Fair value losses on available-for-sale investment securities, before tax	31	(50.1)	(60.2)
Transfer to the Statement of Comprehensive Income of available-for-sale investment securities reserve, before tax	31	(5.1)	(16.1)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	15	72.5	
Tax effect on changes in fair value of available-for-sale investment securities	31	7.4	1.9
Currency translation differences, before tax		(15.8)	(85.0)
Currency translation losses transferred to the Statement of Comprehensive Income		10.0	
Other comprehensive income for the period, net of tax		**18.9**	(159.4)
Total comprehensive income for the period		**(272.5)**	(928.1)
Total comprehensive income for the period attributable to:			
Owners of the Group		(274.4)	(865.9)
Non-controlling interests		1.9	(62.2)
		(272.5)	(928.1)

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

CONSOLIDATED FINANCIAL STATEMENTS

	Note	31 December 2011 CHF millions	31 December 2010 CHF millions
Assets			
Cash and balances with central banks	20	**1,079.3**	711.8
Treasury bills and other eligible bills	22	**823.9**	2,037.8
Due from other banks	23	**2,206.9**	2,227.1
Loans and advances to customers	24	**9,548.2**	8,957.8
Derivative financial instruments	27	**537.5**	353.8
Financial assets at fair value:			
Trading assets	28	**813.9**	624.7
Designated at inception	29	**367.2**	370.8
Investment securities:			
Available-for-sale	30	**3,984.3**	3,690.3
Held-to-maturity	32	**1,098.3**	1,024.5
Intangible assets	34	**300.6**	578.8
Property, plant and equipment	35	**38.2**	47.5
Deferred income tax assets	18	**48.6**	54.2
Other assets	36	**194.0**	214.1
Total assets		**21,040.9**	20,893.2
Of which assets to significant shareholders		***8.4***	8.9
Liabilities			
Due to other banks	37	**779.0**	337.8
Due to customers	38	**14,398.4**	14,904.4
Derivative financial instruments	27	**603.3**	633.8
Financial liabilities designated at fair value	39	**490.7**	486.7
Other financial liabilities	40	**3,356.5**	2,863.0
Current income tax liabilities		**11.4**	10.8
Deferred income tax liabilities	18	**37.6**	58.1
Other liabilities	41	**352.5**	299.9
Total liabilities		**20,029.4**	19,594.5
Equity			
Share capital	43.1	**73.1**	73.1
Share premium	43.2	**1,154.3**	1,153.8
Other reserves	44	**77.8**	42.6
Retained earnings		**(318.3)**	6.4
		986.9	1,275.9
Non-controlling interests		**24.6**	22.8
Total shareholders' equity		**1,011.5**	1,298.7
Total equity and liabilities		**21,040.9**	20,893.2
Of which subordinated liabilities		-	-
Of which liabilities to significant shareholders		***1.4***	*27.0*

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

		Attributable to owners of the Group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2010		73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3
Net loss for the period					(721.8)	(721.8)	(46.9)	(768.7)
Currency translation differences, net of tax				(81.0)		(81.0)	(4.0)	(85.0)
Fair value losses on available-for-sale investment securities, net of tax				(63.1)		(63.1)	(11.3)	(74.4)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		-	-	(144.1)	(721.8)	(865.9)	(62.2)	(928.1)
Dividend paid on ordinary shares	50				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	50				(20.4)	(20.4)		(20.4)
Net distributions to non-controlling interests						-	(0.6)	(0.6)
Ordinary shares sold	43.1-43.2		0.4			0.4		0.4
Ordinary shares repurchased	43.1-43.2	(0.1)	(4.0)			(4.1)		(4.1)
Employee equity incentive plans	52			26.6		26.6		26.6
Balance at 31 December 2010		73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011 CONTINUED

		Attributable to owners of the group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2011		73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7
Net loss for the period					(294.1)	(294.1)	2.7	(291.4)
Currency translation differences, net of tax				(15.3)		(15.3)	(0.5)	(15.8)
Currency translation losses transferred from the Statement of Other Comprehensive Income				10.0		10.0		10.0
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income				72.5		72.5		72.5
Fair value gains/(losses) on available-for-sale investment securities, net of tax				(47.5)		(47.5)	(0.3)	(47.8)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		**-**	**-**	**19.7**	**(294.1)**	**(274.4)**	**1.9**	**(272.5)**
Dividend paid on ordinary shares	50				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	50				(17.2)	(17.2)		(17.2)
Net distributions to non-controlling interests						-	(0.1)	(0.1)
Ordinary shares sold	43.2		0.5			0.5		0.5
Employee equity incentive plans	52			15.5		15.5		15.5
Balance at 31 December 2011		**73.1**	**1,154.3**	**77.8**	**(318.3)**	**986.9**	**24.6**	**1,011.5**

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Cash flows from operating activities			
Interest received		**388.8**	401.2
Interest paid		**(196.8)**	(147.6)
Banking fee and commission received		**540.2**	609.1
Banking fee and commission paid		**(103.8)**	(108.2)
Dividend received	7	**19.3**	9.6
Net trading income		**68.6**	86.8
Other operating receipts		**1.0**	3.5
Staff costs paid		**(434.1)**	(449.4)
Other operating expenses paid		**(150.0)**	(193.5)
Income tax paid		**(0.5)**	(13.5)
Cash flows from operating activities before changes in operating assets and liabilities		**132.7**	198.0
Changes in operating assets and liabilities			
Net decrease/(increase) in treasury bills		**828.8**	(1,468.4)
Net (increase) in due from other banks		**(27.7)**	(36.4)
Net (decrease)/increase in derivative financial instruments		**(214.1)**	105.2
Net (increase) in loans and advances to customers		**(679.0)**	(670.8)
Net (increase) in other assets		**(20.1)**	(41.5)
Net increase/(decrease) in due to other banks		**434.0**	(96.7)
Net (decrease) in due to customers		**(463.7)**	(743.9)
Net increase/(decrease) in other liabilities		**52.6**	(6.1)
Net cash flows from operating activities		**43.5**	(2,760.6)
Cash flows from investing activities			
Proceeds from disposal of business, net of cash disposed		**0.1**	(1.1)
Purchase of securities		**(9,609.3)**	(9,668.8)
Proceeds from sale of securities		**9,062.8**	9,366.6
Purchase of property, plant and equipment	35	**(9.2)**	(13.7)
Purchase of intangible assets	34	**(10.3)**	(8.7)
Proceeds from sale of property, plant and equipment		**0.2**	0.5
Net cash flows used in investing activities		**(565.7)**	(325.2)
Cash flows from financing activities			
Dividend paid on Bons de Participation	50	**(17.2)**	(20.4)
Dividend paid on ordinary shares	50	**(13.4)**	(13.4)
Distributions to non-controlling interests		**(0.1)**	(0.6)
Ordinary shares repurchased	43		(4.1)
Ordinary shares sold	43	**0.5**	0.4
Issuance of structured products		**7,810.7**	6,012.4
Redemption of structured products		**(7,344.7)**	(3,857.0)
Net cash flows from financing activities		**435.8**	2,117.3
Effect of exchange rate changes on cash and cash equivalents		(12.8)	(56.9)
Net change in cash and cash equivalents		**(99.2)**	(1,025.4)
Cash and cash equivalents at beginning of period	21	**2,914.8**	3,940.2
Net change in cash and cash equivalents		**(99.2)**	(1,025.4)
Cash and cash equivalents	21	**2,815.6**	2,914.8

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in Bahamas, Cayman, Channel Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2011 was 2,547 (31 December 2010: 2,462).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange with its registered office at Bahnhofstrasse 12, 8001 Zurich. For details of significant shareholders, refer to note 12 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 28 February 2012.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2011. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2012). These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of 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. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates is presented in notes 3 and 34.

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on 1 January 2011. These are as follows:

New and amended standards adopted by the Group:

– IAS 1, 'Presentation of financial statements'
  Clarifies that an entity will present an analysis of Other Comprehensive Income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied for periods beginning on or after 1 January 2011 with retrospective application and resulted in further disclosure on the Group's financial statements.

- IAS 24, 'Related party disclosures' (revised 2009)
  Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities. The amendment is applied for periods beginning on or after 1 January 2011 and did not have any impact on the Group's financial statements.
- IAS 34, 'Interim financial reporting'
  Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements about:
  - The circumstances likely to affect fair values of financial instruments and their classification;
  - Transfers of financial instruments between different levels of the fair value hierarchy;
  - Changes in classification of financial assets; and
  - Changes in contingent liabilities and assets

  The amendment is applied for periods beginning on or after 1 January 2011 with retrospective application and the disclosures in the half-year report were amended accordingly.
- IFRS 3, 'Business combinations'
  (a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
  Applicable to annual periods beginning on or after 1 July 2010. Applied retrospectively.
  (b) Measurement of non-controlling interests
  The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively from the date the entity applies IFRS 3.
  (c) Un-replaced and voluntarily replaced share-based payment awards
  The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively.
- IFRS 7, 'Financial instruments'
  Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Applicable to annual periods beginning on or after 1 January 2011. Applied retrospectively.
- IFRS Interpretation 19, 'Extinguishing financial liabilities with equity instruments
  Clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The amendment is applied for periods beginning on or after 1 July 2010 and did not have any impact on the Group's financial statements.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them:

- Amendment to IAS 1, 'Financial statement presentation' regarding Other Comprehensive Income
  The main change resulting from these amendments is a requirement for entities to group items presented in the Statement of Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to the Statement of Comprehensive Income subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
  The Group will apply this amendment for the financial reporting period commencing on 1 July 2012. It is not expected to have a material impact on the Group's financial statements.

– Amendment to IAS 19, 'Employee benefits'
These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. The impact of this amendment will be to reduce equity by approximately CHF 31 million, refer to note 42 of the Group's financial statements for further information.
– IAS 27, 'Consolidated and separate financial statements'
Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. The amendment is applied for periods beginning on or after 1 July 2011 with retrospective application and did not have any impact on the Group's financial statements.
– IAS 28 (revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. It is not expected to have any impact on the Group's financial statements.
– Amendments to IFRS 7, 'Financial instruments: Disclosures on de-recognition
This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendments are applicable to annual periods beginning on or after 1 July 2011 and did not have any impact on the Group's financial statements.
– IFRS 9, 'Financial instruments', (effective 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in Other Comprehensive Income rather than in the Statement of Comprehensive Income, unless this creates an accounting mismatch.
On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2015.
The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.
The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in Other Comprehensive Income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
– IFRS 10, 'Consolidated financial statements'
The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It also defines the principle of control, and establishes controls as the basis for consolidation. The Standard details how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements.
The Group will apply this new standard for the financial reporting period commencing on 1 January 2013 and the Group is yet to assess the full impact on its financial statements.
– IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- IFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned to IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group will apply this standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition. Costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company's main subsidiaries is set out in note 33.

(ii) Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in Other Comprehensive Income is reclassified to the Statement of Comprehensive Income where appropriate.

Put options over non-controlling interests
A wholly owned subsidiary of EFG International wrote a put option on shares in a subsidiary that is held by non-controlling interests. As the risks and rewards of the shares subject to the put option have not been transferred to the Group, the Group has adopted the double credit approach for balance sheet recognition. It has continued to recognise the non-controlling interest and separately recognised the put option as a liability by reclassification from Group equity. This financial liability is measured at management's best estimate of the redemption amount. Subsequent changes in the value of this liability are recorded in the Statement of Comprehensive Income.

(iii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

(c) Foreign currencies
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's presentation currency, as the functional currency of the Parent Company and of its major operating subsidiary EFG Bank AG. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and Statement of Comprehensive Income items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in other reserves.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the Statement of Comprehensive Income.

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

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

	2011 Closing rate	2011 Average rate	2010 Closing rate	2010 Average rate
USD	0.940	0.887	0.936	1.042
GBP	1.451	1.422	1.450	1.609
EUR	1.216	1.233	1.251	1.380
SEK	0.136	0.137	0.140	0.145

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the Statement of Comprehensive Income, and other changes in carrying amount are recognised in the Statement of Other Comprehensive Income.

(d) Derivative financial instruments and hedging

Derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is enacted, and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is derived from its comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument; and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

1) Hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge)
2) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)
3) Hedges of a net investment in a foreign operation (net investment hedge)

Hedge accounting is used for derivatives designated as such, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Statement of Comprehensive Income over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings, until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the Statement of Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts accumulated in the Statement of Other Comprehensive Income are recycled to the Statement of Comprehensive Income in the periods in which the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the Statement of Other Comprehensive Income; the gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income. Gains and losses accumulated in the Statement of Other Comprehensive Income are included in the Statement of Comprehensive Income when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 27.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Statement of Comprehensive income

(i) Interest income and expenses

Interest income and expenses are recognised in the Statement of Comprehensive Income for all interest bearing instruments on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis. Fees and commissions relating to foreign exchange transactions, bank charges, brokerage activities and portfolio management are recognised, as applicable, on either a time-apportioned basis, at the transaction date or on completion of the underlying transaction.

Fees and commission arising from negotiating a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the Statement of Comprehensive Income.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

– Leasehold improvements: 5–20 years
– Computer hardware: 3–5 years
– Furniture, equipment and motor vehicles: 3–10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the Statement of Comprehensive Income.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported under "Intangible assets", while goodwill on acquisition of associates is included in "Investments in associates". The carrying amount of goodwill is reviewed at least annually. Where evidence of impairment exists, the carrying amount of goodwill is re-assessed and written down to recoverable amount (where recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use).

Goodwill is allocated to cash generating units for the purpose of impairment testing (note 34.3). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets – Client Relationships

They are stated at estimated costs less accumulated amortisation calculated on a 4 to 25 year basis.

(iii) Other intangible assets – Trademarks

They are stated at estimated costs less accumulated amortisation calculated on a 10 to 14 year basis.

(iv) Other intangible assets – Non-compete agreement

They are stated at estimated costs less accumulated amortisation calculated on a 3 to 10 year basis (depending on contractual agreements).

(v) Other intangible assets – Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. They are periodically reviewed for impairment, with any impairment charge being recognised in the Statement of Comprehensive Income. Amortisation is calculated using the straight-line method over a 3–5 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial assets and liabilities

All financial assets are recorded on the day the transaction is undertaken, with the exception of deposits and loans, which are entered in the balance sheet on their respective value dates.

Purchases and sales of financial assets at fair value, held-to-maturity and available-for-sale are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value are included in the Statement of Comprehensive Income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the Statement of Other Comprehensive Income, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in the Statement of Other Comprehensive Income should be recognised in the Statement of Comprehensive Income. Interest calculated using the effective interest method, is recognised in the Statement of Comprehensive Income. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Income when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is based on current bid prices. If there is no active market for financial assets, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Life insurance policies are included as financial assets at fair value, available-for-sale and held-to-maturity. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy to value life insurance policies.

Life insurance policies that are classified as held-to-maturity generate a return based on an effective Internal Rate of Return, included in Interest income and increase the carrying value on the balance sheet. For policies transferred from available-for-sale, any available-for-sale equity reserve at the date transferred is amortised into the Statement of Comprehensive Income over the estimated remaining life of the life insurance policies.

If objective evidence exists that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognised in the Statement of Comprehensive Income. Premiums paid are recognised as part of the cost of the investment and increase the carrying value on the balance sheet.

The Group classifies its financial assets in the following categories: at fair value; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates as at fair value, or those that the Group upon initial recognition designates as available-for-sale. Assets classified as loans and receivables arise when the Group provides money, goods or services directly to a debtor.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(v) Financial liabilities at fair value

A financial liability is classified in this category if acquired principally for the purpose of buying in the short term, or if so designated by management as a hedge for an asset, or as a hedge for the derivative component of a structured product.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the Group, including:
   – adverse changes in the payment status of borrowers in the Group; or
   – national or local economic conditions that correlate with defaults on the assets in the Group.

(i) Available-for-sale assets

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income – is removed from the Statement of Other Comprehensive Income and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity investments are not reversed through the Statement of Comprehensive Income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

(ii) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

(k) Debt securities in issue

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

(l) Leases

The leases entered into by the Group are operating leases. The total payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the life of the lease.

(m) Deferred income tax

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

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of available-for-sale investments, which is taken directly to the Statement of Other Comprehensive income, is charged or credited directly to the Statement of Other Comprehensive Income and is subsequently recognised in the Statement of Comprehensive Income together with the deferred gain or loss.

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

Deferred tax assets and liabilities are presented on a gross basis.

(n) Employee benefits

(i) Pension obligations

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. This applies to most of the locations where the Group operates except for Switzerland and Channel Islands.

In Switzerland, the Group maintains several pension plans which are classified as defined contribution or defined benefit plans according to Swiss pension law. The company's legal obligation, in respect of these plans, is merely to pay contributions at defined rates (defined contribution). However, these plans incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, these plans have been reported as defined benefit pension plans.

Pension cost and liability have been measured using the projected unit credit actuarial cost method and assumptions established as defined in IAS19. The calculations have been carried out by independent actuaries at the applicable reporting dates.

The pension expenses recognised in the Statement of Comprehensive Income for these plans considered as defined benefits for IAS 19 purposes is the actuarially determined expense less the amount of employee contributions. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

(ii) Short-term employee benefits

The Group recognises short-term compensated absences as a liability.

(iii) Share based compensation

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

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or restricted stock units granted, excluding the impact of any non-market vesting conditions (for example, profitability and revenue growth targets). Non-market vesting conditions are included in assumptions about the number of options and restricted stock units that are expected to become exercisable. The expense recognised during each period is the pro-rata amount of the fair value of options expected to become exercisable plus the impact of the revision of original estimates, if any, which is recognised in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

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

(o) Related party transactions

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

(p) Provisions

Provisions are recognised when:

a) The Group has a present legal or constructive obligation as a result of past events;
b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
c) Reliable estimates of the amount of the obligation can be made.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Share Capital

Ordinary shares and non-voting Bons de Participation issued are classified as equity.

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(r) Fiduciary activities

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

(s) Cash and cash equivalents

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

(t) Comparatives

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of intangible assets

The Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are determined based on the maximum of value in use and fair value less costs to sell which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. The value in use is determined by using a discounted cash-flow calculation based on the operating cash-flows of the asset and its future sale after the utilisation period (not exceeding 5 years). An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 34.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques (note 4.2.1). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

The Group follows the guidance of IAS 39 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF 1.1 million through the Statement of Comprehensive Income (2010: loss of CHF (1.2) million), and a 3 month increase in actual life expectancies would result in a loss of CHF 16.1 million (2010: loss of CHF (16.0) million).

(d) Available-for-sale – Life insurance policies

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF 1.1 million through the Statement of Other Comprehensive Income (2010: loss of CHF (1.3) million), and a 3 month increase in actual life expectancies would result in a loss of CHF 2.1 million (2010: loss of CHF (2.1) million).

(e) Impairment of available-for-sale investments

The Group determines any impairment of available-for-sale investments through a two-step process. The Group first performs a review at each reporting date to determine whether there is objective evidence that impairment exists for a financial asset. If such evidence exists, the Group measures and records the impairment loss in the reporting period. The Group determines that available-for-sale investments are potentially impaired when there has been a significant or prolonged decline in the fair value of the investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(f) Held-to-maturity investments – Life insurance policies

The Group concluded that it is appropriate to classify the life insurance policies as held-to-maturity for the reasons explained below and that these financial assets fall within the definition of IAS 39.9 related to held-to-maturity classification:

- Non-derivative financial asset: Life insurance policies are not treated as derivatives and are akin to fixed income instruments. A derivative typically involves only a percentage of the notional exposure being paid for and a leverage effect. However, the full value of the life insurance policies was paid when they were acquired and no leverage effect exists.
- Fixed or determinable payments: Cash flows relating to life insurance policies are the premium payments required to keep the policies in force and the death benefits receivable. The cash flow timing is determined by mortality assumptions derived from the standard mortality tables.
- Fixed maturity: No financial assets with indefinite lives can be classified as held-to-maturity. The life insurance policies have a prefixed event that determines the maturity of the instrument (i.e. the death of the insured which is estimated based on actuarial data).
- Intention and ability to hold to maturity: the Group concluded on recognition in 2010 that it has the intention and the ability to hold these life insurance policies until maturity.

(g) Held-to-maturity investments – Others

The Group follows the IAS 39 guidance on classifying non-derivative financial assets, with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. The Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity, it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(h) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk. Most credit risk is limited to interbank placements with rated financial institutions and sovereign bodies, mortgages, lombard loans and other secured loans as well as credit risk associated with its holding of life insurance policies. Market risk is largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group along with market risk resulting from the Group's subsidiary EFG Financial Products AG.

Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which has delegated certain functions to its Risk Committee, which sets policies and risk appetite. Implementation of the Group's policies and compliance with procedures is the responsibility of the Executive Committee and its sub-committees for market risk and credit risk.

In compliance with the art. 663b of Swiss Code of Obligation, the Board delegated to the Risk Committee the responsibility to analyse the main risks the Group may be exposed to. These main risks are the credit risks, market risks and operational risks as detailed below. Its monitoring of the credit risk is based on the ratings diversification and evolution; the one for the market risk is based on the average positions of last year and on the calculation of VaR (including stress scenario analysis); the one for the operational risk on its inventory of the identified risks with an indication of their probability of occurrence and the potential financial impacts estimated. In addition, the Group has taken into account in its analysis the risk mitigation measures and the internal control framework (including the internal procedures). The Board has also focused its attention to the guarantee of a constant monitoring and evaluation of the risk, as well as the measurement of the potential impact of these risks on the financial statements. Based on this analysis, the Board has approved the Risk Policy.

4.1 Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. The Group's credit risk exposure is comparatively low because it's primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions.

4.1.1 Credit risk management

(a) Loans and advances

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by Client Relationship Officers and must be supported by Regional Business Heads and are thereafter analysed and submitted to the competent credit approval bodies and processed by the credit departments.

The Executive Credit Committee of the Group has overall responsibility for the client credit business, including the implementation of credit policies and procedures defined by the Board of the Group. Certain duties, including monitoring of day-to-day operations, have been delegated to the various Credit Departments of the Group under the supervision of the Credit Department of EFG Bank AG. The approval of loans, ceilings and other exposures has been delegated, based on certain defined risk and size criteria, to senior members of the credit departments, certain credit committees of international units and to the Executive Credit Committee of the Group.

The approval of large and higher risk profile exposures is centralised in Switzerland, in compliance with local regulatory and legal requirements of the individual, international business units.

Management insists on thoroughly understanding the background and purpose of each loan (which is typically for investment in securities, funds or investment related insurance policies) as well as the risks of the underlying collateral of each loan.

The Group's internal rating system assigns each client credit exposure to one of ten rating categories. The rating assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit policy and the nature of the loans ensure that the Group's loan book is of high quality. Consequently, an overwhelming majority of the Group's credit exposures are rated within the top 3 categories.

Group's internal ratings scale and comparison to external ratings:

Group's ratings	Rating	Description of grade	Moody's rating
1	Top	Secured by "cash collateral or equivalent" – good diversification	Aaa
2	High	High Secured by "cash collateral or equivalent" – imperfect diversification	Aa
3	Very good	Secured by "other collateral"	A
4	Good	Partly secured by "cash collateral or equivalent"	Baa
5	Acceptable	Unsecured by prime borrower	Ba
6	Weak	Borrower situation/collateral value is deteriorating	B
7	Poor	Conditions of initial credit are no longer being met	Caa
8	Unacceptable	Interest is no longer being paid – collateral is being held	Ca
9	Potential loss	Bank holds illiquid – uncollectible or no collateral	C
10	Loss	No collateral or uncollectible collateral	C

The ratings of a major rating agency (shown in the table above) are mapped to the Group's rating classes based on above internal definitions and on the long-term average default rates for each external grade. The Group uses the external ratings to benchmark its internal credit risk assessment.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Moody's rating or their equivalents, are used by the Group for managing the credit risk exposures.

4.1.2 Risk limit control and mitigation policies

To qualify as collateral for a margin loan, a client's securities portfolio must generally be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Close to 85% of mortgages are booked in the UK subsidiary, EFG Private Bank Ltd and these mortgages are related predominantly to residential properties in prime London locations.

Credit departments monitor credit exposures against approved limits and pledged collateral. If necessary, they initiate rectification steps. Most collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, hedge funds and some other mutual funds are valued monthly, whereas insurance policies are valued at least annually. Mortgage valuations are reviewed annually using statistical (indexation) methods, and larger mortgages are subject to periodic independent valuation.

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set and monitored by the Risk Committee, with delegated authority up to certain absolute size to the Management Risk Committee; depending on each counterparty's Fitch or Moody's ratings (individual and support ratings) and on its total equity.

Other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for credit exposures. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:

– Mortgages over residential and commercial properties;
– Charges over financial instruments such as debt securities and equities.

(b) Derivatives

The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets with positive fair values).

(c) Credit related commitments

Credit related commitments include the following:

i) Guarantees and standby letters of credit – these carry the same credit risk as loans.

ii) Commitments to extend credit – these represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards.

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2011 and 2010, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2011 CHF millions	2010 CHF millions	2011 CHF millions	2010 CHF millions
Balances with central banks	**1,079.3**	711.8	**1,079.3**	711.8
Treasury bills and other eligible bills	**823.9**	2,037.8	**823.9**	2,037.8
Due from other banks	**2,206.9**	2,227.1	**1,770.2**	2,090.5
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	**7,265.4**	6,973.0	**68.7**	48.0
Mortgages	**2,282.8**	1,984.8		
Derivative financial instruments	**537.5**	353.8	**389.2**	173.5
Financial assets at fair value:				
Trading Assets – Debt securities	**114.1**	90.5	**114.1**	90.5
Designated at inception – Debt securities	**350.7**	345.0	**87.5**	25.0
Investment securities – Debt securities	**5,049.4**	4,678.4	**5,049.4**	4,678.4
Other assets	**197.0**	214.1	**197.0**	214.1
On-balance sheet assets	**19,907.0**	19,616.3	**9,579.3**	10,069.6
Financial guarantees	**322.4**	315.9	**4.0**	1.0
Loan commitments, and other credit related guarantees	**130.4**	154.7	**27.2**	34.1
Off-balance sheet assets	**452.8**	470.6	**31.2**	35.1
Total	**20,359.8**	20,086.9	**9,610.5**	10,104.7

See note 26 Collateral for loans and advances to customers which shows that collateral comprised 99.1% (2010: 99.3%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2011 based on Moody's ratings:

	Aaa – Aa CHF millions	A CHF millions	Baa – Ba CHF millions	B – C CHF millions	Unrated CHF millions	Total CHF millions
Balances with central banks	1,079.3					1,079.3
Treasury bills and other eligible bills	823.9					823.9
Due from other banks	597.3	765.5	113.0	79.8	214.6	1,770.2
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans	7.9	1.8	55.2	3.8		68.7
Mortgages						-
Derivative financial instruments	98.5	78.9	3.5		208.3	389.2
Financial assets at fair value:						
Trading Assets – Debt securities	3.4	22.9	87.8			114.1
Designated at inception – Debt securities	32.7	52.7	1.8		0.3	87.5
Investment securities – Debt securities	3,701.5	1,167.2	171.0	9.7		5,049.4
Other assets					197.0	197.0
Total on-balance sheet assets 2011	**6,344.5**	**2,089.0**	**432.3**	**93.3**	**620.2**	**9,579.3**
Total on-balance sheet assets 2010	7,324.9	1,879.2	358.8	27.5	479.2	10,069.6
Financial guarantees					4.0	4.0
Loan commitments, and other credit related guarantees					27.2	27.2
Total off-balance sheet assets 2011	**-**	**-**	**-**	**-**	**31.2**	**31.2**
Total off-balance sheet assets 2010					35.1	35.1

Selected European credit risk exposures

As at 31 December the Group had credit exposure, based on balance sheet carrying values, to the following European countries:

	Sovereign CHF millions	Financial Institution CHF millions	Other CHF millions	Total CHF millions
31 December 2011				
Spain	240.3	24.8	2.1	267.2
Greece	22.2	66.9	0.3	89.4
Portugal		22.3		22.3
Italy	12.1	1.2	0.7	14.0
Ireland				-
Total	**274.6**	**115.2**	**3.1**	**392.9**
31 December 2010				
Spain	266.0	9.5	5.5	281.0
Greece	57.7	80.8		138.5
Portugal		22.7		22.7
Italy	13.1	0.8		13.9
Ireland		0.3		0.3
Total	336.8	114.1	5.5	456.4

The basis for the presentation of the country exposure, based on balance sheet carrying values, from banking counterparties or investment securities is the country of domicile of the legal entity that is our contractual counterparty. A debt security issued by a company domiciled in country A would be shown against country A, independent of the location of its primary business activity or the exchange on which the security is registered.

Concentration of risks of financial assets with credit risk exposure

The Group manages the risk of concentration by monitoring and reviewing on a regular basis its large exposures.

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		31 December 2011		31 December 2010	
		Loans and advances to customers CHF millions	Due from other banks CHF millions	Loans and advances to customers CHF millions	Due from other banks CHF millions
Neither past due nor impaired	a)	9,518.7	2,206.9	8,870.3	2,227.1
Past due but not impaired	b)	29.5		87.5	
Impaired		8.4		6.1	
Gross		9,556.6	2,206.9	8,963.9	2,227.1
Less: allowance for impairment		(8.4)		(6.1)	
Net		**9,548.2**	**2,206.9**	8,957.8	2,227.1

The total impairment provision for loans and advances of CHF 8.4 million (2010: CHF 6.1 million) comprises specific provisions against individual loans. Note 25 relates to the impairment allowance for loans and advances to customers.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (refer to note 4.1.1 for definition of internal grades).

	Loans and advances to customers		
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2011			
Grade 1–2	5,470.8	244.0	5,714.8
Grade 3	1,591.1	1,641.0	3,232.1
Grade 4–5	200.9	369.0	569.9
Grade 6–7	1.9		1.9
Grade 8			
Grade 9–10			
	7,264.7	**2,254.0**	**9,518.7**
31 December 2010			
Grade 1–2	5,519.6	155.6	5,675.2
Grade 3	1,165.8	1,364.8	2,530.6
Grade 4–5	206.7	383.9	590.6
Grade 6–7	73.9		73.9
Grade 8			
Grade 9–10			
	6,966.0	1,904.3	8,870.3

(b) Loans and advances past due, but not impaired

Loans and advances less than 180 days past due, are not considered impaired unless other information is available to indicate the contrary. The gross amount of loans and advances to customers by class, that were past due but not impaired, were as follows:

	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2011			
Greater than 180 days, past due		25.3	25.3
Less than 180 days, past due	0.7	3.5	4.2
Total	**0.7**	**28.8**	**29.5**
Fair value of collateral	1.6	31.8	33.4
31 December 2010			
Greater than 180 days, past due	6.3	33.5	39.8
Less than 180 days, past due	0.7	47.0	47.7
Total	7.0	80.5	87.5
Fair value of collateral	8.0	120.5	128.5

4.1.5 Impairment and provisioning policies

The internal and external rating systems described in note 4.1.1 focus primarily on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that are expected at the balance sheet date based on objective evidence of impairment (see note 2 (j)).

All the impairment provisions come from the bottom grade. The table below shows the percentage of the Group's on balance sheet items relating to loans and advances to customers, and the associated impairment provision for each of the Group's internal grade descriptions:

Grade descriptions	2011 Loans and advances %	2011 Impairment provision %	2010 Loans and advances %	2010 Impairment provision %
Grade 1–2	59.8		63.3	
Grade 3	33.9		28.2	
Grade 4–5	6.0		6.6	
Grade 6–7	0.2		1.8	
Grade 8	0.0		0.0	
Grade 9–10	0.1	100.0	0.1	100.0
	100.0	**100.0**	100.0	100.0

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on criteria set out by the Group including delinquency in contractual payments of principal or interest, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration in the value of collateral; and downgrading below investment grade level.

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at 31 December 2011, based on internal ratings:

	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
31 December 2011						
Grade 1–2	823.9	3.4	109.6	3,248.1	453.4	4,638.4
Grade 3		22.9	215.1	569.7	597.5	1,405.2
Grade 4–5		87.8	15.0	123.6	47.4	273.8
Unrated			11.0	9.7		20.7
Total	**823.9**	**114.1**	**350.7**	**3,951.1**	**1,098.3**	**6,338.1**
31 December 2010						
Grade 1–2	2,037.8	6.4	135.0	2,713.9	502.9	5,396.0
Grade 3		30.2	189.7	822.9	475.8	1,518.6
Grade 4		53.9	15.0	106.0	40.2	215.1
Unrated			6.1	11.2	5.6	22.9
Total	**2,037.8**	**90.5**	**345.8**	**3,654.0**	**1,024.5**	**7,152.6**

4.2 Market risk

Market risk refers to fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk derives from trading in treasury and investment market products which are priced daily; as well as from more traditional banking business, such as loans.

The Group engages in trading of securities, derivatives, foreign exchange, money market papers, and commodities on behalf of its clients. This business is conducted primarily out of dealing rooms in Geneva, Zurich, Cayman, Hong Kong, London and Monaco. The Group does not engage in proprietary trading in securities other than its holding of fixed income securities and life insurance policies in its banking book and equities and commodities held as part of EFG Financial Products AG's hedging activities. The Group maintains small proprietary positions in foreign exchange instruments.

Both interest rate and foreign exchange exposures are strictly limited by sensitivity, Value at Risk (VaR) and stress test limits. Foreign exchange is also subject to daily and 10 sliding days stop loss monitoring. Adherence to all limits is monitored independently by the internal Market Risk Control & Reporting Department.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to credit spread related risk induced by bonds position holding for Asset & Liability management purposes while currency risk exposure is induced by the capital of our subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

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

	31 December 2011				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	29.4	160.2		189.6	
Interest rate derivatives	0.6	60.1		60.7	
Other derivatives	102.0	130.1	55.1	287.2	
Total derivatives assets					**537.5**
Financial assets at fair value:					
Equity	699.8			699.8	
Debt	88.1	26.0		114.1	
Total trading assets					**813.9**
Designated at inception:					
Equity		1.4		1.4	
Debt	51.3			51.3	
Life Insurance related			299.4	299.4	
Other			15.1	15.1	
Total financial assets designated at inception					**367.2**
Investment securities: Available-for-sale					
Equity	4.4		28.8	33.2	
Debt	3,190.1	716.7		3,906.8	
Life Insurance related			44.3	44.3	
Total investment securities available-for-sale					**3,984.3**
Total assets measured at fair value	**4,165.7**	**1,094.5**	**442.7**	**5,702.9**	**5,702.9**
Derivative financial instruments (liabilities):					
Currency derivatives	37.7	89.5		127.2	
Interest rate derivatives	0.6	66.1		66.7	
Other derivatives	326.6	75.1	7.7	409.4	
Total derivatives liabilities					**603.3**
Financial liabilities designated at fair value:					
Equity	148.2		18.0*	166.2	
Debt	20.1			20.1	
Hybrid		25.1		25.1	
Life Insurance related			279.3	279.3	
Total financial liabilities designated at fair value					**490.7**
Total liabilities measured at fair value	**533.2**	**255.8**	**305.0**	**1,094.0**	**1,094.0**
Assets less liabilities measured at fair value	**3,632.5**	**838.7**	**137.7**	**4,608.9**	**4,608.9**

	31 December 2010				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	1.4	227.5		228.9	
Interest rate derivatives	1.4	16.5		17.9	
Other derivatives	48.7	10.8	47.5	107.0	
Total derivatives assets					**353.8**
Financial assets at fair value:					
Equity	534.2			534.2	
Debt	90.5			90.5	
Total trading assets					**624.7**
Designated at inception:					
Equity		9.8	15.2	25.0	
Debt	53.6	0.4		54.0	
Life Insurance related			291.8	291.8	
Total financial assets designated at inception					**370.8**
Investment securities: Available-for-sale					
Equity	4.7		29.1	33.8	
Debt	2,530.6	1,078.3		3,608.9	
Life Insurance related			47.6	47.6	
Total investment securities available-for-sale					**3,690.3**
Total assets measured at fair value	**3,265.1**	**1,343.3**	**431.2**	**5,039.6**	**5,039.6**
Derivative financial instruments (liabilities):					
Currency derivatives		268.4		268.4	
Interest rate derivatives		41.2		41.2	
Other derivatives	320.6	0.3	3.3	324.2	
Total derivatives liabilities					**633.8**
Financial liabilities designated at fair value:					
Equity	197.5		18.6*	216.1	
Life Insurance related			270.6	270.6	
Total financial liabilities designated at fair value					**486.7**
Total liabilities measured at fair value	**518.1**	**309.9**	**292.5**	**1,120.5**	**1,120.5**
Assets less liabilities measured at fair value	**2,747.0**	**1,033.4**	**138.7**	**3,919.1**	**3,919.1**

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

(b) Movements of Level 3 instruments

	Assets in Level 3			
	Derivative financial instruments CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2011	47.5	307.0	76.7	431.2
Total gains or losses				
in the Statement of Comprehensive Income	7.3	(26.6)	5.9	(13.4)
in the Statement of Other Comprehensive Income			(11.5)	(11.5)
Purchases/Premiums paid		33.5	5.0	38.5
Disposals/Premiums received		(1.1)	(1.7)	(2.8)
Exchange differences	0.3	1.7	(1.3)	0.7
At 31 December 2011	**55.1**	**314.5**	**73.1**	**442.7**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	7.3	(26.6)	5.8	(13.5)

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilitites in Level 3 CHF millions
At 1 January 2011	3.3	289.2	292.5
Total gains or losses			
in the Statement of Comprehensive Income	4.5	(20.5)	(16.0)
in the Statement of Other Comprehensive Income			-
Purchases/Premiums paid		29.0	29.0
Disposals/Premiums received		(1.4)	(1.4)
Exchange differences	(0.1)	1.0	0.9
At 31 December 2011	**7.7**	**297.3**	**305.0**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	4.5	(20.5)	(16.0)

	Assets in Level 3			
	Derivative financial instruments CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2010	46.7	637.6	378.2	1,062.5
Total gains or losses				
in the Statement of Comprehensive Income	4.0	(23.7)	8.7	(11.0)
in the Statement of Other Comprehensive Income		(16.6)	(20.1)	(36.7)
Purchases/Premiums paid	4.6	61.9	32.6	99.1
Disposals/Premiums received	(3.5)	(285.2)	(1.8)	(290.5)
Transfers out of Level 3*			(323.5)	(323.5)
Transfers into Level 3			3.8	3.8
Exchange differences	(4.3)	(67.0)	(1.2)	(72.5)
At 31 December 2010	**47.5**	**307.0**	**76.7**	**431.2**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	4.0	(23.7)	8.7	(11.0)

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilitites in Level 3 CHF millions
At 1 January 2010	-	335.7	335.7
Total gains or losses			
in the Statement of Comprehensive Income		(47.2)	(47.2)
in the Statement of Other Comprehensive Income			-
Purchases/Premiums paid	3.3		3.3
Disposals/Premiums received		30.8	30.8
Exchange differences		(30.1)	(30.1)
At 31 December 2010	**3.3**	**289.2**	**292.5**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	-	(47.2)	(47.2)

* *Transfers out of Level 3 include available-for-sale Life insurance policies reclassified to the Held-to-maturity portfolio.*

The total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period is composed of CHF 9.2 million recorded in Net interest income (2010: CHF 47.4 million) and CHF 6.6 million recorded in Net gain/(loss) from financial instruments designated at fair value (2010: CHF (11.2) million).

No significant transfer between level 1, level 2 and level 3 instruments occurred during the year.

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

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

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

Valuation technique		31 December 2011 CHF millions	31 December 2010 CHF millions
Recent arm's length transactions	**Products**		
Available-for-sale – Equity securities	Unquoted equity holding	2.2	3.8
Discounted cash flow analysis			
Derivatives	Credit default swaps	(4.0)	0.9
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	26.6	25.3
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(18.0)	(18.6)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	51.4	43.2
Financial assets at fair value	Physical life settlement policies	36.2	35.6
Financial assets at fair value	Physical life settlement policies*	263.2	256.2
Financial assets at fair value	Contractual right to perpetual revenue stream	15.1	15.2
Available-for-sale	Physical life settlement policies	44.3	47.7
Financial liabilities designated at fair value	Synthetic life settlement policies*	(279.3)	(270.6)
Total		**137.7**	138.7

* *Assets valued at CHF 263.2 million (2010: CHF 256.2 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.*

4.2.2 Assets and liabilities not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Changes in credit risk related to the Group are not reflected in the table below.

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2011				
Financial Assets				
Due from other banks	(i)	2,206.9	2,213.4	6.5
Loans and advances to customers	(ii)	9,548.2	9,602.2	54.0
Investment securities – Held-to-maturity – Life insurance related	(iii)	680.8	471.7	(209.1)
Investment securities – Held-to-maturity – Debt	(iv)	417.5	349.5	(68.0)
		12,853.4	**12,636.8**	**(216.6)**
Financial Liabilities				
Due to other banks	(v)	779.0	778.8	0.2
Due to customers	(vi)	14,398.4	14,396.4	2.0
Other financial liabilities	(vii)	3,356.5	3,382.1	(25.6)
		18,533.9	**18,557.3**	**(23.4)**
Net financial instruments		**(5,680.5)**	**(5,920.5)**	**(240.0)**
31 December 2010				
Financial Assets				
Due from other banks		2,227.1	2,235.5	8.4
Loans and advances to customers		8,957.8	9,002.3	44.5
Investment securities – Held-to-maturity – Life insurance related		594.4	483.8	(110.6)
Investment securities – Held-to-maturity – Debt		430.1	429.7	(0.4)
		12,209.4	12,151.3	(58.1)
Financial Liabilities				
Due to other banks		337.8	337.9	(0.1)
Due to customers		14,904.4	14,902.3	2.1
Other financial liabilities		2,863.0	2,876.5	(13.5)
		18,105.2	18,116.7	(11.5)
Net financial instruments		(5,895.8)	(5,965.4)	(69.6)

(i) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount.

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows discounted at an Internal Rate of Return ("IRR") of 16.0% (2010: 14.0%). The carrying value is derived from an acquisition value (based on an IRR at acquisition of 10.7%) and an accrual on an effective interest rate using a basis of 8.1% (2010: 10.7%) on life insurance policies outstanding at year end.

(iv) Investment securities – Held-to-maturity – Debt

Fair value for held-to-maturity assets is calculated using expected cash flows discounted at current market rates, based on estimates using quoted market prices for securities with similar credit, maturity and yield characteristics.

(v) & (vi) Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(vii) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	1.8	2.2
Recognised in the Statement of Comprehensive Income	(0.1)	(0.4)
At 31 December	1.7	1.8

4.2.4 Market risk measurement techniques

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks. It is used internally only, for control and management purposes. As part of the management of market risk, the Group may from time to time, undertake various hedging strategies (note 27). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets as well as fixed rate liabilities.

The major measurement techniques used to measure and control market risk, are outlined below.

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates excluding credit spreads, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. During the year, the Group decided to change the VaR computation methodology moving from a delta based parametric approach to a full valuation historical VaR approach. Because the historical VaR approach includes periods of volatility which exceed those predicted by the normal distribution, the change to the historic VaR has resulted in higher reported VaR figures in 2011 as compared to 2010. The Group has also amended the perimeter of its VaR calculation to include certain balance sheet items which were previously excluded from VaR, which further increased the estimated VaR. The Group' subsidiary EFG Financial Products AG computes VaR figures and assumes a 1-day holding period with a 301-day observation period using a commercial tool (Sophis®). While the rest of the Group produces its VaR figures with an In-house tool using a 10-days holding period with a 201-day observation period.

The VaR computation does not purport to represent actual losses in fair value on earnings to be incurred by the Group, nor does it consider the effect of favourable changes in market rates. The Group cannot predict actual future movements in such market rates, and it does not claim that these VaR results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

Daily risk reports review compliance with nominal and stop loss limits. The following table presents VaR (as described above) for market risk, by risk type:

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2011				
Interest rate risk	5.1	5.3	7.1	2.8
Currency risk	1.0	1.4	2.4	0.5
Equity price risk	4.3	3.8	5.4	1.8
VaR	**10.4**	**10.5**	**14.9**	**5.1**
2010				
Interest rate risk	2.8	2.0	3.0	1.2
Currency risk	1.2	1.1	1.7	0.3
Equity price risk	2.0	2.6	4.9	1.9
VaR	6.0	5.7	9.6	3.4

The Group considers interdependencies between the risk variables to be insignificant.

(b) Alternative sensitivity analysis

Alternative sensitivity analysis is performed on the following financial instruments, which are not covered by VaR:

i) Trading assets and designated at fair value through profit or loss, which includes life insurance policies, structured products and unquoted equities
ii) Available-for-sale – life insurance policies
iii) Financial liabilities – life insurance policies and liabilities to purchase non-controlling interests.

The sensitivity analysis calculates the impact from changes in equity prices, interest rates and life expectancies. The computation does not purport to represent actual gains and losses to be incurred by the Group. The Group cannot predict actual future movements in such market rates, and it does not claim that these results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

The following risks exist for positions at 31 December 2011 for which VaR is not calculated above.

Risk Category	Product	Impact from	Market value CHF millions	Comprehensive Income CHF millions	Other Comprehensive Income CHF millions
i) Price risk					
Available-for-sale	Unquoted equities	10% price decrease	28.1		(2.8)
Financial assets at fair value	Life insurance companies	10% price decrease	263.2*	(26.3)	
Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(279.3)*	27.9	
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(18.0)	–	
ii) Interest rate risk					
Financial assets at fair value	Life insurance policies	100 bps increase in IRR**	36.2	(1.1)	
Available-for-sale	Life insurance policies	100 bps increase in IRR**	37.8		(1.1)
iii) Life expectancy (actual changes based on actuarial evidence)					
Financial assets at fair value	Life insurance policies	3-month increase	299.4	(16.1)	
Available-for-sale	Life insurance policies	3-month increase	37.8		(2.1)
Financial liabilities at fair value	Synthetic life insurance exposure	3-month increase	(279.3)	14.3	

* *Assets and liabilities fair values are linked and thus a loss on the asset will offset part of the gain on the liability.*

** *Including changes in the market perception of changes in life expectancies that may arise (i.e. excluding actual changes in life expectancy based on actuarial evidence).*

(c) Stress tests

VaR calculations are complemented by various stress tests, which identify the potential impact of extreme market scenarios on portfolios values. These stress tests simulate both exceptional movements in prices or rates; and drastic deteriorations in market correlations. In addition to nominal limits and stop losses, they are the primary tools used by internal market risk management. Stress test results are calculated daily by the Market Risk Management Unit and reported to management.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.
The stress tests include:

i) Risk factor stress testing, where stress movements are applied to each risk category, and
ii) Ad hoc stress testing, which includes applying possible stress events to specific positions or regions.

Results of the stress tests are reviewed by senior management in each business unit, and by the Risk Committee of the Board. Stress testing is tailored to the business and typically uses scenario analysis.

(d) Earnings at risk

In line with the FINMA circular 08/6 related to interest rate income, Net Interest Income sensitivity (NII) and Interest Earnings at Risk (IEAR) measurements have been implemented and outcomes are regularly reviewed against defined stress scenario limits.

4.2.5 Interest rate risk

The Board sets limits for the interest repricing gap or mismatch; which is monitored by the Market Risk Management Unit. The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 December 2011	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
Assets						
Cash and balances with central banks	1,072.3				7.0	1,079.3
Treasury bills	757.4	66.5				823.9
Due from other banks	1,969.9	98.2	72.6		66.2	2,206.9
Loans and advances to customers	7,844.7	1,088.9	575.1	4.6	34.9	9,548.2
Derivative financial instruments	176.6	13.5	34.8	9.9	302.7	537.5
Financial assets at fair value:						
Trading Assets	25.2		84.5	4.3	699.9	813.9
Designated at inception	15.6	0.6	51.1	298.3	1.6	367.2
Investment securities:						
Available-for-sale	2,460.1	513.6	917.8	58.5	34.3	3,984.3
Held-to-maturity		417.5		680.8		1,098.3
Other assets					194.0	194.0
Total financial assets	**14,321.8**	**2,198.8**	**1,735.9**	**1,056.4**	**1,340.6**	**20,653.5**
Liabilities						
Due to other banks	698.6	80.0			0.4	779.0
Due to customers	13,490.3	825.2	53.1		29.8	14,398.4
Derivative financial instruments	106.9	13.3	17.9	0.7	464.5	603.3
Financial liabilities designated at fair value	59.1	44.3	89.4	296.0	1.9	490.7
Other financial liabilities	965.8	677.7	1,383.4	295.5	34.1	3,356.5
Other liabilities					352.5	352.5
Total financial liabilities	**15,320.7**	**1,640.5**	**1,543.8**	**592.2**	**883.2**	**19,980.4**
On-balance-sheet interest repricing gap	(998.9)	558.3	192.1	464.2	457.4	673.1
Off-balance-sheet interest repricing gap	394.2	(55.6)	(255.0)	(11.8)		71.8
31 December 2010						
Total financial assets	14,002.5	2,316.2	1,807.7	988.8	1,097.5	20,212.7
Total financial liabilities	15,512.8	1,102.6	1,331.9	324.9	1,253.4	19,525.6
On-balance-sheet interest repricing gap	(1,510.3)	1,213.6	475.8	663.9	(155.9)	687.1
Off-balance-sheet interest repricing gap	(25.7)	(138.6)	164.3			-

4.2.6 Foreign exchange risk

The Group carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, in foreign operations. The overall net nominal positions per currency are monitored against overnight limits. In addition, daily 10 sliding days stop loss limits are in place. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions.

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG Bank AG use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure. See note 4.2.4 which reflects the Currency risk VaR.

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Group manages its liquidity risk in such a way as to ensure that sufficient liquidity is available to meet its commitments to customers, both in demand for loans and repayments of deposits, and to satisfy its own cash flow needs.

4.3.1 Liquidity risk management process

The Group attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business. The Group also has a liquidity management process in place that includes liquidity contingency plans. These contingency measures include the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or draw downs on lines of credit (Lombard facility) with the Swiss National Bank.

The Group complies with all regulatory requirements, including overnight liquidity limits (in the various countries in which it operates banks). It reports its daily liquidity situation to management on an individual entity basis for its banking subsidiaries. Stress tests are undertaken monthly, or as necessary. Both the Group's capital, reserves position and conservative gapping policy, ensure that the Group runs only a small liquidity risk when funding customer loans.

The Group's liquidity risk management process is carried out by Financial Markets and monitored by the Market Risk Management Unit. It includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- Maintaining a portfolio of highly marketable assets that can easily be liquidated (repoed or sold) as protection against any unforeseen interruption to cash flow
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- Managing the concentration and profile of debt maturities

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, and the expected collection date of the financial assets (notes 4.3.3–4.3.4).

Financial Markets also monitors unmatched medium-term assets and the usage of overdraft facilities.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by Financial Markets to maintain a wide diversification by currency, geography, provider, product and term.

4.3.3 Financial liabilities cash flows

The table below analyses the Group's financial liabilities by remaining contractual maturities, at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2011						
Liabilities						
Due to other banks	643.6	34.9	55.1	48.8		782.4
Due to customers	12,625.4	1,170.9	497.0	116.6		14,409.9
Derivative financial instruments	5,617.3	4,265.3	1,913.2	101.9	19.1	11,916.8
Financial liabilities designated at fair value	156.5	1.5	6.1	11.5	315.1	490.7
Other financial liabilities	869.8	294.4	718.6	1,466.5	34.1	3,383.4
Other liabilities	255.1	25.2	66.0	1.8	4.4	352.5
Total financial liabilities	**20,167.7**	**5,792.2**	**3,256.0**	**1,747.1**	**372.7**	**31,335.7**
Total off balance-sheet	**15.1**	**32.8**	**170.4**	**170.0**	**64.4**	**452.7**
31 December 2010						
Liabilities						
Due to other banks	272.3	6.0	9.4	50.2		337.9
Due to customers	12,664.1	1,618.9	533.7	98.0		14,914.7
Derivative financial instruments	7,176.8	2,986.1	1,552.8	160.4		11,876.1
Financial liabilities designated at fair value	4.3	28.2	36.1	83.4	334.7	486.7
Other financial liabilities	516.7	476.7	546.5	1,251.4	83.6	2,874.9
Other liabilities	204.0	34.8	32.0	15.8	13.3	299.9
Total financial liabilities	20,838.2	5,150.7	2,710.5	1,659.2	431.6	30,790.2
Total off balance-sheet	44.6	27.4	161.3	78.4	64.2	375.9

4.3.4 Summary of Liquidity

The Group's central treasury manages the liquidity and financing risks on an integrated basis. The liquidity positions of the Group's entities are monitored and managed daily and exceed the regulatory minimum, as required by the Group's market risk framework and policy. Overall, the Group, through its business entities enjoys a favourable funding base with stable and diversified customer deposits, which provide the vast majority of the Group's total funding. Together with its capital resources, the surplus of stable customer deposits over loans to the Group's customers is placed with the given treasury units where the Group's funding and liquidity are managed to ensure this complies with the different local regulatory requirements. In addition, all entities operate within the Group's liquidity policies and guidelines.

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

- The overall level of market and credit exposures are tightly monitored by means of specific risk parameters and indicators approved by the Board of Directors and/or Board delegated Risk Committee and in line with the Group's overall committed level of risk appetite and avoidance of any concentration risk.
- These exposures and corresponding limits are proactively reviewed through Management Risk Committee and/or Board delegated Risk Committee's to ensure both full adequacy to the given market and liquidity conditions and overall risk framework of the Group as well as to avoid any possible concentration risk in light of changing market environment.

4.4 Capital Management

The Group's objectives when managing regulatory capital is to comply with the capital requirements set by regulators of the jurisdictions in which the Group entities operate and to safeguard the Group's ability to continue as a going concern.

Capital adequacy and the use of regulatory capital is continually monitored and reported by the Group's management, using the framework developed by the Bank for International Settlements ("BIS"). The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority.

The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of acquisition related intangible assets net of acquisition related liabilities is deducted in arriving at Tier 1 capital
- Tier 2 capital: collective impairment allowances and unrealised gains arising on the fair valuation of security instruments held as available-for-sale.

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of credit risk, market risk, non-counterparty related risk, settlement risk and operational risk.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2011 and 2010. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2011 CHF millions	31 December 2010 CHF millions
Tier 1 capital		
Share capital	73.1	73.1
Share premium	1,154.3	1,153.8
Other reserves	77.8	42.6
Retained earnings	(318.3)	6.4
Non-controlling interests	24.6	22.8
IFRS: Total shareholders' equity	**1,011.5**	1,298.7
Less: Proposed dividend on Ordinary Shares (note 50)	(13.4)	(13.4)
Less: Accrual for estimated expected future dividend on Bons de Participation	(2.3)	(2.5)
Less: Available-for-sale investment securities revaluation reserve	(7.8)	(3.8)
Less: Loans to employees	(0.4)	(0.7)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(254.8)	(498.9)
Less: Financial asset at fair value related to MBAM net of non-controlling interests	(13.6)	(13.6)
Total qualifying Tier 1 capital	**719.2**	765.8
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)	3.5	1.7
Total regulatory capital	**722.7**	767.5
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,588.7	3,620.9
Non-counterparty related risk	56.7	63.4
Market risk*	610.9	455.4
Operational risk*	1,357.6	1,359.4
Total risk-weighted assets	**5,613.9**	5,499.1

	31 December 2011 %	31 December 2010 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**12.9**	14.0

* *Risk weighted figure calculated by taking 12.5 times the capital adequacy requirement.*

5. NET INTEREST INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Interest and discount income		
Banks and customers	**262.5**	238.0
Available-for-sale securities	**72.7**	78.9
Financial assets at fair value	**48.9**	60.9
Held-to-maturity	**27.8**	26.5
Treasury bills and other eligible bills	**7.6**	3.4
Total interest and discount income	**419.5**	407.7
Interest expense		
Banks and customers	**(159.0)**	(95.0)
Financial liabilities	**(48.8)**	(62.2)
Total interest expense	**(207.8)**	(157.2)
Net interest income	**211.7**	250.5

Interest income accrued on impaired financial assets is CHF 0.9 million (2010: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Banking fee and commission income		
Securities and investment activities commission	484.8	520.0
Other services commission	76.3	90.4
Lending activities commission		0.1
Total banking fee and commission income	**561.1**	610.5
Banking fee and commission expense	(107.2)	(114.2)
Net banking fee and commission income	**453.9**	496.3

7. DIVIDEND INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Trading assets	18.2	8.4
Available-for-sale investment securities	1.1	1.2
Dividend income	**19.3**	9.6

8. NET TRADING INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Foreign exchange	83.2	64.1
Equity securities	(0.1)	3.3
Net trading income	**83.1**	67.4

9. NET LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31 December 2011 CHF millions	31 December 2010 CHF millions
Equity securities	(2.5)	(0.8)
Debt securities	3.1	(4.5)
Life insurance securities	(11.4)	(29.9)
Net mark down on MBAM financial asset	-	(482.6)
Net loss from financial instruments designated at fair value	**(10.8)**	(517.8)

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Gain on disposal of Available-for-sale investment securities – Transfer from the Statement of Other Comprehensive Income		
Debt securities	4.8	11.4
Life insurance securities	0.3	4.7
Gains less losses from investment securities	**5.1**	16.1

11. (IMPAIRMENT)/REVERSAL OF IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Impairments on amounts due from customers	(2.5)	(0.9)
Reversal of impairments on amounts due from customers	0.6	5.2
(Impairment)/reversal of impairment on loans and advances to customers (note 25)	**(1.9)**	4.3

12. OPERATING EXPENSES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Staff costs (note 13)	(459.3)	(473.9)
Professional services	(22.6)	(29.0)
Advertising and marketing	(11.4)	(10.8)
Administrative expenses	(72.1)	(75.9)
Operating lease rentals	(33.9)	(38.4)
Depreciation of property, plant and equipment (note 35)	(18.0)	(15.4)
Amortisation of intangible assets		
Computer software and licences (note 34)	(8.6)	(6.5)
Other intangible assets (note 34)	(14.3)	(28.8)
Legal and litigation expenses	(42.7)	(9.3)
Other	(30.8)	(29.5)
Operating expenses	**(713.7)**	(717.5)

13. STAFF COSTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Wages, salaries and staff bonuses	(379.2)	(379.8)
Social security costs	(32.3)	(28.1)
Pension costs		
Defined benefits (note 42)	(8.8)	(7.6)
Other net pension costs	(2.4)	(9.9)
Employee Equity Incentive Plans (note 52)	(15.5)	(26.6)
Other	(21.1)	(21.9)
Staff costs	**(459.3)**	(473.9)

As at 31 December 2011 the number of employees of the Group was 2,547 and the average for the year was 2,532 (31 December 2010: 2,462 and average for the year 2,410).

14. IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

	31 December 2011 CHF millions	31 December 2010 CHF millions
Impairment of intangible assets	(74.3)	(12.0)
Impairment of goodwill	(170.1)	(366.8)
Impairment of intangible assets and goodwill	**(244.4)**	(378.8)

See note 34.1.

15. IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENT SECURITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Debt securities – Governments	(67.5)	
Debt securities – Banks	(5.0)	
Impairment of available-for-sale investment securities	**(72.5)**	-

16. PROVISION FOR RESTRUCTURING COSTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Provision for restucturing	(10.0)	
Total	**(10.0)**	-

In October 2011 the Group announced the findings of the business review performed in the third quarter of 2011. The result of which was the decision to close certain businesses that were either under performing or considered non core.

The impact of this was that CHF 10.0 million of provisions have been created through the Statement of Comprehensive Income. These relate primarily to employee termination costs and office closure costs in Dubai, Switzerland, Denmark and Sweden.

17. INCOME TAX (EXPENSE)/GAIN

	31 December 2011 CHF millions	31 December 2010 CHF millions
Current tax (expense)/gain	(9.7)	7.5
Deferred tax gain (note 18)	7.6	18.2
Total income tax (expense)/gain	**(2.1)**	25.7

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the basic tax rate of the parent, as follows:

Operating loss before tax	(289.3)	(794.4)
Tax at the weighted average applicable rate of 11% (2010: 11%)	31.8	87.4
Tax effect of:		
(Loss)/income not subject to tax	(2.9)	6.4
Impairments not deductible for tax	(19.4)	(41.6)
Different tax rates in different countries	13.4	0.5
Release of prior years tax over-provisions	1.2	3.3
Prior years losses recognised	4.3	10.5
Current year losses not recognised	(14.5)	(46.5)
Current year losses offsetting current year profits		4.2
Future years profits recognised	(8.0)	10.3
Impairment of deferred tax assets	(7.7)	(8.7)
Other differences	(0.3)	(0.1)
Total income tax (expense)/gain	**(2.1)**	25.7

The weighted average tax rate of 11% is based on the operating entities local tax rates relative to the taxable income in these jurisdictions.

18. DEFERRED INCOME TAXES

Deferred income taxes are calculated under the liability method on all temporary differences, using the expected effective local applicable rate.

Deferred income tax assets and liabilities comprise the following:

	31 December 2011 CHF millions	31 December 2010 CHF millions
Deferred income tax assets	48.6	54.2
Deferred income tax liabilities	(37.6)	(58.1)
Net deferred income tax assets/(liabilities)	**11.0**	(3.9)

The movement on the net deferred income tax account is as follows:

At 1 January	(3.9)	(19.1)
Charge for period in the Statement of Comprehensive Income	7.6	18.2
Available-for-sale adjustment through Other Comprehensive Income	7.4	1.9
Changes in estimates related to prior years		(4.2)
Exchange differences	(0.1)	(0.7)
At 31 December	**11.0**	(3.9)

Deferred income tax assets and liabilities are attributable to the following items:

Tax losses carried forward	43.0	49.3
Temporary differences – income under IFRS not recognised in taxable income*	5.6	4.9
Deferred income tax assets	**48.6**	54.2
Arising from acquisition of intangible assets	(25.9)	(45.5)
Temporary differences – expenses under IFRS not recognised in taxable income**	(11.7)	(12.6)
Deferred income tax liabilities	**(37.6)**	(58.1)
Net deferred income tax assets/(liabilities)	**11.0**	(3.9)

The deferred income tax gain in the Statement of Comprehensive Income comprises the following temporary differences:

Utilisation of tax losses carried forward	(8.4)	(2.4)
Creation of deferred tax assets	1.7	33.6
Impairment of deferred tax assets	(7.7)	(8.7)
Deferred tax liabilities related to intangibles impaired	17.7	
Deferred tax liabilities related to intangibles amortised	3.5	0.4
Other temporary differences	0.8	(4.7)
Deferred tax gain	**7.6**	18.2

* *Temporary differences resulting in deferred tax assets of CHF 5.6 million relate to differences on timing of recognition of expenses and revenues of CHF 4.8 million and CHF 0.8 million relate to valuation adjustments made to financial assets and liabilities only reflected in local tax accounts.*

** *Temporary differences resulting in deferred tax liabilities of CHF 11.7 million relate to valuation of financial assets not reflected in local tax accounts of CHF 6.7 million, pension assets recognised for IFRS but not for local tax purposes of CHF 4.2 million, timing of recognition of income of CHF 0.7 million and CHF 0.1 million relate to sundry other differences between local tax rules and accounting standards.*

The Group has deferred tax assets related to tax losses carried forward of CHF 43 million as a result of subsidiaries with tax losses of CHF 263 million (2010: CHF 303 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 34 million will expire in less than 3 years, CHF 207 million will expire in more than 3 but less than 7 years and CHF 22 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

19. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2011			
Interest and discount income	168.7	250.8	419.5
Interest expense	(101.5)	(106.3)	(207.8)
Net interest income	**67.2**	**144.5**	**211.7**
Banking fee and commission income	258.3	302.8	561.1
Banking fee and commission expense	(71.0)	(36.2)	(107.2)
Net banking fee and commission income	**187.3**	**266.6**	**453.9**
Dividend income	19.1	0.2	19.3
Net trading income	38.7	44.4	83.1
Net (loss)/gain from financial instruments designated at fair value	(9.6)	(1.2)	(10.8)
Gains less losses from investment securities	1.3	3.8	5.1
Other operating income/(loss)	30.2	(29.3)	0.9
Net other income/(loss)	**79.7**	**17.9**	**97.6**
Operating income	**334.2**	**429.0**	**763.2**
Operating expenses	(359.2)	(354.5)	(713.7)
Impairment of intangible assets and goodwill	(28.0)	(216.4)	(244.4)
Impairment on available-for-sale investment securities		(72.5)	(72.5)
Provision for restructuring costs	(2.5)	(7.5)	(10.0)
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)	(10.0)
Impairment on loans and advances to customers	(0.2)	(1.7)	(1.9)
Loss before tax	**(55.7)**	**(233.6)**	**(289.3)**
Income tax (expense)/gain	(11.1)	9.0	(2.1)
Net loss for the period	**(66.8)**	**(224.6)**	**(291.4)**
Net (loss)/profit for the period attributable to:			
Net loss attributable to owners of the Group	(79.3)	(214.8)	(294.1)
Net profit/(loss) attributable to non-controlling interests	7.8	(5.1)	2.7
	(71.5)	**(219.9)**	**(291.4)**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2010			
Interest and discount income	145.9	261.8	407.7
Interest expense	(72.6)	(84.6)	(157.2)
Net interest income	73.3	177.2	250.5
Banking fee and commission income	257.3	353.2	610.5
Banking fee and commission expense	(73.8)	(40.4)	(114.2)
Net banking fee and commission income	183.5	312.8	496.3
Dividend income	9.4	0.2	9.6
Net trading income	27.4	40.0	67.4
Net (loss)/gain from financial instruments designated at fair value	(7.3)	(510.5)	(517.8)
Gains less losses from investment securities	(0.2)	16.3	16.1
Other operating income/(loss)	32.5	(29.1)	3.4
Net other (loss)/income	61.8	(483.1)	(421.3)
Operating income	318.6	6.9	325.5
Operating expenses	(325.3)	(392.2)	(717.5)
Loss on disposal of subsidiary		(23.5)	(23.5)
Reversal of impairment/(impairment) on loans and advances to customers	4.7	(0.4)	4.3
Impairment on financial assets held-to-maturity		(4.4)	(4.4)
Impairment of intangible assets and goodwill		(378.8)	(378.8)
Loss before tax	(2.0)	(792.4)	(794.4)
Income tax gain	11.5	14.2	25.7
Net (loss)/profit for the period	9.5	(778.2)	(768.7)
Net (loss)/profit for the period attributable to:			
Net (loss)/profit attributable to owners of the Group	10.0	(731.8)	(721.8)
Net loss attributable to non-controlling interests	(0.5)	(46.4)	(46.9)
	9.5	(778.2)	(768.7)

20. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Cash in hand	**9.2**	9.1
Balances with central banks	**1,070.1**	702.7
Cash and balances with central banks	**1,079.3**	711.8

21. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	31 December 2011 CHF millions	31 December 2010 CHF millions
Cash and balances with central banks	**1,079.3**	711.8
Treasury bills and other eligible bills	**69.1**	454.2
Due from other banks – At sight	**800.8**	763.1
Due from other banks – At term	**866.4**	985.7
Cash and cash equivalents with less than 90 days maturity	**2,815.6**	2,914.8

22. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Treasury bills	**620.6**	705.3
Other eligible bills	**203.3**	1,332.5
Treasury bills and other eligible bills	**823.9**	2,037.8
Pledged treasury bills with central banks and clearing system companies.	*56.8*	*149.8*

23. DUE FROM OTHER BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
At sight	**800.8**	763.1
At term – with maturity of less than 90 days	**866.4**	985.7
At term – with maturity of more than 90 days	**539.7**	478.3
Due from other banks	**2,206.9**	2,227.1
Pledged due from other banks	*354.5*	*72.2*

The pledged due from other banks relates to collateral for derivative transactions, and a bank account of the Group with a balance of CHF 15.9 million which has been blocked as a result of an arrangement with a client. The client raised a complaint relating to an investment product. An arrangement with the client has been reached pending the valuation at maturity of the investment product in 2012.

24. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Due from customers	7,271.7	6,979.1
Mortgages	2,284.9	1,984.8
Gross loans and advances	**9,556.6**	8,963.9
Less: Provision for impairment losses (note 25)	(8.4)	(6.1)
Loans and advances to customers	**9,548.2**	8,957.8

Geographic sector risk concentrations within the Group's customer loan portfolio were as follows:

	31 December 2011		31 December 2010	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,883.5	30.2	2,730.6	30.5
Asia and Oceania	2,497.5	26.2	2,099.5	23.4
Europe (other)	1,933.6	20.2	1,933.1	21.6
United Kingdom	1,237.8	13.0	1,076.9	12.0
United States and Canada	304.1	3.2	210.7	2.4
Africa and Middle East	292.4	3.0	398.0	4.4
Switzerland	219.6	2.3	225.4	2.5
Luxembourg	179.7	1.9	283.6	3.2
Total	**9,548.2**	**100.0**	8,957.8	100.0

This analysis is based on the client's place of residence and not necessarily on the domicile of the credit risk.

25. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	6.1	17.0
Exchange differences	0.4	(0.8)
Impairment/(reversal of impairment) on loans and advances to customers (note 11)	1.9	(4.3)
Utilisation of provision		(5.8)
At 31 December	**8.4**	6.1

26. COLLATERAL FOR LOANS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Loans and advances to customers		
Mortgages	2,282.8	1,984.8
Secured by other collateral	7,196.7	6,925.0
Unsecured*	68.7	48.0
Total loans and advances to customers	**9,548.2**	8,957.8
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	421.6	435.5
Contingent liabilities unsecured	31.2	35.1
Total off-balance sheet commitments	**452.8**	470.6

* *The unsecured loans include CHF 23.0 million (2010: 33.0 million) of loans made with no collateral and CHF 45.7 million (2010: CHF 15.0 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 within approved unsecured lending limits for the customer.*

See note 4.1 for further details on collateral.

27. DERIVATIVE FINANCIAL INSTRUMENTS

27.1 Derivatives

The Group's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.

The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held, are set out in the following table:

	31 December 2011			31 December 2010		
	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	13,873.4	159.8	98.9	11,578.6	183.8	229.3
OTC currency options	2,232.9	29.8	26.0	2,572.9	43.7	39.1
Futures	30.7		2.3	25.3	1.4	
		189.6	**127.2**		228.9	268.4
Interest rate derivatives						
Interest rate swaps	2,853.7	52.8	31.7	1,446.7	15.0	15.0
OTC interest rate options	131.2	5.9	0.3	48.2	0.4	0.6
Interest rate futures	291.4	0.6	0.6	307.7	1.4	
		59.3	**32.6**		16.8	15.6
Other derivatives						
Equity options and index futures	4,582.6	228.7	399.3	3,024.0	54.4	320.6
Credit default swaps	160.8	3.7	7.7	122.8	4.3	3.3
Total return swaps	126.9	51.4		126.3	43.2	
Commodity options and futures	74.0	3.4	2.4	62.4	5.1	0.3
		287.2	**409.4**		107.0	324.2
Total derivative assets/liabilities held for trading		**536.1**	**569.2**		352.7	608.2
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	654.9	1.4	34.1	700.9	1.1	25.6
Total derivative assets/liabilities held for hedging		**1.4**	**34.1**		1.1	25.6
Total derivative assets/liabilities		**537.5**	**603.3**		353.8	633.8

27.2 Hedging activities

The hedging practices and accounting treatment are disclosed in note 2(d).

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2011 was negative CHF 32.7 million (2010: negative CHF 24.5 million).

28. FINANCIAL ASSETS AT FAIR VALUE – TRADING ASSETS

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public issuers:	Government	42.7	1.7
Issued by non public issuers:	Banks	90.6	87.6
Issued by non public issuers:	Other	680.6	535.4
Total		**813.9**	624.7

The movement in the account is as follows:

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	**624.7**	310.5
Additions	7,296.9	5,857.5
Disposals (sale and redemption)	(7,104.9)	(5,551.9)
(Losses)/gains from changes in fair value	(2.8)	8.6
At 31 December	**813.9**	624.7

29. FINANCIAL ASSETS AT FAIR VALUE – DESIGNATED AT INCEPTION

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public issuers:	Government	**51.1**	52.8
Issued by non public issuers:	Banks		7.1
Issued by non public issuers:	Others	**1.6**	4.0
Issued by other issuers:	US life insurance companies*	**263.2**	256.2
Issued by other issuers:	US life insurance companies	**36.2**	35.6
Other	MBAM revenue share	**15.1**	15.1
Total		**367.2**	370.8

Equity securities	Unlisted but quoted	**1.4**	9.8
Equity securities	Unquoted – Recent arm's length transactions		0.1
Debt securities	Listed	**51.3**	53.6
Debt securities	Unlisted		0.4
Life insurance policies securities	Unquoted – Discounted cash flow analysis*	**263.2**	256.2
Life insurance policies securities	Unquoted – Discounted cash flow analysis	**36.2**	35.6
Other	Unquoted – Discounted cash flow analysis	**15.1**	15.1
Total		**367.2**	370.8

The movement in the account is as follows:

At 1 January	**370.8**	714.8
Additions	123.2	32.8
Disposals (sale and redemption)	(119.9)	(30.8)
Recognised on deconsolidation of MBAM		496.8
Net unrealised loss on decrease in value of MBAM financial asset		(482.6)
Disposal of Life insurance policies		(323.5)
Losses from changes in fair value	(5.5)	(21.1)
Exchange differences	(1.4)	(15.6)
At 31 December	**367.2**	370.8

* See note 39.

30. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public bodies:	Government	**1,857.8**	1,561.0
Issued by public bodies:	Other public sector	**286.0**	65.9
Issued by other issuers:	Banks	**1,762.4**	1,978.9
Issued by other issuers:	US life insurance companies	**44.3**	47.6
Issued by other issuers:	Other	**33.8**	36.9
		3,984.3	3,690.3

Debt securities:	Listed/Quoted	**3,182.1**	2,521.0
Debt securities:	Unlisted	**8.0**	61.6
Debt securities:	Unquoted – Discounted cash flow analysis	**716.7**	1,023.8
Equity securities:	Listed/Quoted	**4.4**	4.7
Equity securities:	Unquoted – Other valuation Models	**28.8**	31.6
Life insurance policies securities:	Unquoted – Discounted cash flow analysis	**44.3**	47.6
Net securities Available-for-sale		**3,984.3**	3,690.3
*Pledged securities with central banks, clearing system companies or third party banks**		***2,502.0***	*1,875.5*

The movement in the account is as follows:

At 1 January	**3,690.3**	4,299.1
Exchange differences	**40.1**	(336.2)
Additions	**2,136.0**	3,778.5
Disposals (sale and redemption)	**(1,841.8)**	(3,664.3)
Transfer to held-to-maturity**		(323.5)
Losses from changes in fair value	**(50.3)**	(48.9)
Accrued interest	**10.0**	(14.4)
At 31 December	**3,984.3**	3,690.3

* *The Group has pledged Financial Investments as collateral for CHF 2,090.0 million (2010: CHF 1,582.9 million). This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.*

** *Last year, the Group transferred a portion of its investments in life insurance policies from available-for-sale to held-to-maturity. Transfers out of available-for-sale into held-to-maturity are permitted under IFRS, except in periods where the held-to-maturity category is tainted. The Group has never sold any held-to-maturity assets, and thus the tainting rules do not apply. See note 29. The carrying value at 31 December 2010 of life insurance policies transferred during the year from available-for-sale to held-to-maturity was CHF 301.0 million.*

31. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE EQUITY RESERVE

Statement of Other Comprehensive Income – revaluation of available-for-sale investment securities:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities are recognised in a revaluation reserve for available-for-sale financial assets in the Statement of Other Comprehensive Income (note 44).

The movement of the reserve is as follows:

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	(142.8)	(79.7)
Fair value losses on available-for-sale investment securities, before tax net of non-controlling interests	(50.3)	(48.9)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	72.5	
Transfer to Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(4.6)	(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	7.4	1.9
At 31 December	**(117.8)**	(142.8)

32. INVESTMENT SECURITIES – HELD-TO-MATURITY

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public bodies:	Government	109.7	113.0
Issued by public bodies:	Other public sector	304.8	313.8
Issued by other issuers:	US Life insurance companies	685.2	598.8
Issued by other issuers:	Financial services	3.0	3.3
Gross investment securities – Held-to-maturity		**1,102.7**	1,028.9
Impairment on financial assets held-to-maturity		(4.4)	(4.4)
Total		**1,098.3**	1,024.5

The movement in the account is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	**1,024.5**	510.5
Exchange differences	(5.0)	(147.0)
Reclassification from available-for-sale		323.5
Additions/premiums paid	53.2	323.5
Redemptions	(3.8)	(0.5)
Impairment charge		(4.4)
Accrued interest	29.4	18.9
At 31 December	**1,098.3**	**1,024.5**

Pledged securities with central banks and clearing system companies.	-	-

33. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2011:

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank AG, Zurich	Bank	Switzerland	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	EUR	26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD	27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	GBP	1,596
EFG Bank AB, Stockholm	Bank	Sweden	SEK	100,000
EFG Banque Privée, Paris	Bank	France	EUR	10,000
EFG Asset Management France, Paris	Asset Management	France	EUR	569
PRS Investment Services (Cayman) Limited, George Town	Investment Advisory & Fund Administration	Cayman Islands	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD	-
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD	276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD	500
EFG Wealth Management (India) Private Ltd, Mumbai	Investment Advisory	India	INR	75,556
Asesores Y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	EUR	92
On Finance S.A., Lugano	Investment Advisory	Switzerland	CHF	1,000
SIF Swiss Investment Funds SA, Geneva	Funds administration	Switzerland	CHF	2,500
Quesada Kapitalförvaltning AB, Stockholm	Asset Management	Sweden	SEK	2,000
EFG Capital International Corp, Miami	Broker dealer	USA	USD	12,200
EFG Capital Asset Management LLC, Miami	Asset Management	USA	USD	50
EFG Finance (Guernsey) Limited, Guernsey	Finance Company	Guernsey	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	CHF	3
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	CHF	10,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	EUR	577,603
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	CHF	600
LFS Investment VII AB, Stockholm	Investment Company	Sweden	SEK	100

All the subsidiaries above are 100% held, with the exception of EFG Financial Products Holding AG (56.9%), EFG Wealth Management (India) Private Ltd (75%), Asesores y Gestores Financieros S.A. (72%) and LFS Invest VII AB (10.7% and control).

34. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2010				
Cost	33.7	546.7	1,105.9	1,686.3
Accumulated amortisation	(19.6)	(140.4)	(35.0)	(195.0)
Net book value	14.1	406.3	1,070.9	1,491.3
Year ended 31 December 2010				
Opening net book amount	14.1	406.3	1,070.9	1,491.3
Acquisition of computer software and licences	8.7			8.7
Amortisation charge for the year – Computer software and licences (note 12)	(6.5)			(6.5)
Amortisation charge for the year – Other intangible assets (note 12)		(28.8)		(28.8)
Impairment charge for the year		(12.0)	(366.8)	(378.8)
Disposal as part of MBAM restructuring		(226.1)	(270.7)	(496.8)
Revaluation of earn out obligations			7.3	7.3
Exchange differences	(0.3)	(7.9)	(9.4)	(17.6)
Closing net book value	16.0	131.5	431.3	578.8
At 31 December 2010				
Cost	40.8	296.5	805.9	1,143.2
Accumulated amortisation and impairment	(24.8)	(165.0)	(374.6)	(564.4)
Net book value	16.0	131.5	431.3	578.8
Year ended 31 December 2011				
Opening net book amount	**16.0**	**131.5**	**431.3**	**578.8**
Acquisition of computer software and licences	**10.3**			**10.3**
Amortisation charge for the year – Computer software and licences (note 12)	**(8.6)**			**(8.6)**
Amortisation charge for the year – Other intangible assets (note 12)		**(14.3)**		**(14.3)**
Impairment charge for the year (note 34.1)		**(74.3)**	**(170.1)**	**(244.4)**
Revaluation of earn out obligations (note 34.2)			**(14.7)**	**(14.7)**
Exchange differences		**(1.9)**	**(4.6)**	**(6.5)**
Closing net book value	**17.7**	**41.0**	**241.9**	**300.6**
At 31 December 2011				
Cost	**51.6**	**190.8**	**616.8**	**859.2**
Accumulated amortisation and impairment	**(33.9)**	**(149.8)**	**(374.9)**	**(558.6)**
Net book value	**17.7**	**41.0**	**241.9**	**300.6**

The Group has acquired several legal entities and/or businesses since its inception. These business combinations have generally been made in order to achieve one or several of the following objectives: acquiring "client relationships", acquiring specific know-how or products, or setting up a permanent establishment in a given location.
The accounting for these business combinations was dependent on the accounting standard in force at the time of the acquisition, as described below.

34.1 Impairment charge for the year

	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Derivative Structured Asset Management, Sweden/Cayman	(6.7)	(57.6)	(64.3)
Asesores y Gestores Financieros S.A., Spain	(24.9)	(21.9)	(46.8)
PRS International Consulting Inc, USA	(27.0)	(12.0)	(39.0)
EFG Bank von Ernst AG, Liechtenstein	(1.9)	(27.5)	(29.4)
EFG Banque Privée, France	(5.3)	(17.0)	(22.3)
On Finance S.A., Switzerland	(3.1)	(17.2)	(20.3)
Bansabadell Finance, Switzerland		(7.4)	(7.4)
EFG Wealth Management Chiltern, United Kingdom	(1.8)	(5.1)	(6.9)
EFG Wealth Management (India) Private Limited, India	(2.5)	(0.6)	(3.1)
EFG Bank (Gibraltar) Ltd, Gibraltar		(2.4)	(2.4)
Bull Wealth Management Group Inc, Canada	(1.1)	(1.1)	(2.2)
Bruxinter, Switzerland		(0.3)	(0.3)
Total	**(74.3)**	**(170.1)**	**(244.4)**

34.2 Revaluation of earn out obligations

In the period, a net CHF 14.7 million adjustment was made to earn out obligations as a result of the annual reassessment of these liabilities. These liabilities are based on the levels of profit generated by subsidiaries post acquisition.

These earn out adjustments all relate to acquisitions made prior to 2010, and therefore are accounted for as adjustments to goodwill.

34.3 Impairment tests

The Group's goodwill and intangible assets (together "Intangibles") acquired in business combinations are reviewed at least annually for impairment at 31 December by comparing the recoverable amount of each cash generating unit ("CGU") to which Intangibles have been allocated a carrying value.

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2011 balances of Intangibles allocated to all its cash generating units remain recoverable.

Where the carrying values have been compared to recoverable amounts using the "value in use" approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 5% to 7%. A period of 5 years is used for all cash flow projections.

Where the carrying values have been compared to "fair value less costs to sell", the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles based on comparable market transactions (2% to 4% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 8 and 10) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

The carrying amounts of goodwill and intangible assets allocated to each cash generating unit are as follows:

Cash generating unit	Recoverable amount based on	Intangible Assets CHF millions	31 December 2011 Goodwill CHF millions	Total CHF millions
Banque Edouard Constant	Fair value less costs to sell		76.3	76.3
Harris Allday	Value in use	21.0	35.4	56.4
PRS Group	Value in use	1.7	33.7	35.4
Banque Monégasque de Gestion	Fair value less costs to sell	5.5	23.5	29
Asesores y Gestores Financieros SA	Value in use	3.2	22.1	25.3
EFG Bank von Ernst AG	Value in use	0.7	4.7	5.4
Other Cash Generating Units	Fair value less costs to sell/ Value in use	15.5	39.6	55.1
Total carrying values		**47.6**	**235.3**	**282.9**

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles and goodwill remained recoverable at 31 December 2011.

Earnings are estimated based on current and future business initiatives and forecast results derived there from.

The table below shows the sensitivity to permanent declines in assets under management, which would have an impact on forecasted future profits. For sensitivity purposes the impact of a 20% and a 50% decline in forecasted profit before tax are presented.

Cash generating unit	Current assets under management CHF billions	Impairment impact of 20% decline in forecast profit before tax CHF millions	Impairment impact of 50% decline in forecast profit before tax CHF millions
Banque Edouard Constant	2.7	13.3	48.6
Harris Allday	3.6		20.3
PRS Group	1.8	7.1	17.9
Banque Monégasque de Gestion	0.7	-	-
Asesores y Gestores Financieros SA	3.9	6.0	15.0
EFG Bank von Ernst AG	0.9	4.5	5.4

35. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2010					
Cost	4.4	43.5	21.8	35.2	104.9
Accumulated depreciation	(0.5)	(15.8)	(10.7)	(21.9)	(48.9)
Net book value	3.9	27.7	11.1	13.3	56.0
Year ended December 2010					
Opening net book amount	3.9	27.7	11.1	13.3	56.0
Additions		3.5	3.0	7.2	13.7
Depreciation charge for the year (note 12)		(5.0)	(3.1)	(7.3)	(15.4)
Disposal of subsidiary		(2.6)	(0.4)	(0.4)	(3.4)
Disposal and write-offs		(0.1)	(0.2)	(0.1)	(0.4)
Exchange differences	(0.6)	(1.3)	(0.7)	(0.4)	(3.0)
Closing net book value	3.3	22.2	9.7	12.3	47.5
At 31 December 2010					
Cost	3.8	40.2	21.4	39.1	104.5
Accumulated depreciation	(0.5)	(18.0)	(11.7)	(26.8)	(57.0)
Net book value	3.3	22.2	9.7	12.3	47.5
Year ended December 2011					
Opening net book amount	3.3	22.2	9.7	12.3	47.5
Additions		1.4	1.7	6.1	9.2
Depreciation charge for the year (note 12)	(0.1)	(7.8)	(3.1)	(7.0)	(18.0)
Disposal and write-offs		(0.1)	(0.1)		(0.2)
Exchange differences			(0.2)	(0.1)	(0.3)
Closing net book value	**3.2**	**15.7**	**8.0**	**11.3**	**38.2**
At 31 December 2011					
Cost	3.8	41.0	21.7	44.8	111.3
Accumulated depreciation	(0.6)	(25.3)	(13.7)	(33.5)	(73.1)
Net book value	**3.2**	**15.7**	**8.0**	**11.3**	**38.2**

36. OTHER ASSETS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Prepaid expenses and accrued income	65.4	72.0
Settlement balances	55.0	72.4
Current income tax assets	15.7	24.3
Other assets	57.9	45.4
Other assets	**194.0**	214.1

37. DUE TO OTHER BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Due to other banks at sight	528.8	175.9
Due to other banks at term	250.2	161.9
Due to other banks	**779.0**	337.8

38. DUE TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Non interest bearing	7,343.5	7,476.6
Interest bearing	7,054.9	7,427.8
Due to customers	**14,398.4**	14,904.4

39. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

		31 December 2011 CHF millions	31 December 2010 CHF millions
Synthetic life insurance		279.3	270.6
Equities (short positions)		148.2	197.5
Hybrid securities		25.1	
Debt (short positions)		20.1	
Liabilities to purchase non-controlling interests		18.0	18.6
		490.7	486.7
Debt securities	Listed/Quoted	20.1	
Debt securities	Unquoted – Discounted cash flow analysis	279.3	270.6
Equity securities	Unquoted – Recent arm's length transactions		36.8
Equity securities	Listed/Quoted	148.2	160.7
Equity securities	Discounted cash flow analysis	18.0	18.6
Hybrid securities	Unquoted	25.1	
Total		**490.7**	486.7

Credit rating impact

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in market risk factors. The credit rating of the Group had no impact on the fair value of these liabilities.

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is economically hedged by a portfolio of life insurance policies classified as financial asset – life insurance policies securities at fair value of CHF 263.2 million (2010: CHF 256.2 million, see note 29).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. The liability was initially recognised in 2008 by reclassification from Group equity. As of 31 December 2011, the financial liability was valued at CHF 18.0 million (2010: CHF 18.6 million).

40. OTHER FINANCIAL LIABILITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Structured products issued	3,356.5	2,863.0
	3,356.5	2,863.0

41. OTHER LIABILITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Deferred income and accrued expenses	198.9	153.4
Settlement balances	75.8	58.9
Provisions for litigation risks	26.0	
Provisions for restructuring	7.5	
Short term compensated absences	7.2	8.2
Contingent acquisition obligations	3.8	32.4
Other liabilities	33.3	47.0
Total other liabilities	**352.5**	299.9

Restructuring Provision

See note 16.

Legal proceedings

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

The Group is engaged in litigation proceedings in Switzerland linked to fraudulently approved contracts where claims have been brought for a net exposure of approximately EUR 26 million. The Group is defending the cases vigorously and it is not practicable to estimate the Group's possible loss in relation to these matters, if any.

A class action lawsuit and separate arbitration proceeding are pending in the United States District Court for the Southern District of New York against a subsidiary of the Group, claiming that the Group failed to exercise appropriate due diligence in relation to the purchase of the Fairfield Sentry fund by clients. A settlement of the class action and arbitration proceeding of USD 8.5 million has been agreed and has been submitted to the Court for approval.

Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigman Ltd. in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 160 million.

A Group's entity is engaged in litigation proceedings initiated by a client claiming the annulment of an investment contract and the reimbursement of the investment plus interest. The amount claimed is approximately CHF 52 million.

A Group's entity is engaged in litigation proceedings in Sweden brought to court by a former employee of such entity. He claims on grounds of a series of agreements for additional bonus and severance payments relating to his employment for a total amount of SEK 36 million.

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

42. RETIREMENT BENEFIT OBLIGATIONS

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland ("the Switzerland plan") and Channel Islands ("the Channel Islands plan"). The Switzerland plan is not technically a defined benefit plan, however due to a minimum guaranteed return in Swiss pension legislation, this fund is classified under IFRS as a defined benefit plan though the Group has no obligation relative to this fund other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 3.9 million; the fair value of plan assets is CHF 4 million and the unfunded liability decreased by CHF 0.5 million in the current year.

The Group applies the corridor approach, whereby actuarial gains and losses are recognised over the remaining working lives of the employees as income or expense, if the net cumulative actuarial gains and losses exceed the greatest of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets.

The Switzerland plan

The movement in the present value of the funded obligation is as follows:

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	184.6	182.4
Service cost	9.8	8.4
Employee's contributions	7.4	6.9
Benefit payments	(3.8)	(13.6)
Interest cost	5.4	5.3
Settlements	(3.0)	
Pension transfers	(3.1)	(3.7)
Actuarial (gain)/loss for the year	(0.9)	(1.1)
At 31 December	**196.4**	184.6

The movement in the fair value of the plan assets is as follows:

At 1 January	165.4	163.1
Employee's contributions	7.4	6.9
Employer's contributions	14.4	14.0
Benefit payments	(3.8)	(13.6)
Expected return on plan assets	6.7	6.6
Actuarial loss for the year	(6.0)	(7.9)
Settlements	(2.8)	
Pension transfers	(3.1)	(3.7)
At 31 December	**178.2**	165.4

Plan assets of CHF 3.7 million (2010: CHF 2.3 million) have been pledged as collateral to third parties who have provided employees with mortgages for financing their main residence.

42. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 31 December		
Present value of funded obligation	196.4	184.6
Fair value of plan assets	(178.2)	(165.4)
Deficit	18.2	19.2
Unrecognised actuarial loss	(28.2)	(23.6)
Pension prepaid	(10.0)	(4.4)
Unrecognised asset at year end		
Net asset recognised in balance sheet	**(10.0)**	(4.4)

The movement in the net asset recognised in the balance sheet, is as follows:

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	(4.4)	(4.4)
Net periodic pension cost	8.8	7.6
Supplemental cost under IAS 19		6.4
Employer's contributions	(14.4)	(14.0)
Pension prepaid	**(10.0)**	(4.4)
At 31 December	**(10.0)**	(4.4)

The movement in unrecognised actuarial loss, is as follows:

At 1 January	23.6	23.7
Actuarial gain for the year arising on defined benefit obligation	(0.9)	(1.1)
Actuarial loss arising on the plan assets	6.0	7.9
Effect from asset ceiling		(6.4)
Loss recognised in year	(0.5)	(0.5)
At 31 December	**28.2**	23.6

The movement recognised in the Statement of comprehensive income, is as follows:

Service cost	9.8	8.4
Interest cost	5.4	5.3
Expected return on plan assets	(6.7)	(6.6)
Settlements net of curtailments	(0.2)	
Amortisation of the corridor's variance	0.5	0.5
Total net periodic pension cost (note 13)	**8.8**	7.6

The asset allocation is as follows:

	At 31 December 2011 %	At 31 December 2010 %
Debt instruments	**62.6**	58.5
Equity instruments	**25.2**	22.4
Cash	**11.4**	18.6
Real estate	**0.0**	0.0
Other	**0.8**	0.5
	100.0	100.0

The actual return on plan assets was CHF 0.8 million in 2011 (2010: CHF (1.3) million).

	31 December 2011 CHF millions	31 December 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions	31 December 2007 CHF millions
Present value of Defined benefit obligation	**196.4**	184.6	182.4	189.0	163.0
Fair value of plan assets	**178.2**	165.4	163.1	167.3	165.4
Funded status: (Underfunding)/Surplus	**(18.2)**	(19.2)	(19.3)	(21.7)	2.4
Experience adjustments on plan assets	**(6.0)**	(7.9)	(8.3)	(21.6)	2.1
Experience adjustments on plan liabilities	**(0.3)**	(1.1)	(3.6)	(4.6)	2.6

The principal annual actuarial assumptions used, were as follows:

	31 December 2011 %	31 December 2010 %
Discount rate (p.a.)	**2.75**	3.00
Expected return on plan assets (p.a.)	**3.00**	4.00
Future salary increases (p.a.)	**1.00**	1.00
Future pension increases (p.a.)	**0.00**	0.00
Turnover (average) (p.a.)	**15.00**	10.00
	Age	Age
Retirement age (Male/Female)	**65/64**	65/64

The assumptions regarding expected mortality rates are set based on advice, published statistics and experience. The average life expectancy at 31 December 2011 (based on the average age of 68.9) for current male pensioners is 16.4 years and for current female pensioners (based on the average age of 68.6) is 18.8 years (based on the LPP 2010 tables).

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and real estate investments reflect long-term real rates of return experienced in the respective markets.

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2012 are CHF 14.5 million.

43. SHARE CAPITAL AND SHARE PREMIUM

The following is an analysis of the movement of share capital and share premium. The par value of EFG International's registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation "B" (Preference shares) is CHF 15. All of EFG International shares and Bons de Participation "B" are fully paid.

43.1 Share Capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2010	73.3	6.0	(6.1)	-	73.2
Ordinary shares sold					-
Ordinary shares repurchased			(0.1)		(0.1)
At 31 December 2010	73.3	6.0	(6.2)	-	73.1
Ordinary shares sold					-
Ordinary shares repurchased					-
At 31 December 2011	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

43.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2010	1,330.6	2.0	(175.2)		1,157.4
Ordinary shares sold			0.4		0.4
Ordinary shares repurchased			(4.0)		(4.0)
At 31 December 2010	1,330.6	2.0	(178.8)	-	1,153.8
Ordinary shares sold			0.5		0.5
Ordinary shares repurchased					-
At 31 December 2011	**1,330.6**	**2.0**	**(178.3)**	**-**	**1,154.3**

* *Each Bons de Participation B represents the part of the Fiduciary Certificate issued by EFG International AG and is also linked to an interest in the Class B share issued by EFG Finance (Guernsey) Ltd.*

43.3 Number of shares

The following is an analysis of the movement in the number of shares issued by the Group:

	Ordinary shares with voting right	Bons de Participation without voting right	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation B	Net
Nominal	CHF 0.50	CHF 15.–	CHF 0.50	CHF 15.–	
At 1 January 2010	146,670,000	400,000	(12,283,094)		
Ordinary shares sold			26,539		
Ordinary shares repurchased			(155,656)		
At 31 December 2010	146,670,000	400,000	(12,412,211)	-	
Ordinary shares sold			54,007		
Ordinary shares repurchased			(579)		
At 31 December 2011	**146,670,000**	**400,000**	**(12,358,783)**	**-**	
Net share capital (CHF millions)	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

All transactions in EFG International AG shares are traded at market prices.

The total number of shares sold during 2011 is 54,007 (2010: 26,539) at an average price per share of CHF 9.81 (2010: CHF 16.15). The total number of treasury shares acquired during 2011 is 579 (2010: 155,656) and the average purchase price of these shares in the period was CHF 12.97 per share (2010: CHF 26.33).

On 13 January 2012 the Group announced that it had acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A total of 135,219 Bons de Participation, representing approximately 33.8% of the outstanding principal amount was validly tendered and accepted for exchange by a wholly owned subsidiary. The wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pays an annual interest coupon of 8%.

Conditional share capital

The share capital may be increased by a maximum of CHF 2,282,500 by issuing 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 28 April 2012, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

44. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2010	(79.7)	56.0	183.8	160.1
Employee Equity Incentive Plans		26.6		26.6
Fair value losses on available-for-sale investment securities, before tax, net of non controlling interests	(48.9)			(48.9)
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(16.1)			(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	1.9			1.9
Currency translation differences, before tax			(81.0)	(81.0)
At 31 December 2010	(142.8)	82.6	102.8	42.6
Balance at 1 January 2011	**(142.8)**	**82.6**	**102.8**	**42.6**
Employee Equity Incentive Plans		15.5		15.5
Fair value losses on available-for-sale investment securities, before tax, net of non controlling interests	(50.3)			(50.3)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	72.5			72.5
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(4.6)			(4.6)
Tax effect on changes in fair value of available-for-sale investment securities	7.4			7.4
Currency translation losses transferred to the Statement of Comprehensive Income			10.0	10.0
Currency translation differences, before tax			(15.3)	(15.3)
At 31 December 2011	**(117.8)**	**98.1**	**97.5**	**77.8**

45. OFF-BALANCE SHEET ITEMS – CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Guarantees issued in favour of third parties	322.4	315.9
Irrevocable commitments	130.4	154.7
Operating lease commitments	172.4	152.5
Total	**625.2**	623.1

The following table summarises the Group's off-balance sheet items by maturity:

	Not later than 1 year CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2011				
Guarantees issued in favour of third parties	189.3	68.7	64.4	322.4
Irrevocable commitments	29.1	101.3	-	130.4
Operating lease commitments	70.2	74.3	27.9	172.4
Total	**288.6**	**244.3**	**92.3**	**625.2**
31 December 2010				
Guarantees issued in favour of third parties	163.1	88.6	64.2	315.9
Irrevocable commitments	70.2	84.3	0.2	154.7
Operating lease commitments	31.9	84.3	36.3	152.5
Total	265.2	257.2	100.7	623.1

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases is disclosed in the table above.

46. FIDUCIARY TRANSACTIONS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Fiduciary transactions with third party banks	2,272.2	2,633.0
Deposits with affiliated banks of the Group		7.1
Loans and other fiduciary transactions	5.1	6.3
Total	**2,277.3**	2,646.4

47. SEGMENTAL REPORTING

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, Asset Management and Financial Products. The Private Banking and Wealth Management business is managed on a regional basis and is split into Continental Europe, Asia, America's and United Kingdom. The Asian region includes Hong Kong, Singapore, Taiwan, Middle East and India. The America's region includes United States of America, Canada, Bahamas and Cayman. The Continental Europe includes

	Private Banking and Wealth management			
	Switzerland CHF millions	Rest of Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2011				
Segment revenue from external customers	186.3	134.4	77.2	132.6
Segment expenses	(173.7)	(132.5)	(69.5)	(93.6)
Tangible assets and software depreciation	(10.4)	(3.6)	(2.0)	(1.5)
Total Operating margin	**2.2**	**(1.7)**	**5.7**	**37.5**
Cost to acquire intangible assets and impairment of intangible assets	(7.7)	(235.9)	(2.7)	(8.9)
Impairment/(reversal of impairment) on loans and advances to customers	(0.2)			(1.7)
Impairment on available-for-sale investment securities	(67.5)			
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)		
Segment profit before tax	(73.2)	(247.6)	3.0	26.9
Income tax (expense)/gain	(7.1)	13.3	(0.2)	(4.4)
Net profit/(loss) for the period	(80.3)	(234.3)	2.8	22.5
Net loss/(profit) attributable to non-controlling interests		5.4		
Net profit attributable to owners of the Group	**(80.3)**	**(228.9)**	**2.8**	**22.5**
Assets under management	15,318	17,705	11,777	14,803
Employees	557	426	265	505
At 31 December 2010				
Segment revenue from external customers	223.6	163.9	70.7	140.3
Other revenues/losses				
Segment expenses	(149.0)	(135.9)	(69.5)	(93.8)
Tangible assets and software depreciation	(8.2)	(3.5)	(1.5)	(1.7)
Total operating margin	**66.4**	**24.5**	**(0.3)**	**44.8**
Cost to acquire intangible assets and impairment of intangible assets	(6.7)	(177.8)	(1.0)	(2.0)
Reversal of impairment/(impairment) on loans and advances to customers	4.0	0.2		(0.6)
Impairment on financial assets held-to-maturity	(4.4)			
Segment profit before tax	59.3	(153.1)	(1.3)	42.2
Income tax (expense)/gain	5.2	8.8	(0.9)	4.0
Net profit/(loss) for the period	64.5	(144.3)	(2.2)	46.2
Net loss/(profit) attributable to non-controlling interests	1.3	0.9	-	-
Net profit attributable to owners of the Group	65.8	(143.4)	(2.2)	46.2
Assets under management	17,666	20,826	12,762	15,048
Employees	564	420	243	484

private banking operations in Switzerland (disclosed separately below due to its relative size) and Rest of Europe comprising Denmark, France, Gibraltar, Liechtenstein, Luxembourg, Monaco, On Finance, SIF, Spain, Sweden and the PRS business. The Asset Management segment includes EFG Asset Management business in all locations as operates on a global basis. In 2011, the EFG Financial Products business has been considered as a separate reportable segment. The basis for expense allocation between segments follows the arm's length principle. The comparatives for 31 December 2010 have been restated to reflect the composition of the segments resulting from changes in the structure of the internal organisation.

		Asset Management	Financial Products	Corporate Overheads	Eliminations*	Total
Asia CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
103.3	633.8	53.8	108.9	8.4	(41.7)	763.2
(81.5)	(550.8)	(28.0)	(85.2)	(31.8)	13.0	(682.8)
(2.3)	(19.8)	(0.2)	(6.1)	(0.5)		(26.6)
19.5	**63.2**	**25.6**	**17.6**	**(23.9)**	**(28.7)**	**53.8**
(3.5)	(258.7)					(258.7)
	(1.9)					(1.9)
	(67.5)			(5.0)		(72.5)
	(10.0)					(10.0)
16.0	(274.9)	25.6	17.6	(28.9)	(28.7)	(289.3)
(3.3)	(1.7)	4.6	(2.2)	(2.8)		(2.1)
12.7	(276.6)	30.2	15.4	(31.7)	(28.7)	(291.4)
0.2	5.6	(0.5)	(7.8)			(2.7)
12.9	**(271.0)**	**29.7**	**7.6**	**(31.7)**	**(28.7)**	**(294.1)**
14,099	73,702	1,499	3,181	651		79,033
469	2,222	79	234	15	(3)	2,547
100.0	698.5	59.0	84.3	11.3	(45.0)	808.1
		(482.6)				(482.6)
(81.4)	(529.6)	(59.3)	(67.7)	(44.2)	10.5	(690.3)
(2.1)	(17.0)	(0.5)	(3.9)	(0.5)		(21.9)
16.5	**151.9**	**(483.4)**	**12.7**	**(33.4)**	**(34.5)**	**(386.7)**
(0.5)	(188.0)	(219.5)		(0.1)		(407.6)
0.7	4.3					4.3
	(4.4)					(4.4)
16.7	(36.2)	(702.9)	12.7	(33.5)	(34.5)	(794.4)
(3.9)	13.2	5.1	(1.4)	8.8		25.7
12.8	(23.0)	(697.8)	11.3	(24.7)	(34.5)	(768.7)
0.2	2.4	48.7	(4.2)			46.9
13.0	(20.6)	(649.1)	7.1	(24.7)	(34.5)	(721.8)
14,157	80,459	1,430	2,894	1,178		85,961
457	2,168	89	185	20		2,462

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

48. ANALYSIS OF SWISS AND FOREIGN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2011			
Assets			
Cash and balances with central banks	539.9	539.4	1,079.3
Treasury bills and other eligible bills	50.0	773.9	823.9
Due from other banks	5,632.6	(3,425.7)	2,206.9
Loans and advances to customers	3,092.3	6,455.9	9,548.2
Derivative financial instruments	411.2	126.3	537.5
Financial assets at fair value:			-
Trading Assets	813.9		813.9
Designated at inception	51.2	316.0	367.2
Investment securities:			-
Available-for-sale	76.9	3,907.4	3,984.3
Held-to-maturity	48.8	1,049.5	1,098.3
Intangible assets	105.7	194.9	300.6
Property, plant and equipment	15.5	22.7	38.2
Deferred income tax assets	19.3	29.3	48.6
Other assets	84.9	109.1	194.0
Total assets	**10,942.2**	**10,098.7**	**21,040.9**
Liabilities			
Due to other banks	3,565.5	(2,786.5)	779.0
Due to customers	3,618.3	10,780.1	14,398.4
Derivative financial instruments	548.5	54.8	603.3
Financial liabilities designated at fair value	168.3	322.4	490.7
Other financial liabilities	2,987.2	369.3	3,356.5
Current income tax liabilities	7.1	4.3	11.4
Deferred income tax liabilities	30.9	6.7	37.6
Other liabilities	206.2	146.3	352.5
Total liabilities	**11,132.0**	**8,897.4**	**20,029.4**
Equity			
Share capital	73.1		73.1
Share premium	1,154.3		1,154.3
Other reserves	117.7	(39.9)	77.8
Retained earnings	(70.2)	(248.1)	(318.3)
Total shareholders' equity	**1,274.9**	**(288.0)**	**986.9**
Non-controlling interests	19.0	5.6	24.6
Total shareholders' equity	**1,293.9**	**(282.4)**	**1,011.5**
Total equity and liabilities	**12,425.9**	**8,615.0**	**21,040.9**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2010			
Assets			
Cash and balances with central banks	527.8	184.0	711.8
Treasury bills and other eligible bills	619.7	1,418.1	2,037.8
Due from other banks	5,190.8	(2,963.7)	2,227.1
Loans and advances to customers	2,634.5	6,323.3	8,957.8
Derivative financial instruments	285.5	68.3	353.8
Financial assets at fair value:			
Trading assets	624.7		624.7
Designated at inception	61.2	309.6	370.8
Investment securities:			
Available-for-sale	299.6	3,390.7	3,690.3
Held-to-maturity	50.2	974.3	1,024.5
Intangible assets	154.2	424.6	578.8
Property, plant and equipment	19.8	27.7	47.5
Deferred income tax assets	20.2	34.0	54.2
Other assets	94.0	120.1	214.1
Total assets	10,582.2	10,311.0	20,893.2
Liabilities			
Due to other banks	3,051.1	(2,713.3)	337.8
Due to customers	4,306.3	10,598.1	14,904.4
Derivative financial instruments	559.7	74.1	633.8
Financial liabilities designated at fair value	197.5	289.2	486.7
Other financial liabilities	2,372.8	490.2	2,863.0
Current income tax liabilities	5.3	5.5	10.8
Deferred income tax liabilities	33.8	24.3	58.1
Other liabilities	164.2	135.7	299.9
Total liabilities	10,690.7	8,903.8	19,594.5
Equity			
Share capital	73.1		73.1
Share premium	1,153.8		1,153.8
Other reserves	82.5	(39.9)	42.6
Retained earnings	258.1	(251.7)	6.4
Total shareholders' equity	1,567.5	(291.6)	1,275.9
Non-controlling interests	11.6	11.2	22.8
Total shareholders' equity	1,579.1	(280.4)	1,298.7
Total equity and liabilities	12,269.8	8,623.4	20,893.2

49. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

49.1 Basic

		31 December 2011 CHF millions	31 December 2010 CHF millions
Net loss for the period		(294.1)	(721.8)
Estimated, pro-forma dividend on Bons de Participation		(16.8)	(19.4)
Net loss for the period attributable to ordinary shareholders		**(310.9)**	(741.2)
Weighted average number of ordinary shares	('000s of shares)	134,278	134,277
Basic earnings per ordinary share		(2.32)	(5.52)

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 12,391,574 (2010: 12,393,411). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1st January 2011 until 30 April 2011 of 3.036%, 3.858% from 1 May 2011 until 30 October 2011 and a rate of 2.840% thereafter.

49.2 Diluted

		31 December 2011 CHF millions	31 December 2010 CHF millions
Net loss for the period		(294.1)	(721.8)
Estimated, pro-forma dividend on Bons de Participation		(16.8)	(19.4)
Net loss for the period attributable to ordinary shareholders		**(310.9)**	(741.2)
Diluted-weighted average number of ordinary shares	('000s of shares)	134,278	134,277
Diluted earnings per ordinary share		(2.32)	(5.52)

Pursuant to its employee equity incentive plan, EFG International issued to employees the right to receive shares in future years. At 31 December 2011 rights to 793,245 shares were outstanding related to 2011 grants. The impact of options and restricted stock units would increase the diluted-weighted average number of ordinary shares of EFG International by 6,016,501 (2010: 5,426,041) shares to 140,294,927 (2010: 139,702,630) 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. However, where an entity has incurred a loss from continuing operations, options that are in the money would only be dilutive if they increased the loss per share from continuing operations, that is, made the loss per share more negative but as the effect of bringing in more shares will be to increase the denominator and therefore reduce the loss per share, in the money options will be anti-dilutive and so are not included in the diluted EPS presented at year-end 2011 as required by IAS 33.41. For information regarding the EFG International employee equity incentive plan, see note 52.

50. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 27 April 2012. A dividend in respect of 2011 of CHF 0.10 (2010: CHF 0.10) per share amounting to approximately CHF 13.4 million (2010: CHF 13.4 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2011 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2012.

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
Dividends on ordinary shares		
CHF 0.10 per share related to 2010 paid in 2011	13.4	
CHF 0.10 per share related to 2009 paid in 2010		13.4
	13.4	13.4
Dividends on Bons de Participation		
For the period 1 November 2009 to 30 April 2010 at 3.795%		10.8
For the period 1 May 2010 to 30 October 2010 at 3.5%		9.6
For the period 1 November 2010 to 30 April 2011 at 3.036%	7.8	
For the period 1 May 2011 to 30 October 2011 at 3.858%	9.4	
	17.2	20.4

51. RELATED PARTY TRANSACTIONS

51.1 Transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2011		
Assets		
Due from other banks	66.0	
Derivatives	0.1	
Loans and advances to customers		9.8
Investment securities	1.2	
Other assets	1.8	
Liabilities		
Due to other banks	8.2	
Due to customers	0.1	23.6
Other liabilities		
Year ended 31 December 2011		
Interest income	2.0	0.2
Interest expense		
Commission income	1.0	0.3
Commission expense	(1.0)	
Net other income	2.4	
Impairment on available-for-sale investment securities	(5.0)	

51.1 Transactions (continued)

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2010		
Assets		
Due from other banks	67.7	
Derivatives	2.1	
Loans and advances to customers		11.3
Investment securities	2.8	
Other assets	1.9	
Liabilities		
Due to other banks	30.3	
Due to customers	0.2	29.0
Other liabilities	0.1	

Year ended 31 December 2010		
Interest income	2.2	0.1
Interest expense	(1.2)	(0.1)
Commission income	1.1	0.4
Commission expense	(0.1)	(0.1)
Net other income	2.1	
Other operating expenses	0.2	

A number of banking transactions are entered into with related parties. These include loan, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits by the Group with EFG Eurobank Ergasias of CHF 65.5 million (2010: CHF 65.6 million), which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2010: Nil).

51.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2011 comprised of cash compensation of CHF 10,185,223 (2010: 8,460,857), pension contributions of CHF 387,660 (2010: 345,984) and restricted stock units valued at approximately CHF 895,000 (2010: 150,000). Other compensation of CHF 3,159,440 (2010: 3,807,006) includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years (2010: CHF 1,628,571), an amount of CHF 1,500,000 under a non-compete agreement and a provision for payments under a long term incentive plan of CHF 0 (2010: CHF 2,112,279).

The compensation of the members of the Board of Directors relating to the year 2011 comprised of cash compensation of CHF 1,190,016 (2010: CHF 1,207,514).

For additional details required under Swiss Law (SCO 663) see note 20 of the parent company financial statements on page 164.

52. EMPLOYEE EQUITY INCENTIVE PLANS

The EFG International Employee Equity Incentive Plan (the "Plan") has different classes of options and restricted stock units, which have a vesting period of three years and different classes, have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date. No options were exercised during the year.

The expense recorded in the Statement of Comprehensive Income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of Comprehensive Income for the period ended 31 December 2011 was CHF 15.5 million (2010: CHF 26.6 million).

The Plan has been developed internally by the company without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2011 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Outstanding
2006	In-the-money	25.33	754,746			754,746
2007	In-the-money	32.83	954,255			954,255
2007	At-the-money	49.25	1,229,953			1,229,953
2008	In-the-money	24.00	506,684		4,416	502,268
2008	At-the-money	35.95	759,988		2,610	757,378
2008	Restricted stock units with 5 year lock-up	0	773,800			773,800
2009	In-the-money	5.00	1,199,069			1,199,069
2009	Restricted stock units with 3 year lock-up	0	2,160,161		30,552	2,129,609
2009	Restricted stock units with 5 year lock-up	0	1,120,533			1,120,533
2010	In-the-money	12.19	91,036			91,036
2010	Restricted stock units with 3 year lock-up	0	713,739		17,963	695,776
2010	Restricted stock units with 5 year lock-up	0	68,540			68,540
2011	**Restricted stock units with 3 year lock-up**	**0**		**741,446**	**12,158**	**729,288**
2011	**Restricted stock units with 5 year lock-up**	**0**		**64,207**	**250**	**63,957**
			10,332,504	**805,653**	**67,949**	**11,070,208**

52.1 2011 incentive plan

EFG International granted 805,653 options and restricted stock units in 2011. There are two classes of restricted stock units. Those with a 3 year lock-up ("Restricted stock units with 3 year lock-up") and with 5 year lock-up ("Restricted stock units with 5 year lockup") respectively. All classes have a vesting period of three years. The deemed value of each Restricted stock unit with 3 year lock-up is CHF 12.37 and each Restricted stock unit with 5 year lock-up is CHF 11.60. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 13.20), expected volatility (40%), dividend payout rate (20%) and the expected life of the restricted stock units (36 and 60 months). Dividend yield has been calculated according to management's estimates of the long term dividend payments.

52.2 2012 incentive plan

EFG International will grant restricted stock units in March 2012 at prices to be determined based on the relevant valuation inputs on the date of issue.

53. INFORMATION RELATING TO THE EFG FIDUCIARY CERTIFICATES IN CIRCULATION

In connection with the EUR 400,000,000 EFG Fiduciary Certificates, which were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates, Banque de Luxembourg acquired 400,000 Class B Bons de Participation issued by EFG International and 400,000 Class B Shares issued by EFG Finance (Guernsey) Limited. The proceeds of issue of the Class B Shares issued by EFG Finance (Guernsey) Limited were invested by EFG Finance (Guernsey) Limited in income generating assets. The sole eligibility criterion for investing the proceeds of issue of the Class B Shares is that the investments have an investment grade credit rating of at least BBB- from Standard & Poor's, or an equivalent credit rating from Moody's or Fitch.

See note 55.

54. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2011 CHF millions	31 December 2010 CHF millions
Character of client assets		
Equities	18,310	22,943
Deposits	17,037	17,009
Bonds	14,647	14,722
Loans	10,067	9,290
Structured notes	6,920	7,846
Hedge funds / Fund of hedge funds	5,042	7,069
Fiduciary deposits	2,485	2,695
EFG International shares	651	1,178
Other	3,874	3,209
Total Assets under Management	**79,033**	85,961
Total Assets under Administration	**9,162**	6,834
Total Assets under Management and Administration	**88,195**	92,795

Assets under Administration are trust assets administered by the Group.

	31 December 2011 CHF millions	31 December 2010 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,169	2,457
Assets with discretionary management agreements	15,350	17,037
Other assets under management	51,447	57,177
Total Assets under Management (including double counts)	**68,966**	76,671
Thereof double counts	*3,462*	*3,863*
Loans	10,067	9,290
Total Assets under Administration	9,162	6,834
Total Assets under Management and Administration	**88,195**	92,795
Net new asset (outflows)/inflows (including double counts)	(1,207)	9,676

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 assets under management.

Net new money consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts, and related interest expenses result in net new money. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new money. Effects resulting from any acquisition or disposal of Group companies are not included in net new money.

55. POST BALANCE SHEET EVENTS

On 2 January 2012 the Group announced that it had agreed to sell the private banking business in Denmark as a result of the detailed business review performed in the third quarter of 2011 and the Groups process of streamlining its operations.

On 11 January 2012 the Group announced that 33.8% of the holders of EFG Fiduciary certificates with a notional value of EUR 135.2 million had accepted the offer to convert their holding into a new Basel III compliant Tier 2 bond. The result of this will be to reduce shareholders equity by approximately CHF 53 million and increase liabilities by a similar amount, with a coupon rate of 8% p.a. fixed for 5 years.

On 18 January 2012 the Group announced that it would close the Lugano office of EFG Bank AG in Switzerland as a result of the detailed business review performed in the third quarter of 2011 and the Groups process of streamlining its operations.

On 30 January 2012 the Group announced that it had reached an agreement to sell the activities of SIF Swiss Investment Funds S.A. in Switzerland, a wholly owned subsidiary. The decision to exit the business is as result of the detailed business review performed in the third quarter of 2011, and the Groups desire to focus on its core business of private banking. This fund administration business had approximately CHF 800 million of assets under management in over 20 different funds.

56. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*, Chairman
Emmanuel L. Bussetil
Erwin Richard Caduff*
Spiro J. Latsis
Hugh Napier Matthews*
Hans Niederer*
Pericles Petalas

* Independent directors.

57. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to shareholders’ equity (refer to consolidated Statement of Other Comprehensive Income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognised in the Statement of Other Comprehensive Income is included in the Statement of Comprehensive Income for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported in the Statement of Other Comprehensive Income, is included in the Statement of Comprehensive Income for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value. Reductions, as well as gains or losses on disposals, are included in gains and losses from other securities.

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as Fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Under Swiss law, the fair value option is not available. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive requirements are met.

Under Swiss law, the Group's derivative instruments are recorded on Balance sheet at their fair values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable.

(d) Goodwill and Intangible Assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalized in the balance sheet.

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Statement of Comprehensive Income.

(e) Extraordinary income and expense

Under IFRS, items of income and expense can only be classified as extraordinary if they are clearly distinct from the ordinary activities and their occurrence is expected to be rare.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

Report of the statutory auditor
to the general meeting of
EFG International AG
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 70 to 153), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial state-ments, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasona-bleness of accounting estimates made, as well as evaluating the overall presentation of the consolidat-ed financial statements. We believe that the audit evidence we have obtained is sufficient and appro-priate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Astolfi Audit expert Auditor in charge	Christophe Kratzer

Geneva, 28 February 2012

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

EFG International, Zurich

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Income			
Interest income from subsidiaries		**10.7**	12.2
Income from subsidiaries	13	**25.4**	25.7
Total income		**36.1**	37.9
Expenses			
Staff expenses		**(14.2)**	(18.5)
Operating expenses	14	**(9.4)**	(12.6)
Depreciation		**(0.8)**	(8.2)
Interest expenses paid to subsidiaries		**(1.1)**	(0.8)
Foreign exchange losses		**(0.1)**	(17.6)
Impairment of investment in subsidiaries	7	**(459.1)**	(433.0)
Impairment on subordinated loans to subsidiaries		**(6.0)**	
Provisions for guarantees	15	**(301.7)**	
Total expenses		**(792.4)**	(490.7)
Tax expense		**(1.4)**	(4.0)
Net loss		**(757.7)**	(456.8)

BALANCE SHEET AS AT 31 DECEMBER 2011

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Assets			
Due from subsidiaries		5.0	3.9
Other assets		0.5	1.9
Current assets		**5.5**	5.8
Investments in subsidiaries		760.3	1,206.3
Subordinated loans to subsidiaries		259.0	264.9
Intangible assets		0.1	0.6
Formation costs			0.3
Non current assets		**1,019.4**	1,472.1
Total assets		**1,024.9**	1,477.9
Liabilities			
Due to subsidiaries		47.1	25.8
Accrued expenses and deferred income		11.9	16.9
Other liabilities		6.0	5.9
Current liabilities		**65.0**	48.6
Provisions	15	301.7	
Total liabilities		**366.7**	48.6
Equity			
Share capital	11	73.3	73.3
Non-voting equity securities (Participation Certificates)	11	6.0	6.0
Legal reserves		1,793.4	1,806.8
of which Reserve from capital contributions		*1,590.0*	*1,603.0*
of which Reserve for own shares from capital contributions		*203.4*	*203.8*
Retained earnings		(456.8)	
Net loss for the period		(757.7)	(456.8)
Total shareholders' equity		**658.2**	1,429.3
Total shareholders' equity and liabilities		**1,024.9**	1,477.9

EFG International AG Parent Company financial statements are prepared in accordance with Swiss Code of Obligations.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1. CONTINGENT LIABILITIES

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 3,180 million (2010: CHF 3,893 million). Included in this amount is CHF 3,104 million (2010: CHF 2,757 million) related to structured products issued by a subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). Risks related to this subsidiary's liabilities are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

2. BALANCE SHEET ASSETS WITH RETENTION OF TITLE TO SECURE OWN OBLIGATIONS

There are no such assets.

3. OFF-BALANCE SHEET OBLIGATIONS RELATING TO LEASING CONTRACTS

There are no such obligations.

4. FIRE INSURANCE VALUE OF TANGIBLE FIXED ASSETS

Tangible fixed assets amount to CHF 0.04 million (2010: CHF 0.04 million) and are covered by the fire insurance of a subsidiary for the Zurich premises for a total amount of CHF 0.4 million (2010: CHF 0.9 million).

5. LIABILITIES RELATING TO PENSION PLANS AND OTHER RETIREMENT BENEFIT OBLIGATIONS

There are no such liabilities.

6. BONDS ISSUED

There are no such liabilities.

7. PRINCIPAL PARTICIPATIONS

The company's principal participations are shown in the note 33, page 128, to the consolidated financial statements.
In the current year the company impaired the carrying value of investments in subsidiaries by CHF 459.1 million as a result of the impairment in the carrying value of subsidiaries.

8. RELEASE OF UNDISCLOSED RESERVES

During the period, CHF 3.1 million of undisclosed reserves were released.

9. REVALUATION OF LONG-TERM ASSETS TO HIGHER THAN COST

There was no such revaluation.

10. OWN SHARES HELD BY THE COMPANY AND BY GROUP COMPANIES

At 31 December 2011 12,358,783 registered shares (2010: 12,412,211) were held by subsidiaries. See note 43.3 of consolidated financial statements on page 139.

On 13 January 2012 the Group announced that it had acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A total of 135,219 Bons de Participation, representing approximately 33.8% of the outstanding principal amount were validly tendered and accepted for exchange by a wholly owned subsidiary. The wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pay an annual interest coupon of 8%.

11. SHARE CAPITAL

	31 December 2011 CHF millions	31 December 2010 CHF millions
146,670,000 registered shares at the nominal value of CHF 0.50	73.3	73.3
400,000 Bons de Participation "B" at the nominal value of CHF 15	6.0	6.0
Total share capital	**79.3**	79.3

Conditional share capital

The share capital may be increased by a maximum of CHF 2,282,500 by issuing 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 28 April 2012, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

12. SIGNIFICANT SHAREHOLDERS

The significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are:

	31 December 2011 Shares	31 December 2011 Participation of %	31 December 2010 Shares	31 December 2010 Participation of %
EFG Bank European Financial Group SA*	72,366,556	49.34	72,366,556	49.34
Lawrence D. Howell	8,052,705	5.49	8,052,000	5.49

* *EFG Bank European Financial Group SA is controlled by the Latsis Family interests through several intermediate parent companies.*

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2011 CHF millions	31 December 2010 CHF millions
Royalties	13.9	14.5
Management service fees	9.5	10.9
Other services	2.0	0.3
Total	**25.4**	25.7

There are no further items requiring disclosure under Art. 663b of the Swiss Code of Obligations.

14. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2011 CHF millions	At 31 December 2010 CHF millions
Other operating expenses	(7.6)	(6.3)
Other fees paid to subsidiaries		(4.3)
Costs incurred by subsidiaries	(1.8)	(2.0)
Total	**(9.4)**	(12.6)

15. PROVISIONS FOR GUARANTEES

In 2011 guarantees of CHF 310.8 million were provided to a subsidiary, related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 301.7 million exists at year end, assuming the guarantee was called.

16. GENERAL LEGAL RESERVE

In 2011 a dividend distribution of CHF 13.4 million has been paid from the Reserve from capital contributions (CHF 0.10 per registered share).

17. RETAINED EARNINGS

	31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	-	3.4
Net result of prior period	(456.8)	7.7
Transfer from Reserve from capital contributions for dividend payment	13.4	2.3
Dividend paid	(13.4)	(13.4)
At 31 December	**(456.8)**	-

18. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the loss of the year amounting to CHF 757.7 million as negative retained earnings and to proceed to a distribution to shareholders of CHF 0.10 per share, which will amount to a total distribution of CHF 13.4 million (excluding anticipated distribution not payable on the 12,358,783 shares held on 31 December 2011 by a subsidiary). The Board of Directors proposes to fully charge the proposed distribution 2011 of CHF 0.10 per share to the balance sheet item “Reserve from capital contributions”. Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

19. RISK MANAGEMENT

See note 4 of consolidated financial statements on page 91.

20. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2011

	Base compensation	*Variable compensation*		*Other compensation*		*2011*
	Cash	Cash bonus (1)	Equity incentives (2)	(4)	Social charges	Total
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				245,423	905,423
Emmanuel L. Bussetil (5)						-
Erwin Richard Caduff	100,008				7,030	107,038
Spiro J. Latsis (5)						-
Hugh Napier Matthews	280,008				16,818	296,826
Hans Niederer	150,000				7,899	157,899
Pericles Petalas (5)						-
Total Board of Directors	**1,190,016**	**-**	**-**	**-**	**277,170**	**1,467,186**
Executive Committee						
Total Executive Committee (6)	**10,185,223**	**680,000**	**895,000**	**3,159,440**	**1,650,178**	**16,569,841**
of which highest paid:						
Lawrence D. Howell (3) & (4)	4,001,804			1,500,000	583,857	6,085,661

Notes

1) The amounts represent the recorded expense for the 2011 cash bonuses.
2) The amount represents the value of equity incentives granted in 2012 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 52 of the Consolidated financial statements.
3) An Agreement was reached between the Former Chief Executive Officer (until 24 June 2011, “the Former CEO”) and EFG International AG, whereby the amounts to be paid have been attributed such that the Former CEO is entitled firstly from 1 July 2011 until 30 June 2013 to CHF 3 million per annum paid throughout the period as long as he does not compete in any respect with EFG International AG activities and interests, and secondly to his salary until the end of 2011 and to no change in the vesting period of his restricted stock-units.
4) Other compensation of the Executive Committee of CHF 3,159,440 includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years, and an amount of CHF 1,500,000 related to the non-compete agreement with the Former CEO referred to in 3) above.
5) No compensation paid to Director.
6) The CEO of EFG Bank AG and the Head of Asset Management were members of EFGI Executive Committee until October 2011. Their compensation was paid by other group entities.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(ii) Compensation year ended 2010

	Base compensation	*Variable compensation*		*Other compensation*		2010
	Cash CHF	Cash bonus (1) CHF	Equity incentive (2) CHF	(3) CHF	Social charges CHF	Total CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				50,362	710,362
Emmanuel L. Bussetil (4)						-
Erwin Richard Caduff	175,006				12,023	187,029
Spiro J. Latsis (4)						-
Hugh Napier Matthews	235,008				14,539	249,547
Hans Niederer	137,500				7,423	144,923
Pericles Petalas (4)						-
Total Board of Directors	**1,207,514**	**-**	**-**	**-**	**84,347**	**1,291,861**
Executive Committee						
Total Executive Committee	**8,460,857**	**-**	**150,000**	**3,807,006**	**1,127,376**	**13,545,239**
of which highest paid:						
Lawrence D. Howell, CEO	4,003,607			24,996	326,627	4,355,230

Notes

1) The amounts represent the recorded expense for the 2010 cash bonuses.

2) The amount represents the value of equity incentives granted in 2011 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 52 of the Consolidated financial statements.

3) Other compensation of the Executive Committee of CHF 3,807,006 includes a final pro rata provision of CHF 2,112,279 which became payable in October 2010 in connection with a 5-year incentive plan and an amount of CHF 1,628,571 representing a pro rata indemnity recognized over 3.5 years.

4) No compensation paid to Director.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(iii) Loans and credits

At 31 December 2011 the following loans and credits were granted by subsidiaries to members of the Board of Directors and the Executive Committee and are outstanding at the end of the year.

	2011 CHF	2010 CHF
Cuoni family interests*	8,370,000	8,147,525
Other members of the Board of Directors		115,540
Total Board of Directors	**8,370,000**	8,263,065
Lawrence D. Howell, Former CEO (highest paid member of Executive Committee)**	12,148	752,326
Other members of the Executive Committee	**1,215,002**	2,241,200
Total Executive Committee	**1,227,150**	2,993,526

* *Fully collateralised loans granted to closely linked parties.*

** *Fully cash collateralised loans.*

Interest rates ranging from 0.59% p.a. to 6.31% p.a. are charged on outstanding CHF and GBP loans. The loans oustanding at 31 December 2011, mature between 1 and 8 months.

(iv) Shareholdings

At 31 December 2011 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2011	Shares 2010	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	6,809,500	6,809,500	623,087	
Emmanuel L. Bussetil				
Erwin Richard Caduff	11,500			
Spiro J. Latsis*	72,437,337	72,366,556		
Hugh Napier Matthews	7,500	7,500		
Hans Niederer	50,000	50,000		
Pericles Petalas				
Executive Committee				
Total Executive Committee of which:	**244,412**	129,412	**374,611**	**1,045,196**
John A. Williamson	110,000		42,609	
Lukas Ruflin	129,412	129,412	320,068	
Mark Bagnall	5,000			
Henric Immink				
Jean-Christophe Pernollet				
Frederick Link			11,934	

* *Total number of shares owned by the Latsis family interests.*

The 2010 comparatives for the shareholding of the Executive Committee only reflect members of the Committee at 31 December 2011, and any Committee members joining or departing in the year are excluded.

The members of the Executive Committee have been granted 1,045,196 share options and restricted stock units which are currently subject to vesting criteria. These would vest in the period 2012 to 2014.

21. POST BALANCE SHEET EVENTS

On 30 January 2012 the Group announced that it had reached an agreement to sell the activities of SIF Swiss Investment Funds S.A. in Switzerland, a wholly owned subsidiary. The decision to exit the business is as result of the detailed business review performed in the third quarter of 2011, and the Groups desire to focus on its core business of private banking. This fund administration business had approximately CHF 800 million of assets under management in over 20 different funds.

Report of the statutory auditor
to the general meeting of
EFG International AG
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG International AG, which comprise the income statement, balance sheet and notes (pages 158 to 167), for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company›s articles of incorporation.

AUDITOR’S REPORT

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial state-ments according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Alex Astolfi
Audit Expert
Auditor in charge

Christophe Kratzer

Geneva, 28 February 2012

SIGNATORIES BY EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.

29 May 2012

EFG Financial Products (Guernsey) Ltd.

Signed by Sandro Dorigo Member of the Board of Directors	Signed by Benjamin Reid General Manager