EFG International

ANNUAL REPORT 2008

EFG International is an international private banking and asset management group based in Zurich. It was founded on the back of a passionate conviction: clients of our industry expect and deserve more.

The essence of private banking is relationships; at EFG International, our role is to provide the conditions for these to flourish. Courtesy of an entrepreneurial business model, our business attracts professionals of the highest calibre, who enjoy the controlled freedom to operate in their clients' best interests.

Since its inception, EFG International has enjoyed a record of dynamic growth. Its global family of private banking businesses has grown to encompass 55 locations in over 30 countries.

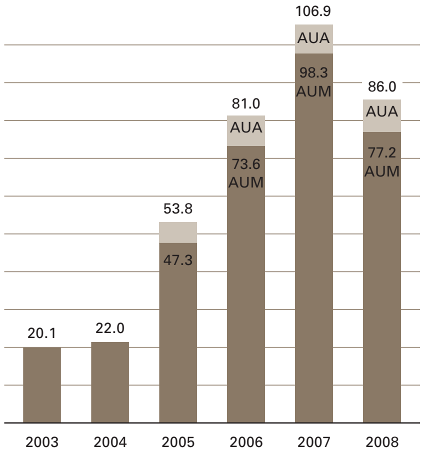
EFG International: a private bank unlike any other.

EFG International benefits from the resources and substantial capital reserves of EFG Group, Switzerland's third largest banking group by shareholders' equity. The Group's 27,000 employees serve clients from offices in 41 countries.

EFG INTERNATIONAL PERFORMANCE EVOLUTION

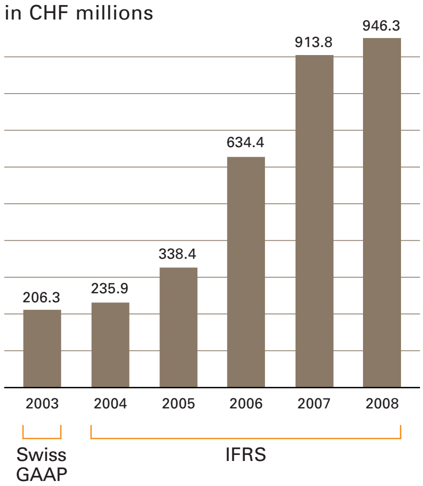
AUM and AUA*

in CHF billions



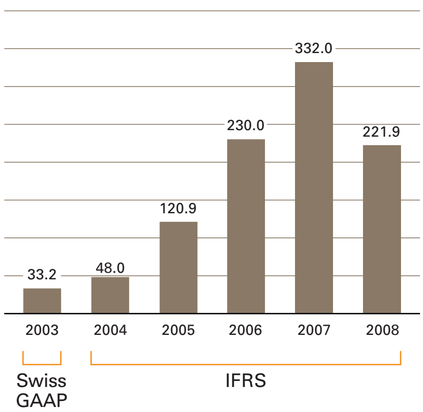
Operating Income

in CHF millions

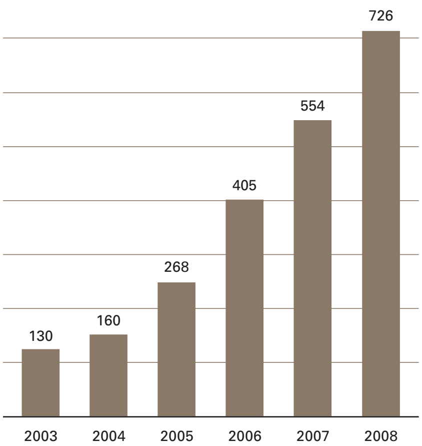


Net profit attributable to Group shareholders

in CHF millions

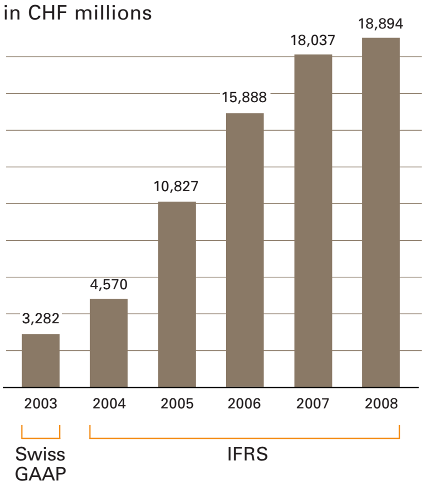


Client Relationship Officers (CROs)*



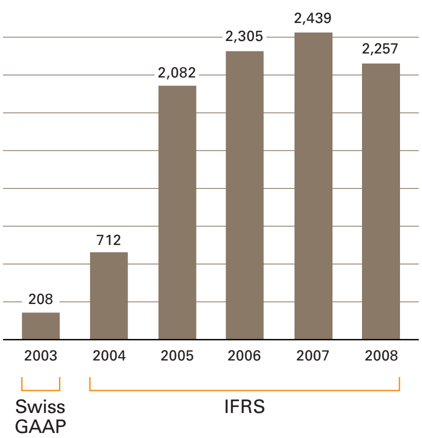
Total Balance Sheet

in CHF millions



Shareholders' Equity

in CHF millions



EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

in CHF millions	December 31, 2008
Income	
Operating Income	946.3
Profit before Tax	221.4
Net profit attributable to Group shareholders	221.9
Net profit attributable to ordinary shareholders	191.6
Cost/Income Ratio	65.4% (1)
Balance Sheet	
Total Assets	18,894
Shareholders' Equity	2,257
Market Capitalisation	
Share Price (in CHF)	18.70
Market Capitalisation (ordinary shares)	2,743
BIS Capital	
Total BIS Capital	784 (2)
Total BIS Capital Ratio	13.1% (3)

Ratings	**long term**	**outlook**
Moody's	A2	Stable
Fitch	A	Stable

Personnel	
Total number of CROs	726
Total number of employees	2,455

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* including announced acquisitions
(1) Adjusted for non-recurring items
(2) CHF 749 million after payment of proposed dividend
(3) 12.5% after payment of proposed dividend

International practitioners
of the craft of private banking

CONTENTS

CHAIRMAN'S LETTER

Jean Pierre Cuoni

Dear shareholders, dear clients,

It is no exaggeration to say that from a financial and economic perspective, 2008 was one of the most challenging years in living memory. We witnessed volatile bear markets, high profile bank failures, and concerns over liquidity, credit quality and capital strength across the entire banking sector. Various financial scandals further undermined confidence in the financial services industry, while the global real economy moved rapidly into recession during the final months of the year.

Our performance during 2008 was, relative to what we have achieved in the past, disappointing. Highly challenging conditions had a significant detrimental impact on assets under management and rates of growth. In absolute terms, however, and against a highly challenging backdrop, EFG International's performance was good. Revenues rose 10% to a record CHF 1,005 million (adjusted for non-recurring items) and net profit stood at CHF 281 million (adjusted for non-recurring items), down 15% compared to the previous year. EFG International remains well capitalised (with a BIS Tier 1 capital ratio of 13.1%; 12.5% after payment of proposed dividend) and is well served by a stable funding structure and a high quality, liquid balance sheet. It displayed effective risk management in the most testing of conditions, avoiding major credit pitfalls. Net new money was healthy across the year (CHF 13.2 billion), particularly in relation to private banking (CHF 18.2 billion). Client Relationship Officer (CRO) hiring was at record levels (up 172 to 726), and CRO productivity has held up well, with net new assets of CHF 30 million per CRO still being achieved.

Private banking is at the heart of EFG International, and it is a pity that various aspects that are one step removed from our core business – such as life settlement policies and some of our specialist product activities – have become a focal point. EFG International is first and foremost a private bank. Private banking accounts for some 90% of our assets under management, the fundamentals of this business remain sound, and we consider ourselves well placed to weather challenging conditions. We retain the confidence of clients, as evidenced by healthy net new money during 2008, and remain an attractive destination for high quality CROs, as illustrated by record hiring during 2008. Our existing CRO team is highly committed and motivated, and each CRO has a key role to play in helping clients to navigate the economic downturn. The testing market backdrop and the understandable caution of clients are presently combining to limit upside potential, with inevitable pressure on margins, at least until a turning point is reached and confidence starts to return.

We will emerge from these testing times stronger and with our reputation enhanced. The business will be managed prudently, we will conserve capital, and we will naturally recalibrate our business as necessary. Ours is a strong business, and I have no doubt that we possess the attributes to navigate the downs as well as the ups of the economic cycle. In relative terms, and while conditions remain so volatile and uncertain, we will place greater emphasis on quality, cost control and profitability, compared to growth and expansion.

The recent evolution of our share price does not, I believe, reflect the underlying accomplishments, strength or growth credentials of our business. In exceptional times such as these, it would seem that investors are ultra-cautious, have understandably lost confidence in banks, and seem disinclined to recognise banks such as ours that have avoided mishaps, essentially discounting the fundamental strengths underpinning our business. However, our response will always be to focus on the things that are in our direct control, with clients to the fore.

I would like to offer my thanks both to employees, for their continued hard work and professionalism, and to clients, for their continued loyalty and support.

Jean Pierre Cuoni,
Chairman of the Board

Resolute experts.

Single-minded focus, experience, passion: fuelling a business that does better by clients.

LETTER FROM THE CEO

Lawrence D. Howell

EFG International delivered a robust financial performance against a highly challenging market backdrop in the year ended 31 December 2008:

- Net profit, adjusted for non-recurring items (principally relating to life settlement policies), was CHF 280.9 million, down 15% year-on-year, on revenues of CHF 1,005 million, up 10%. Net profit, including non-recurring items, was CHF 221.9 million, down 33% year-on-year, on revenues of CHF 946.3 million, up 4%.

- Clients' Assets under Management were CHF 77.2 billion as at 31 December 2008, down from CHF 98.3 billion as at end-2007, reflecting adverse market and currency effects. The increase in clients' Assets under Management due to acquisitions was CHF 800 million (Sycomore Gestion Privée).

- Private banking inflows for the year were CHF 18.2 billion. Total net new assets and the increase in clients' loans were CHF 13.2 billion (of which loans: CHF -0.5 billion). This compares with CHF 13.8 billion (loans: CHF 2.0 billion) for 2007.

- The number of Client Relationship Officers (CROs) increased to 726. This represented a rise of 172 (of which all but four related to organic hiring), up some 31% year-on-year.

REVIEW OF BUSINESS

An extremely challenging business environment

The financial and economic backdrop was extremely challenging during 2008. High levels of uncertainty; falling equity markets; specific problems relating to the financial services sector; and a strong Swiss franc were features of the year. In the real global economy, many economies began to fall into recession, and concerns over the length and depth of this downturn continue to undermine client confidence and activity.

EFG International remains profitable, is well capitalised and highly liquid, and has displayed effective risk management.

While conditions were challenging, with some detrimental effects on EFG International, it is important to put things into perspective:

- EFG International remains profitable and well capitalised. Its BIS Tier 1 capital ratio stood at 13.1% (12.5% after payment of proposed dividend) at end-2008, up from 11.3% at mid-2008.

- It is well served by its stable funding structure, with client deposits covering loans almost twice over; no reliance on wholesale or inter-bank borrowing; and other balance sheet assets that are highly liquid and of high quality (principally short-term placements with the world's top banks, and a range of government bonds issued by the US and major European countries).

EFG International has also managed credit risks effectively:

- The business was not involved in sub-prime. Exposure to organisations that ceased trading during 2008 has been negligible and we do not expect any impact on profit relating to fraudulent investment funds.

- EFG International has had to provide for some potential loan losses, but overall the loan book remains of high quality; is based on conservative loan-to-value ratios; and is focused entirely on wealthy individuals and supported by personal covenants to repay. Provisions in relation to credit, operations and fraud remain relatively modest. Although there was an increase in light of challenging conditions, provisions of CHF 15 million still represent less than 2% of total revenues.

Adverse market conditions impacted the value of clients' Assets under Management; lower client activity constrained growth

Extreme turbulence in financial markets and the global economy during 2008 inevitably had an impact on EFG International in a number of areas:

- Market and currency effects reduced the value of clients' Assets under Management by CHF 32.6 billion (market effects CHF 21.3 billion; currency effects CHF 11.3 billion). Currencies where EFG International had significant exposure include USD (down 6% during 2008); EUR (down 10%); GBP (down 32%); and SEK (down 22%).

- Had exchange rates remained as they were at the end of 2007, operating income would have been circa CHF 135 million higher; and net profit CHF 63 million higher.

- In light of difficult market conditions, clients have understandably been cautious, and less active in relation to new investment opportunities. The result has been a deceleration in EFG International's rate of growth.

- Deleveraging, whereby clients redeem investments to pay down debt, has also affected net new money. A similar dampening effect has resulted from the need among many wealthy clients to deploy surplus funds for business purposes.

- The hedge fund sector experienced widespread redemptions during 2008, and this had an impact on EFG International's specialist hedge fund and funds of hedge funds businesses.

Changes in relation to accounting treatment of life settlement policies

In light of exceptional market conditions, we decided to revalue a portfolio of US life settlement policies, resulting in a non-recurring loss of CHF 59 million. However, in no shape or form is this a toxic asset. It relates to a portfolio of diversified, highly rated (predominantly AA) and closely regulated life settlement policies, issued by leading US life insurers. In the event that sales do not materialise, we can simply hold them to maturity, producing an attractive expected annual yield of over 11%.

A strong performance in terms of net new assets and CRO productivity

- Private banking inflows were CHF 18.2 billion for the full year (excluding the impact of loans), of which CHF 4.7 billion was in H2 2008. This represented circa 20% of total clients' Assets under Management at the beginning of 2008.

- In relation to overall net new assets including client loans (NNA), it was a year of two halves. For H1 2008, NNA were CHF 14.0 billion (helped by some exceptional inflows relating to ultra-high net worth individuals), CHF 13.5 billion excluding loans. H2 2008, by contrast, was characterised by a number of factors that offset healthy private banking inflows. The specialist hedge fund businesses experienced redemptions and deleveraging (reducing NNA by CHF 3 billion); clients deleveraged; and activity among ultra-high net worth individuals slowed, on account of deteriorating economic and market conditions.

- For 2008 overall, NNA were CHF 13.2 billion. This figure was broadly comparable to NNA in the previous year (2007: CHF 13.8 billion).

- Productivity remained strong. Net new assets per CRO (average number of 625 for the year) were CHF 30 million. This applied pretty much across the CRO population by year of recruitment. Importantly, those CROs recruited during 2007 generated, on average, CHF 30 million of net new assets during 2008, illustrating how the quality of hiring is being maintained.

Business fundamentals remain robust and EFG International continued to deploy a range of strategic business levers during 2008

1. Client Relationship Officers - recruitment at record levels

During 2008, we increased CROs to 726 (up 172), underlining EFG International's appeal to high calibre, entrepreneurial private bankers around the world. This was a record level of hiring, exceeding by 8% our target of 675 CROs by the end of the year.

However, although the scope exists to recruit more CROs during 2009, the practical reality is that CRO hiring is likely to be more circumspect. The severity of current economic and market conditions means that recruitment will be prudent, flexed to take account of overall business performance. Overall, the focus will be on quality, with one trend being the hiring of whole teams, rather than individuals.

2. The benefits of a balanced geographical spread

Allowing for exceptional market conditions and notably in local currency terms, businesses performed well across a broad international spectrum during 2008, both in established and new growth markets. By way of example:

- In the UK, income was up by close to 20% in local currency terms, while profit rose by close to 30%.

- The Asian business saw strong double digit growth in income, with the number of CROs increasing by over 30%.

- The Americas business saw positive growth in revenues in local currency terms, and the number of CROs grew by 74%.

- At EFG Bank (Luxembourg) SA, clients' Assets under Management rose by 50%. The number of CROs rose by 75%.

3. Expansion of international presence and capabilities

During 2008, we selectively extended our presence in a number of markets, including the UK and Spain. Operations moved to new premises in Sweden and Hong Kong, in order to accommodate business growth.

Our approach has always been one of getting close to clients, embracing both onshore and cross-border private banking (overall, EFG International has 19 booking centres). This means we are relatively well placed, given the various pressures bearing down on traditional off-shore banking. Having started in 1995, EFG International does not have a major legacy issue in this regard, and tax has never been a primary driver. Undeclared offshore business with US clients has never been a business objective.

An area of emphasis going forward is to optimise returns from our existing network of offices, and to maintain strong organic growth. We are confident that CROs hired during 2008 will deliver in 2009, much as their predecessors did the year before.

4. Acquisitions - good progress on integration; a prudent approach to potential new transactions

The integration of acquisitions announced in 2007 and completed in 2008 (A&G Group; On Finance; Marble Bar Asset Management; Stratcap Securities India) has progressed smoothly.

In addition, EFG International entered the French market in July 2008 with the completion of its acquisition of specialist wealth manager Sycomore Gestion Privée (SGP), bringing clients' Assets under Management of CHF 800 million. Integration has since progressed according to plan. Post-acquisition, the business continued to recruit, ending the year with seven CROs. It rebranded to EFG Gestion Privée, and relocated to new, larger premises to accommodate anticipated business growth and its planned conversion to bank status in Q2 2009.

EFG International continued to explore various potential acquisition opportunities during 2008. However, in light of market conditions, we felt it was important to build up the capital position and to maintain a disciplined approach to deploying it.

Looking ahead, we see acquisitions continuing to play a role in the development of EFG International. However, at the present time, the focus remains on conserving capital, and small acquisitions will not be a priority for as long as economic and market conditions remain uncertain.

5. Developing infrastructure and functional capabilities

We continued to strengthen our executive team and functional capabilities during the year. Alain Diriberry assumed the responsibilities of Senior Executive for Global Operations and Administration, becoming a member of the Executive Committee of EFG International. He has conducted a review of operational and IT platforms, with a view to enhancing efficiency. As part of this process, Mark Bagnall, formerly responsible for IT at Merrill Lynch Global Private Clients EMEA, was appointed as head of IT.

6. Product and service capabilities - specialist product businesses demonstrated their capabilities in difficult markets; but impacted by broader industry issues

EFG International has in-house capabilities sitting in competitive juxtaposition with external service providers in complex areas such as structured products and hedge funds. We see this as integral to private banking, and developing the brain power to simplify complexity for clients. There are also benefits in terms of reducing risk (courtesy of the practical insights and transparency they provide), particularly apposite in the present environment.

In 2008, the performance of Marble Bar Asset Management's flagship fund remained positive, and C.M. Advisors significantly outperformed most funds of hedge funds (in the range minus 10-12% on an unleveraged basis, compared with industry norms of minus 11-15%). Both businesses remain comfortably profitable, albeit adversely affected by significantly lower performance fees. EFG Financial Products continued to improve its market share and broke even during the second half of 2008.

Going forward, we will look to grow our specialist product businesses, building on their above-average performance and leveraging existing business development resources. At the same time, we will seek to improve efficiency, both within the businesses themselves and by harnessing their capabilities for the benefit of the group:

- C.M. Advisors expects to continue to outperform its sector (year to date up circa 1-2%). It is also now the global centre of excellence for the broader funds of hedge funds capabilities of the group.

- EFG Financial Products will look to build on the strong start it has made, and to continue to grow market share. In addition to serving external clients, EFG Financial Products is making its market-leading technology platform available across the group, as well as its capabilities in relation to structuring. This is being done in a manner consistent with EFG International's commitment to open architecture.

- Marble Bar Asset Management was affected by clients in need of liquidity removing funds from cash-rich performers during 2008, after other providers had introduced restrictions on redemptions. We are confident that it will, given its track record of performance, ultimately win more business as clients reallocate, and the new business pipeline is encouraging.

7. Raising the profile of the business

In line with our stated aim of extending our strategic marketing activities, we made continued progress in raising the profile of the business. We launched key sponsorships across various locations and themes, encompassing sport (global programmes supporting prominent polo and classic car events) and culture (encompassing classical music, jazz, and various design and art events). We continued to develop a diverse and innovative global marketing campaign across broadcast, print and online media.

Going forward, we will continue to invest in raising the profile of EFG International, based on highly targeted, innovative and cost-effective marketing. In this respect, we have the advantage of building up from a historically low base, at a time when other organisations are scaling back considerably.

LOOKING AHEAD

Paying particular attention to costs and implementing qualitative improvements

We continue to adopt a long-term approach to what is a long-term relationship business. However, in the current difficult economic climate, it is important to manage the business prudently. We are mindful of run rate and cost base, and will take steps as required to ensure the business is calibrated to ongoing levels of activity. We intend to maintain, for the foreseeable future, a freeze on non-client facing employees. Generally speaking, salaries are being held at existing levels. CROs will continue to be remunerated based on their profitability, providing every incentive to do right by clients and to build a sustainable business, without distortionary sales targets. However, starting in 2008, EFG International has changed profit participation arrangements to include a higher proportion of long-term equity, to reinforce the prevailing long-term mindset.

We are committed to running our business as efficiently as possible; ensuring it is sustainable; and harnessing its product and service capabilities for the benefit of the group. By way of example:

- The focus will be on optimising what already exists, as opposed to extending representation. In terms of allocating resources, greater account will be taken of specific business performance and momentum; points of relative competitive differentiation; and local market conditions.

- We have enhanced our ability to provide support to CROs in the area of hedge funds, drawing on our internal specialist hedge fund capabilities. We are exploring similar solutions in other product areas, including harnessing our various wealth structuring capabilities to help CROs further deepen client relationships.

- We are working to ensure optimal effectiveness of our IT systems, and are rolling out an enhanced CRM system.

- While we have a strong track record in terms of risk management, we are not complacent in this area. We have added resources in compliance and audit functions, equipping the business for testing conditions.

But remain committed to organic growth, and have momentum

Global HNWI wealth is shrinking at present; however, there is still plenty of opportunity for a focused private bank such as EFG International to increase its market share. In the current environment, there should be no shortage of CROs or clients that will be drawn to EFG International.

Summary

Exceptional financial and economic conditions slowed EFG International's progress during 2008, and will continue to constrain growth during the current year. The wealth management industry is under pressure on several fronts. Against this backdrop, we will continue to refine our business as necessary, consistent with an ongoing commitment to optimising profit over the long term.

However, EFG International's position remains a strong one, and it continues to enjoy the confidence of its clients. It remains well capitalised and profitable. Challenging conditions also bring attendant opportunities, as illustrated by record hiring and a strong hiring pipeline. And while the current focus is on conserving capital, we remain alert to major acquisition opportunities that could emerge in the months and years ahead. As a proven acquirer, EFG International would be well placed to capitalise on these.

We feel strongly that attributes such as these equip our business to navigate the downs as well as ups in the economic cycle; to meet current challenges, to continue to build a stronger business, and to seize compelling opportunities as they emerge.

Lawrence D. Howell,
Chief Executive Officer

A modern, progressive private bank.

A Swiss pedigree and a
global presence. Located where
our clients need us.

INTERNATIONAL PRESENCE

A global footprint

We seek to extend our international footprint through a creative mix of recruiting high calibre people, opening offices, and making complementary acquisitions. Every regional business is run by practitioners with long experience of their local markets. In this way, relationships with clients are rooted at ground level, while augmented by the full global resources of EFG International.

Booking centres
Other offices

Birmingham region includes:
Banbury, Bridgnorth, Ombersley, Wolverhampton

Switzerland:
Geneva, Zurich, Martigny, Sion, Crans-Montana, Verbier, Lugano

Organic growth and acquisitions

1995 The founding of EFG Bank

1996
- ● Miami

1997
- ● Geneva Private Banking Business of Parent Bank
- ● Royal Bank of Scotland Zurich

1999
- ● Guernsey

2000
- ● Singapore
- ● Hong Kong
- ● Buenos Aires

2001
- ● IBP Fondkommission (Sweden)

2002
- ● Taipei

2003
- ● BanSabadell Finance (Geneva)
- ● Banque Edouard Constant (Geneva)

2004
- ● New York
- ● Luxembourg
- ● EFG Investment Bank Sweden
- ● Banco Atlántico Gibraltar Ltd
- ● Structured Notes Business (Scandinavia, Europe)[1]

2005
- ● Dubai
- ● Lima
- ● DLFA Dresdner LatAm Financial Advisors
- ● Chiltern Wealth Management (London)
- ● Bank von Ernst (Liechtenstein) AG[2]
- ● Banco Sabadell Bahamas[1]
- ● EFG Eurofinancière d'Investissements SAM (Monaco)
- ● EFG Private Bank Limited (London)

● Organic growth
● Acquisitions

1 Agreements to set up business accounted for as acquisitions of intangible assets.
2 Subsequently changed name to EFG Bank von Ernst AG.
3 Subsequently changed name to EFG Wealth Management (India) Private Ltd.
4 Subsequently changed name to EFG Gestion Privée.

Our growth trajectory speaks for itself. EFG International draws on a wide range of strategic business levers, including a careful balance of organic growth and select acquisitions.

2006

Bahamas Bank
Luxembourg Bank
Bahrain
Bangkok
Bogotá
Caracas
Cayman
Jakarta
Manila
Mexico City
Panama
Quito

Capital Management Advisors (Bermuda)
Harris Allday (UK)
Banque Monégasque de Gestion (Monaco)
PRS Group (Cayman/Miami)
Quesada Kapitalförvaltning (Sweden)

2007

Toronto
Jersey Bank
Madrid
Barcelona
EFG Financial Products

Ashby London Financial Services Ltd (UK)
Bull Wealth Management (Canada)
Marble Bar Asset Management LLP (UK)
Stratcap Securities India (Mumbai)[3]
A&G Group (Spain)
On Finance SA (Lugano)

2008

Los Angeles
Montreal
St. Catharines
Vancouver

Sycomore Gestion Privée (Paris)[4]

Today

Miami
Guernsey
Singapore
Hong Kong
Buenos Aires
Taipei
New York
Luxembourg
Sweden
Dubai
Lima
Bahamas Bank
Luxembourg Bank
Bahrain
Bangkok
Bogotá
Caracas
Cayman
Jakarta
Manila
Mexico City
Panama
Quito
Toronto
Jersey Bank
Madrid
Barcelona
EFG Financial Products
Los Angeles
Montreal
St. Catharines
Vancouver

Geneva Private Banking Business of Parent Bank
Royal Bank of Scotland Zurich
IBP Fondkommission (Sweden)
BanSabadell Finance (Geneva)
Banque Edouard Constant (Geneva)
Banco Atlántico Gibraltar Ltd
Structured Notes Business (Scandinavia, Europe)[1]
DLFA Dresdner LatAm Financial Advisors
Chiltern Wealth Management (London)
Bank von Ernst (Liechtenstein) AG[2]
Banco Sabadell Bahamas[1]
EFG Eurofinancière d'Investissements SAM (Monaco)
EFG Private Bank Limited (London)
Capital Management Advisors (Bermuda)
Harris Allday (UK)
Banque Monégasque de Gestion (Monaco)
PRS Group (Cayman/Miami)
Quesada Kapitalförvaltning (Sweden)
Ashby London Financial Services Ltd (UK)

Bull Wealth Management (Canada)
Marble Bar Asset Management LLP (UK)
Stratcap Securities India (Mumbai)[3]
A&G Group (Spain)
On Finance SA (Lugano)
Sycomore Gestion Privée (Paris)[4]

FINANCIAL REVIEW

Rudy van den Steen
Chief Financial Officer

In the financial year 2008 operating income increased by CHF 32 million to CHF 946 million; operating expenses rose by CHF 137 million. This resulted in a decrease in net profit attributable to Group shareholders of 33% to CHF 222 million and in net profit attributable to ordinary shareholders of 37% to CHF 192 million. Cash flow generation was substantial in both operational and balance sheet terms.

FACTORS AFFECTING RESULTS OF OPERATIONS

Organic hiring of Client Relationship Officers ("CROs") and the acquisition of Sycomore Gestion Privée (signed and closed in 2008) resulted in an increase of 31% in the number of CROs to 726 at the end of 2008.

Clients' Assets under Management ("AUMs") were positively affected by the continued AUM generation of both existing CROs and new hires in 2008, resulting in CHF 18.2 billion net new assets from private clients for 2008. However, these positive effects were more than offset by substantial negative market and currency movements, as increased illiquidity and investor caution (particularly in the fourth quarter of 2008) resulted in general asset class depreciation. Accordingly, revenue-generating AUMs were down by 20% to CHF 75.4 billion at the year end; average revenue-generating AUMs increased by 17% to CHF 89.5 billion.

EFG International completed in 2008 the four acquisitions which were signed at the end of 2007 (A&G Group, On Finance, Marble Bar Asset Management and Stratcap Securities India). Marble Bar Asset Management and On Finance were included in the income statement effective 1 January 2008 and the other acquisitions effective later during the year, with immaterial impact. Following the collapse of Lehman Brothers in September 2008 and the resulting financial market turbulence, EFG International put its acquisition initiatives on hold and focused on conserving capital for the rest of the year as economic and market conditions remained uncertain.

EFG International acquired a portfolio of 305 US life settlement policies in Q3 2007 with 23 life insurers regulated by the U.S. California Department of Insurance as counterparty. Reviews of life expectancies performed by medical underwriters 21st Services and AVS confirmed at date of acquisition an average life expectancy for the portfolio of approximately 9 years, with an average age of approximately 80 years for relatively healthy individuals. In June 2008, these life settlement policies were revalued upwards by CHF 98 million, of which CHF 49 million represented an increase in equity, related to the portion of the portfolio carried in Available for Sale Investment Securities, and CHF 49 million represented an increase through the income statement on the portion of the portfolio carried in Designated at Fair Value Investment Securities. In late 2008, medical underwriters announced revisions to their methodologies for estimating life expectancies, resulting in an extension of the average life expectancies for EFG International's portfolio, despite the fact that the impact of the newly issued Standard Life Tables on the above mentioned 305 policies is on average estimated to be minimal. While the sale of interests in policies continued towards the end of the year at the pricing level of the beginning of the year, the policies were revalued downwards by CHF 216 million primarily due to market illiquidity. Of this, CHF 108 million represented a write down through Available for Sale/Equity,

and CHF 108 million represented a decrease in Other Income, thereby turning the positive CHF 49 million effect at mid-year into an overall negative effect of CHF 59 million.

This net write-down of CHF 59 million has been labelled as a “non-recurring” item, in order to reflect its non-cash expense, non-economic basis, and the fact that it is based on illiquid markets.

CONSOLIDATED ASSETS UNDER MANAGEMENT

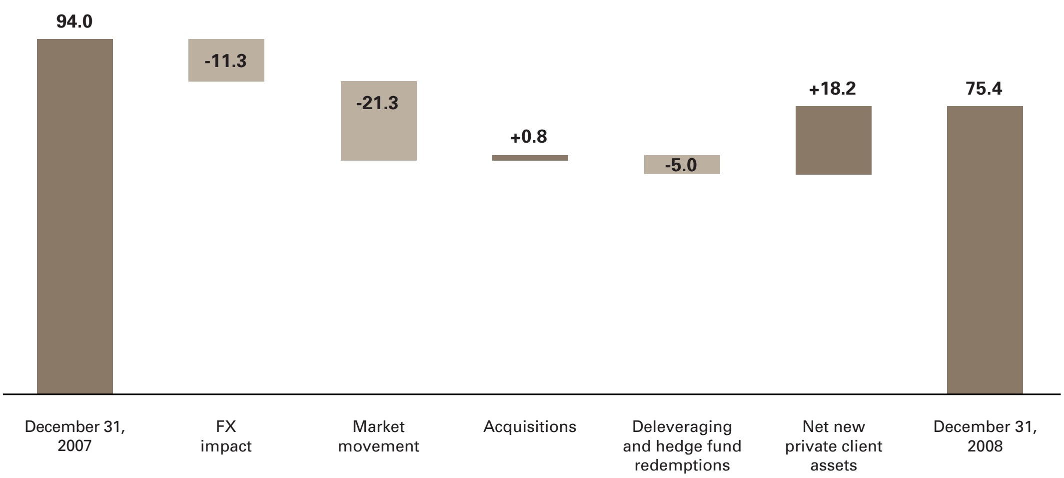
Revenue-generating AUMs decreased by 20% to CHF 75.4 billion during 2008, down from CHF 94.0 billion as at 31 December 2007.

Net new assets from private clients grew strongly by over 20% to CHF 18.2 billion. Overall, however, net new assets were negatively impacted by hedge fund redemptions of approximately CHF 3.0 billion and CHF 2.0 billion of deleveraging.

AUM development was negatively impacted by foreign currency movements, notably the USD, EUR, SEK and GBP, which depreciated in a range between 6% and 32% against the CHF. This currency translation effect reduced AUMs by an estimated CHF 11 billion. Negative market action further reduced AUMs by an estimated CHF 21 billion as a result of equities declining by over 40%. Furthermore, products derived from equities negatively performed by 20% to 30%.

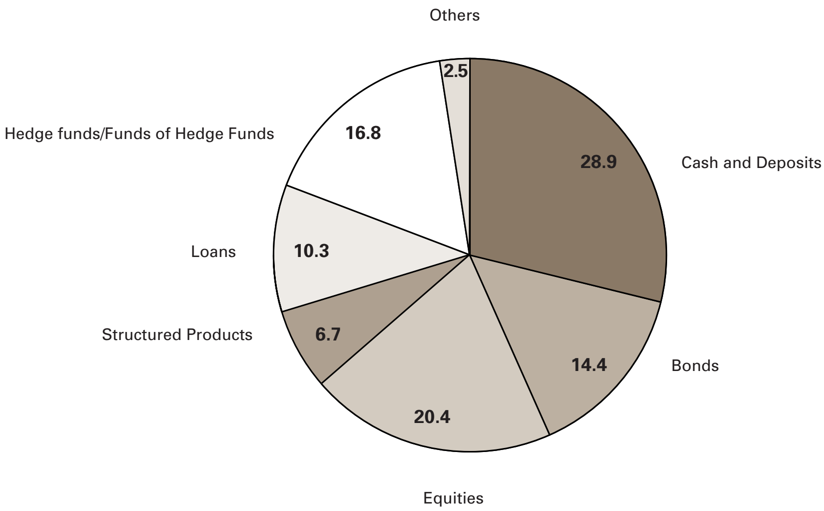
AUM development

including announced acquisitions in 2007; in CHF billions



AUM by category

in %



CONSOLIDATED FINANCIALS

Operating income

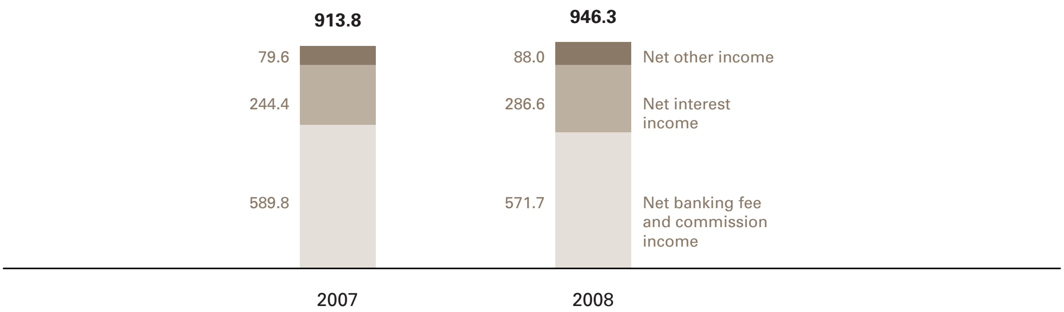
Operating income (adjusted as above) increased by 10% to CHF 1,005 million compared to CHF 914 million in the previous year, in line with the 17% increase of average revenue-generating AUMs. This increase in AUMs resulted mainly from the impact of the five acquisitions closed in 2008, the four announced at the end of 2007 and Sycomore Gestion Privée in France, which was signed and closed in 2008.

Net commission income decreased by 3% reflecting an incremental income of approximately CHF 159 million from the acquisitions that closed in 2008, offset by an estimated CHF 135 million loss of income from the significant depreciation of the previously mentioned currencies against the Swiss franc. Operating income suffered across businesses as the effects of the financial crisis flowed through and led to a decline in volume and high margin transactions. Despite this adverse environment, net interest income was up by 17% to CHF 287 million.

Net other income of CHF 88 million was earned primarily from margins on foreign currency transactions on behalf of clients for CHF 87 million. The previously mentioned non-cash “mark to illiquid market” net CHF 59 million negative revaluation of a portfolio of life settlement policies issued by highly rated US life insurers was offset by CHF 60 million gains primarily on government bonds and other investment securities.

Based on time-weighted average revenue-generating AUMs of CHF 89.5 billion, the yield on AUMs decreased to 112 bps from 119 bps in the previous year.

Operating income
in CHF millions



Operating expenses

Operating expenses, excluding amortisation of acquisition related intangibles, rose by 26% to CHF 658 million compared to CHF 521 million for 2007. The cost-income ratio, which is the ratio of operating expenses (including amortisation expense of software and tangible fixed assets) to operating income, increased from 57% to 65% (on an adjusted basis). The cost income ratio was impacted by approximately 5% due to substantial investments in organic growth initiatives, primarily start-up costs for operations in Canada, Luxembourg, and EFG Financial Products; excluding these initiatives, the ratio would have been closer to 60%.

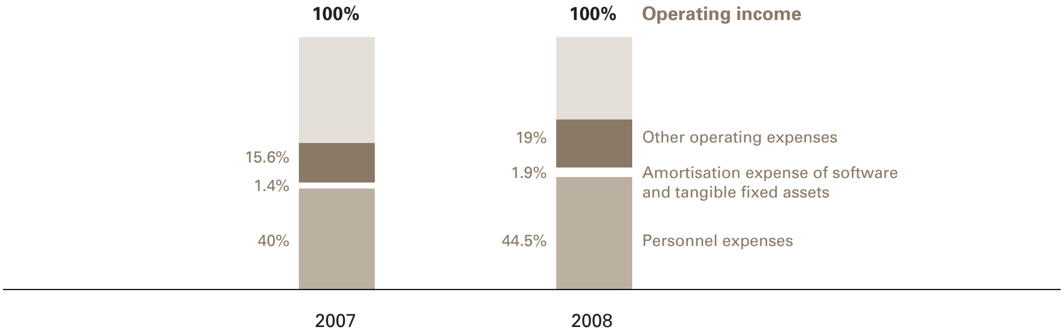
Personnel expenses increased by CHF 82 million, up 22% to CHF 447 million. The increase resulted mainly from the acquisitions closed in 2008 (CHF 40 million); the previously mentioned organic growth initiatives (CHF 30 million); and the increased expense of stock options granted in 2006, 2007 and 2008 (up CHF 12 million to CHF 20 million). Overall headcount increased by 32% from 1,864 to 2,455 employees.

Following lower reported Swiss franc income from private clients, the variable element of employees' compensation was considerably reduced, and this reduction effectively funded a significant part of the salary expense relating to additional CROs.

While CRO variable compensation remains unchanged, the composition has been revised to include a higher proportion of non-cash long-term equity. Restricted stock units have been issued to CROs, vesting over three years, which is further explained in note 50 to the consolidated financial statements.

Other operating expenses increased by CHF 55 million, reflecting mainly an incremental CHF 20 million from the 2008 acquisitions and a similar amount from the organic growth initiatives previously mentioned.

Operating expenses (including fixed assets depreciation and software amortisation) as a percentage of operating income



BALANCE SHEET

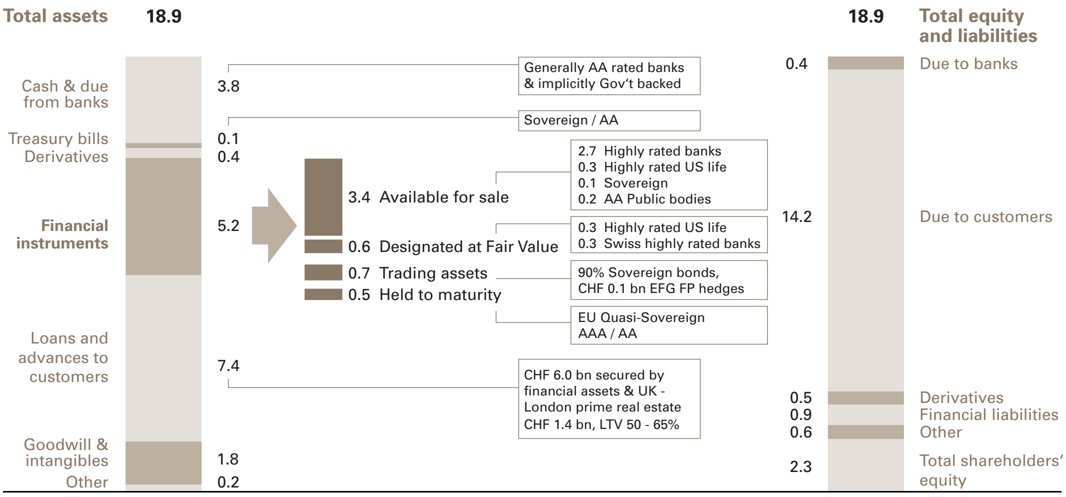
In the year under review, the consolidated balance sheet total increased by 5% to CHF 18.9 billion. Loans to customers decreased by 6% to CHF 7.4 billion. These comprise CHF 6.0 billion secured lending, almost entirely fully backed by collateral of diversified liquid/marketable securities; and mortgages totalling CHF 1.4 billion. More than 90% of the mortgage portfolio comprises loans made to private banking clients in the United Kingdom, the significant majority of which are secured against prime properties at original loan-to-value ratios of 50% to 65%. These clients typically have a wider private banking relationship with the bank, based either on the custody of a substantial part of their liquidity or on the provision of other revenue generating services in addition to the mortgage itself. In general, mortgages have a five year contractual maturity risk.

Despite substantial currency depreciation effects, Due to Customers/Customer Deposits increased by 5% to CHF 14.2 billion.

All other assets on the balance sheet, with the exception of Goodwill and Intangibles, are with highly rated counterparties:

Breakdown of balance sheet

in CHF billions



All tangible assets are callable within 3 months, with the exception of life settlement policies of CHF 0.6 billion (reported 50% in Available for Sale and Designated at Fair Value respectively) and CHF 1.4 billion Mortgages with an average 2.5 years maturity.

The Customer Deposit to Loan Ratio is 191%, one of the best-in-class ratios in the global banking sector.

CAPITAL

Shareholders' equity totalled CHF 2.26 billion primarily as a result of the following:

- CHF 50 million paid Ordinary dividend;
- CHF 30 million paid "Participation" dividend;
- CHF 65 million Ordinary shares repurchased;
- CHF 59 million negative net revaluation of life settlement policies (available-for-sale securities);
- CHF 298 million in currency translation adjustments on consolidation of foreign currency denominated subsidiaries;

partially offset by:

- CHF 93 million Minority Interests;
- CHF 196 million Net profit attributable to Group and minority shareholders.

The BIS Tier 1 Capital Ratio was 13.1% (before ordinary dividend, to be approved by the 2009 Annual General Meeting) at 31 December 2008. Risk Weighted Assets decreased to CHF 6.0 billion as of 31 December 2008. This comprised the following (CHF billion):

	2007	2008
Credit Risk	4.5	3.7
Operational Risk	1.3	1.6
Market Risk, Settlement Non-Counterparty Related	0.4	0.7
Total BIS Risk Weighted Assets	**6.2**	**6.0**

Core Capital and Tangible Equity amounted to CHF 784.3 million (before ordinary dividend, to be approved by the 2009 Annual General Meeting) at 31 December 2008. This represented 4.6% of total assets net of net-intangibles. Accordingly, the leverage ratio amounted to 21.8.

On 17 December 2008, EFG International, through EFG Bank, redeemed its EUR 100 million Subordinated Floating Rate Notes and thereby paid back its Lower Tier 2 capital to investors on the first call date.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.25 per share, representing a dividend payout of approximately CHF 35 million, will be proposed to the Annual General Meeting scheduled for 29 April 2009.

RATINGS

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

The current ratings are:

EFG International
Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1.
Moody’s: Long-Term issuer rating of A2.
Outlook Stable for both rating agencies.

EFG Bank
Fitch Long-Term issuer default rating of A and Short-Term issuer default rating of F1.
Moody’s: Long-Term Bank Deposit rating of A2 and the Short-Term Bank Deposit rating of P-1.
Outlook Stable for both rating agencies.

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Rudy van den Steen Chief Financial Officer
Alain Diriberry Senior Executive Operations and Administration
Keith Gapp Head of Strategic Marketing & Communications
Gérard Griseti* Chief Executive Officer for Southern Europe Region
Frederick Link Group General Counsel & Chief Risk Officer

Photo: EFG International Executive Committee. Frederick Link not present.

* Member of the Executive Committee as of February 2008.

OTHER MANAGEMENT EFG INTERNATIONAL AG

Silvio G. Ammann Deputy Chief Risk Officer
Mark Bagnall* Global Chief Technology Officer
Jens Brueckner Head of Investor Relations
Jacques-Henri Gaulard Strategic Business Development Analyst
Renee Hassiotis-Schuler Deputy Group General Counsel
Matthew Lanfear Head of Funding & Capital Markets
Andrew McQuillan Strategic Marketing & Communications
Michael Rodel Head Controlling & Financial Reporting
Ivo Steiger Head of Investment Finance/Credit
Philip Weights Chief Internal Auditor
Patrick Zbinden Head of Global Integration

* Since 1 December 2008

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Jacques Pochat** Head of Information Technology
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Yves Mauron Head of Correspondent Banking
Karen Egger Head of Legal and Compliance
Martin Mueller Head of Human Resources
Silvio Maglio Head of Operations
Julian de Benito Head of Global Treasury
Florent Albaret Head of Market Risk Control & Reporting

* Since 22 September 2008
** Until 30 November 2008

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Jean-Jacques Greff VP
Anne Guidi VP
John Paul Keane VP
Josée Kraus VP
Laurent Lancelin VP
Olle Lindfors VP
Bernard Martin VP
Steven Maertens VP
Anthony Miles VP
Martina Oudenhoven VP
Alexander Paulus VP
Erwan Salloux VP
Johan Samuelsson VP
Gérard Sander VP
Jérôme Taal VP
Clément Thevenet VP
Edwin Van Belle VP
Jan Vandendriessche VP
Amaury Van Rijckevorsel VP
Bart Van Wagenberg VP
Christiane Watgen VP

EFG BANK (LUXEMBOURG) SA, SUCURSAL EN ESPANA

Paul Imison Chief Executive Officer
Miguel Ortega Director
Francisco Garcia-Lozano Director

CAPITAL MANAGEMENT ADVISORS SA, GENEVA

Angelos Metaxa President
Ian Cookson Board Member
Rudy van den Steen Board Member
Constantin Lanaras General Manager
Alessandro Mauceri Manager

C.M. ADVISORS LTD, BERMUDA

Sabby Mionis President/Chief Executive Officer, Chief Investment Officer
Jozef Hendriks Member
James T. H. Lee Member
Andrew Stone Member
Keri Wong Secretary/VP/Operating Officer
Alexander Matathias Chief Financial Officer
Stavros Papastavrou Deputy CEO/ Legal Counsel
Solomon Levis Head of Information Technology
Hubert Wong Valuation Manager

CAPITAL MANAGEMENT ADVISORS NORTH AMERICA, INC, NEW YORK

Sabby Mionis President
James T. H. Lee Member
Matias Ringel Manager
Andrew Steinvurzel Legal Counsel/ Corporate Secretary

CAPITAL MANAGEMENT ADVISORS GROUP SA, LUXEMBOURG

Sabby Mionis President
James T. H. Lee Member
Andrew Stone Member

EFG BANK GUERNSEY

Christopher Rowe Branch Manager

EFG PRIVATE BANK LIMITED, LONDON

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John Williamson CEO
Mozamil Afzal ED
Philip Amphlett ED
Grahame Holdgate ED
Iliana Kehagias ED
Brian Lenney ED
Simon Abirached SD
Camil Ghantous SD
Stuart Hart SD
Nermine Harvey-Phillips SD
Andrew Imlay SD
Elizabeth Kaye SD
Alexander Langen SD
Michael Page SD
Demetris Pishiaras SD
Ron Teo SD
Rasik Ahuja D
Philip Baxter D
Steve Beckley D
Mike Betesh D
Edmond Breuer-Weil D
Massimo Camponovo D
Tim Chanter D
Nick Cook D
Ian Dowling D

Michael Eagle D
Martha Fray D
Angela Guadagnino D
Ross Hosmann D
Tom Ingham-Clark D
Rehan Jaffery D
Andrew Jones D
Ian Kelly D
Hans Knowles D
Dermot Lewis D
Andreas Matopoulos D
Robert Mitchell D
Tracey Norris D
Rosemary O'Doherty D
Matthew O'Keefe D
Jeremy Piggott D
Garfield Ramsay D
Simon Rowe D
Harpal Sahota D
Amer Sayed D
Jessie Scott D
Niraj Shah D
Pedro Silva D
Keith Simpson D
Theo Sparrow D
Jonathan Stocker D
Catherine Stroud D
Edwin Tuck-Sherman D
Joao Vinagre D
Marios Voskopoullos D
Philippe Waelti D
Hilary Wakefield D
Darren White D
Imelda Woodthorpe Browne D
Ayman Zouheiri D

EFG ASHBY LONDON FINANCIAL SERVICES LIMITED, WOLVERHAMPTON

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Philip Oaten Managing Director
Shaun Guest ED
Ian Hawkins ED
Andrea Wilson ED
Michael Bates D
Michael Gibson D
Nicholas Ronan D

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Andreas Wueger SD
Ellahe Kashanchi D

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Charles Phipps D
Brian Ryninks D
Neal Stevens D
Stephen Talboys D
Sue White D
Steve Wragg D

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John Male ED
Jonathan Benson D
Barry Brosnan D
Robert Davies D
David James D

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Julie Collins ED
Sean Coughlan ED
Ian Henderson ED
Russell Thomson ED
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David Campbell D
John Coutanche D
Bruce Ferguson D
Carmel Fiddes D
Neil Ginnis D
Nigel Greenwood D
Daniel Hawson D
Kevin Mercury D

EFG PRIVATE BANK (CHANNEL ISLANDS) LIMITED, GUERNSEY
John Hallam Non-Executive Chairman
Gerard Gardner Managing Director
Peter Daniels ED
Christopher Rowe ED

EFG PRIVATE BANK (CHANNEL ISLANDS) LIMITED, JERSEY
Christian Busel Branch Manager

EFG BANK AB, SCANDINAVIA
Martin Nilsson Managing Director
Jonas Fischerström Chief Investment Officer
Lars Thorén Chief Financial Officer
Per Wiss Chief Credit Officer
Rutger Selin Chief Operating Officer
Johan Bynelius SVP
Thomas Vinell SVP

FINLAND
Johan Ström SVP

EFG LIFE AB
Niklas Englund Managing Director
Magnus Gustafsson SVP

QUESADA KAPITALFÖRVALTNING AB
Lars Melander Managing Director

EFG BANK (MONACO), MONACO
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Jean-Claude Gourrut General Manager
Carlo Maturi Deputy General Manager
Alberto Artioli D
Mathieu Cherioux SVP
Stéfano Ciglia D
Annick Fillon SVP
Isabelle Gouin SVP
Paolo Lamberti D
Spyridon Paxinos D
Philippe Ragaz D
Eric Reichenbach SVP
Karine Richelle SVP
Barasco Sawidis SVP
Nicola Stefanucci D
George Vrentzos SVP

EFG BANK VON ERNST AG, VADUZ
Ernst Weder Chief Executive Officer
Max Caderas Executive VP
Daniel Taverna Executive VP
Karl Drawitsch SVP
Wolfgang Benedikt VP
Markus Dubach VP
Benedikt Livers VP

EFG BANK (GIBRALTAR) LTD
Emilio Martinez General Manager & Member of the Board
Miguel Rubiales Operations Manager

EFG BANK, REPRESENTATIVE OFFICE BUENOS AIRES
Osvaldo H. Costigliolo SVP & Representative
Pablo Berenbaum VP
Roberto Bunge VP
Norberto De Elizalde VP
Fernando Salgado VP
Nora Szterenbaum VP

EFG INVESTMENT (CANADA) LTD
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Ian Cookson Director
Steve Mackey Director

EFG WEALTH MANAGEMENT (CANADA) LIMITED
Glen Brown CEO, Director
Marcus Spain COO, Director
James Bull Director
Robert Arnould SVP
Andrew Budd SVP
Margaret Chow SVP
Melanie Clarance SVP
Paul Doyle SVP
Ron Fawcett SVP
Alicia Francella SVP
Rossano Francella SVP
Keith Jones SVP
Michael Matheson SVP
Graham Mayes SVP
Jill Sing SVP
Allan Vineberg SVP
Dan Hunter VP

BULL CAPITAL MANAGEMENT INC.
James Bull CEO, Director
Steve Mackey Director
Marian Carroll SVP
Marcus Spain SVP, COO
Meir Cohen VP
Jessica Thomas VP, Operations

BULL WEALTH MANAGEMENT GROUP INC.
James Bull CEO, Director
Marcus Spain COO, Director
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EFG BANK & TRUST (BAHAMAS) LIMITED, NASSAU
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Brent Haines COO
Edward Cooper SVP
Theresa Haven-Adderley SVP, Corporate Secretary
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Andrew Raenden SVP
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Vivienne Watts SVP
Jorge Borlandelli VP
Rosalyn Brown D'Alewyn VP
Jaspreet Dhaliwal VP
Miles Evans VP
Lorna Kemp VP
Karen Pinder VP
Luciana Silvera-Perdomo VP
Gia Singh VP
Margaret Tatem-Gilbert VP
La Uyen VP

EFG BANK, CAYMAN BRANCH
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Glenn Mitchell Branch Manager, SVP
Simon Cawdery SVP
Guilherme Passos SVP
Simon Nock SVP
Balmattie Maclean VP
Ana Carolina Toffoli de Souza VP
Stefan Sattkowski VP
Diane Ridley VP

PRS INTERNATIONAL CONSULTING INC
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Jacobo Gadala-Maria Jr. President & CEO
Blanca Arias-Smith Managing Director
Ian Cookson D
John Sullivan D
Monica Greidinger SVP
Benjamin Hein SVP
Eugene Sulzberger SVP
Violeta Gomez VP
Salvador Garcon Executive VP
Ignacio Gil Executive VP

MARBLE BAR ASSET MANAGEMENT LIMITED
Gilad Hayeem Partner and CEO
Hilton Nathanson Partner and CIO
Jeremy Stone Managing Director of Funds
Gillian Keane Head of Human Resources
Neil Beddoe Head of RAID
Stephen Sales CFO

A&G HOLDING
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Jacobo Gadala-Maria Jr. Vice-President of the Board
Ian Cookson Member of the Board
Gérard Griseti Member of the Board
Paul Imison Member of the Board
Miguel Irisarri Member of the Board
Sergio Navarro Member of the Board
Gonzalo Rodriguez-Fraile Huete Member of the Board
Rudy van den Steen Member of the Board

EFG GESTION PRIVÉE, PARIS
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Ludovic Chéchin-Laurans Member of the Board
Ian Cookson Member of the Board
Gérard Griseti Member of the Board
Rudy van den Steen Member of the Board
Fabrice Moullé-Berteaux Managing Director
Antoine Lacourt Managing Director
Hubert Guillemin SVP

SVP	Senior Vice President
FVP	First Vice President
VP	Vice President
MD	Managing Director
ED	Executive Director
SD	Senior Director
D	Director

As of March 2009

A question of chemistry.

People rely on people; individuals and their families rely on the guidance of our CROs.

" I LIKE THE GAME 'MALARIA AREA'. WHEN YOU ARE HIT BY THE BEAN BAG, IT MEANS A MOSQUITO HAS BITTEN YOU AND YOU WILL FALL ILL. IF WE CLEAR OUR COMPOUNDS AND KEEP THEM NEAT, AS WELL AS SLEEPING UNDER A TREATED MOSQUITO NET, WE WILL NOT BE BITTEN BY MOSQUITOES, AND WILL NOT GET MALARIA"

16-year-old girl, Ghana

At EFG International, we are proud of our association with Right To Play, an international humanitarian organisation that uses sport and play programmes to encourage physical, social and emotional development among deprived children. During 2008, we extended our relationship, becoming a Global Partner. This means that, in addition to the two projects in Uganda and Sri Lanka that continue to receive the support of EFG International, we have been able to contribute directly to the success of all its programmes spanning 23 countries worldwide.

Right To Play uses sport and play programmes to improve health, develop life skills, and foster peace for children and communities in some of the most disadvantaged areas of the world. These are facilitated by nearly 13,000 local Coaches, trained by Right To Play to deliver its programmes to children. Programmes embody the best values of sport, and are carefully designed to encourage the healthy physical, social and emotional development of children. Right To Play focuses its work on four key areas: Basic Education and Child Development; Health Promotion and Disease Prevention; Conflict Resolution and Peace Education; and Community Development and Participation.

Right To Play has been in operation for over eight years, but 2008 was a year of firsts. The organisation commenced new projects in Benin, Burundi, Kenya and Botswana. It began piloting its first official nation-wide curriculum initiative in Benin with the Ministry of Education. It also launched a pilot project in Peru, its first South American initiative.

By the end of 2008, Right To Play was reaching more than 600,000 children through regular sport and play activity, while helping close to 200,000 additional children through sport festivals, summer camps and other events. It also reached its goal of increasing female participation in its programmes: nearly 50% of the children involved in its sport and play activities are girls, and more than half of its Coaches, Leaders and Teachers are women. This is testament to the lasting positive change that sport and play can make in communities.

Right To Play has a vision to create a healthier and safer world for children through the power of sport and play. Through a range of international programmes, it takes steps daily to convert this vision into practical improvements in the lives of vulnerable young people. Its example continues to motivate us all.

For more information on Right To Play, visit www.righttoplay.com

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 Group has established a comprehensive risk supervision framework for the entire EFG Group, including EFG International. 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, and reputational, can be identified throughout EFG International and controlled by management in an effective and consistent manner.

EFG International's business activities are predominantly carried out on behalf of its clients, by whom most of the risk is therefore borne. 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 and interest rate gapping 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 has delegated certain functions to its Risk Committee, which sets policies and risk appetite in collaboration with the EFG Group Risk Committee (the "GRC").

Implementation of policies and compliance with procedures is the responsibility of the EFG International Executive Committee, the EFG International Market, Bank and Country 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 EFG International Risk Committee has responsibility for determining direction of risk profile and the organisation of risk supervision for EFG International.

The EFG International Executive Credit Committee has responsibility for the management of client credit risk.

The EFG International Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations.

The EFG International Executive Committee has assigned responsibility for the implementation of its market risk policies to the EFG International Market, Bank and Country 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 EFG International Market, Bank and Country Risk Committee has credit approval authorities delegated from the EFG International Risk Committee for counterparty and country credit risk up to pre-defined limit guidelines and parameters.

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 the Operating Credit Committee of EFG Bank, 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 Market, Bank and Country Risk Committee. Beyond that ceiling, prior opinion from the EFG Group is required before final submission to EFG International's Market, Bank and Country Risk Committee for approval.

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 GRC 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 Market, Bank and Country 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 small proprietary positions in linear foreign exchange instruments. 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 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.

Due to the nature of EFG International's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited. The largest market risk exposures relate to currency risk in connection with the capital of our subsidiary banks that is denominated in local currencies.

The Global Risk Management Division is under the direct supervision of the EFG International 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 bases, takes into account relevant market risk takers and units.

In general, the internal model is based on a variance/co-variance 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 calculations 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.

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 95.

CURRENCY RISK

Apart from the exposure to foreign currencies which relates to banking and trading activities in EFG International's subsidiary banks, and which is managed by the local treasury departments, 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. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, the Group does 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).

ASSET/LIABILITY MANAGEMENT

EFG International utilises 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. However, it is EFG International's goal to minimise the risk of structural mismatch due to fluctuations in interest rates as much as possible.

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. The bank's liquidity situation is also reported to the EFG Group Risk Unit on a monthly basis, according to specific Group Risk Guidelines, and to the bank's management on a daily basis. 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".

EFG International revised its organisational, methodological and management model for operational risk in 2006. This model complies fully with the Standardised Approach proposed under Basel II accords.

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 Operational Risk Manager), who presents the information to the Chief Risk Officer and 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 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.

During 2007 and 2008, EFG International completed the internal development of a web-based application that collects, manages, tracks and reports information about operational risk in order to ensure better monitoring and measures to mitigate this risk. This system will be rolled out across the business during 2009.

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, as well as by EFG International's audit committee. Statistical indicators have been collected over several years to prepare for implementation of the Standardised Approach in order to comply with the requirements of the Basel II accords.

COMPLIANCE AND LEGAL RISK

The Compliance Department is responsible for ensuring EFG International's observance of applicable 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. The Legal Department oversees client and other litigation and supervises outside counsel on a variety of legal matters.

REPUTATION RISK

Reputation risk for EFG International may arise from service delivered to clients that is 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 Federal Banking Commission (as of 1 January 2009, 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.

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.

ABOUT EFG GROUP

ABOUT EFG GROUP

EFG Group is an international banking group, providing a large range of financial services, with a presence in 41 countries and a staff of over 27,000 employees worldwide.

The EFG Group operates its banking activities through two publicly-listed banking subgroups:

– EFG International, Zurich, Switzerland, and
– Eurobank EFG, Athens, Greece,

in which it holds participations of 49% and 44% respectively.

Eurobank EFG is an international banking group listed on the Athens Stock Exchange (ticker symbol: EUROB). It is one of the leading banking and financial institutions in Greece and it has a significant presence in Central, Eastern and South Eastern Europe. It operates in 11 countries with a staff in excess of 24,000 people and a network of more than 1,700 branches, points of sale and alternative distribution channels. More information can be found on **www.eurobank.gr**

General Management, EFG Group

Pericles Petalas	Group Chief Executive Officer
Emmanuel L. Bussetil	Group Finance Executive
Eric Bertschy	Group Control and Regulatory Executive
Patrick de Figueiredo	Group Credit and Risk Executive

Contact details, EFG Group

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CORPORATE GOVERNANCE

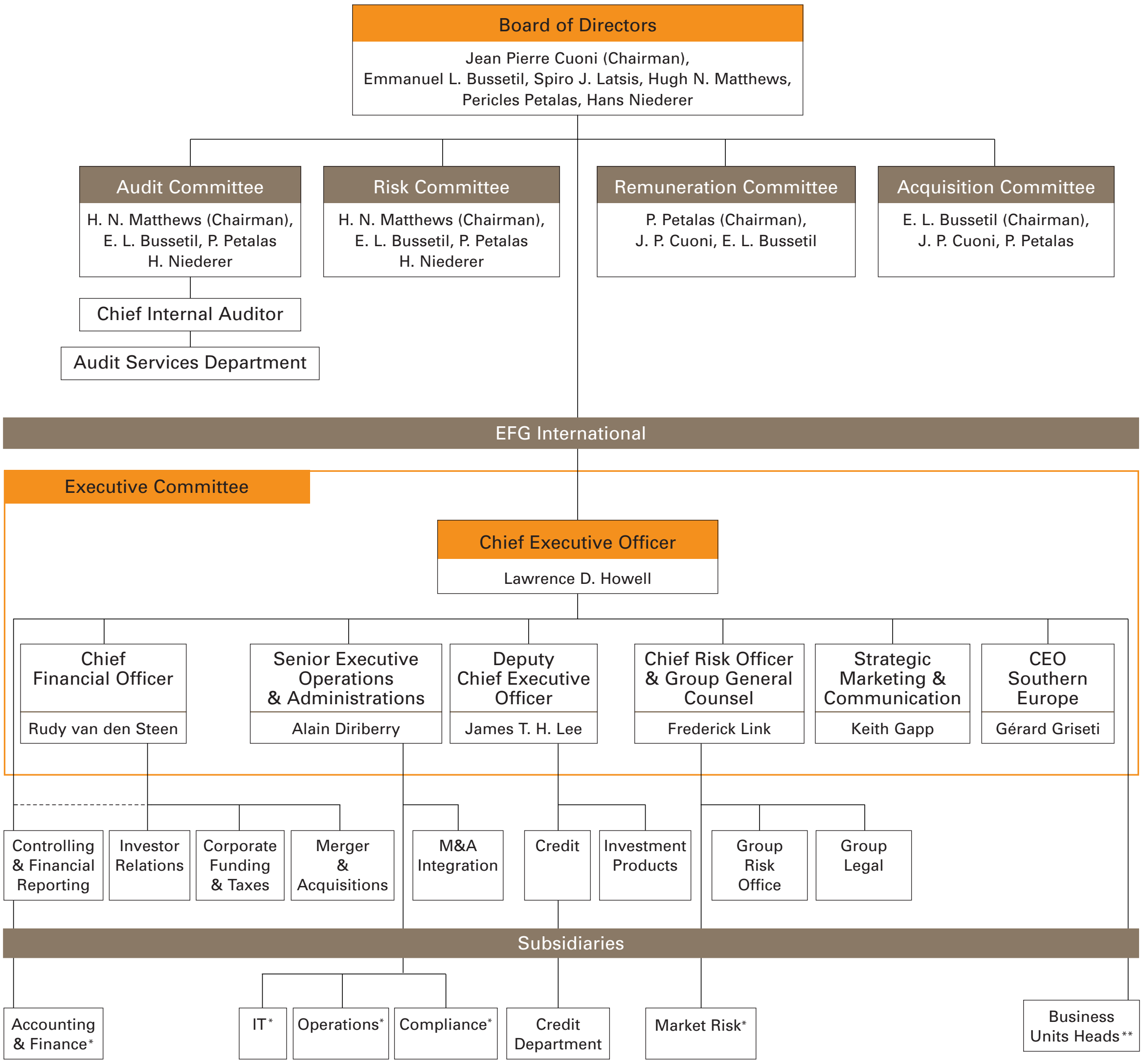
As a publicly listed Swiss company, EFG International AG (EFG International) is subject to the Directive on Information relating to Corporate Governance and its Annexes and Commentary, issued by the SIX Swiss Exchange. The information provided in this section adheres to the structure of the SIX Swiss Exchange Directive.

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 55 locations in over 30 countries. The EFG International Group is managed on a regional basis with the primary regional divisions being Europe Crossborder, Europe Onshore, Asia and the Americas. The EFG International Group also reports results in two business segments: Private Banking and Hedge Funds management. Further information can be found in note 45, "Segmental Reporting" to our consolidated financial statements.

The structure of the central management of the Group is outlined below.



* Located at EFG Bank but reporting to EFG International
** Located in operating subsidiaries but reporting to EFG International

1.2 Group entities

The consolidated entities are listed on page 125. 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 December 31, 2008 is shown in the table below.

As of December 31, 2008	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA (EFG Group)	72,263,209	49.27%
Lawrence D. Howell	8,052,000	5.49%
FMR LLC (Fidelity Management & Research)	7,351,190	5.01%
Cuoni Family Interests	6,836,000	4.66%
Other Shareholders	52,167,601	35.57%
Total	**146,670,000**	**100.00%**

At year-end 2008, EFG International Group held a stake of EFG International registered shares corresponding to less than 3% of the total share capital of EFG International AG.

1.4 Lock-up agreements

In the context of the Initial Public Offering ("IPO") on October 7, 2005, EFG Group, Jean Pierre Cuoni (Chairman) and Lawrence D. Howell (CEO) and 192 other directors, executive officers and employees of EFG International and its subsidiaries have entered into individual lock-up agreements with the underwriters in respect of shares owned prior to the IPO. Messrs. Jean Pierre Cuoni (Chairman) and Lawrence D. Howell (CEO) and 192 other executive officers and employees of EFG International and its subsidiaries are subject to a five year phased lock-up starting October 10, 2005. They were each able to sell up to 20,000 of their original shares from April 5, 2006. After one year, they were each able to sell up to 20% of their original shares (including the above-mentioned 20,000 shares). After two years, they were each able to sell up to 40% of their original shares. After three years, they were each able to sell up to 60% of their original shares. After four years, they will each be able to sell up to 80% of their original shares and after five years, they will each be able to sell up to 100% of their original shares.

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 sides.

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 2,282,500.

The registered shares are traded on the main segment of the SIX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 2,742,729,000 on 30 December 2008.

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 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 preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting.

The authorised Class C preference Bons de Participation amounts to CHF 15,000,000, consisting of 1,000,000 registered Class C preference Bons de Participation with a nominal value of CHF 15.00 each.

The authorised Class D preference Bons de Participation amounts to CHF 12,000,000, consisting of 400,000 registered Class D preference Bons de Participation with a nominal value of CHF 30.00 each.

2.2 Authorised and conditional capital in particular

Authorised capital

The Board of Directors is authorised, at any time until 29 April 2010, to increase the share capital by no more than CHF 9,165,000 by issuing no more than 18,330,000 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. If and when issued, Class C and Class D preference Bons de Participation will rank prior to the shares, both in terms of dividend and liquidation dividend rights.

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.

2.3 Changes in capital structure

EFG International was founded with a share capital of CHF 53,610,000, divided into 53,610 fully paid-up registered shares with a nominal value of CHF 1,000 each, and participation capital of CHF 7,390,000, divided into 1,390 fully paid-up ordinary class A Bons de Participation with a nominal value of CHF 1,000 each and 400,000 fully paid-up preference class B Bons de Participation with a nominal value of CHF 15.00 each.

At an extraordinary shareholders' meeting held on September 22, 2005, inter alia, EFG International's shareholders resolved to:

– convert all then existing 1,390 class A Bons de Participation into 1,390 ordinary fully paid-up registered shares with a nominal value of CHF 1,000 each, and, thereupon, to split all then existing 55,000 registered shares (including the converted 1,390 class A Bons de Participation) with a split ratio of 1:2,000, into 110,000,000 fully paid-up registered Shares with a nominal value of CHF 0.50 each; and

– increase EFG International's share capital by CHF 18,335,000 to CHF 73,335,000 by issuing up to 36,670,000 new fully paid-up registered shares with a nominal value of CHF 0.50 each (the "Ordinary Capital Increase").

The 36,670,000 new fully paid-up registered shares were issued as part of the initial public offering of EFG International at a nominal value of CHF 0.50 and an issue price of CHF 38.00 each, leading to an increase in capital of CHF 18,335,000 to CHF 73,335,000.

There have been no changes in the capital structure of EFG International since the initial public offering.

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2008:

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 2008:

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). 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 Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995.

Buyers not expressly declaring themselves to be holding shares for their own account in their application for entry in the register of shares ("nominees") shall be entered in the register of shares with voting rights without further inquiry up to a maximum of 2% of the outstanding share capital available at the time. Above this limit registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question makes known the names, addresses and shareholdings of the persons for whose account he is holding 0.5% or more of the outstanding share capital available at the time and provided that the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 is complied with. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

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, has issued warrants and structured notes which reference EFG International shares. These instruments are generally classified as cash-settled derivatives and are held for trading. To hedge the economic exposure, EFG Financial Products holds a limited number of shares in EFG International.

In addition, EFG International has issued options in relation to its employee Stock Option Plan and has sold 457,997 options to employees with a strike price of CHF 24.00 per share. Further details can be found under section 5.1.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

The Board of Directors currently comprises six 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 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. He was appointed Chairman of the Board of Directors of EFG International effective as of 8 September 2005. Mr. Cuoni has been Chairman of the Board of Directors of EFG Bank since 1997 and has been a member of the Board of Directors and the Advisory Board of EFG Group since 1995.

Prior to these positions, Mr. Cuoni was Chief Executive of Coutts and Co International Private Banking (1990-94) and Chief Executive of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988-90). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva, Lausanne and Zurich, and was the 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 part of the Swiss Bankers Association as a member of the Board (1982-93) and as a member of the Executive Committee of the Board (1985-93). He was Chairman of the Association of Foreign Banks in Switzerland (1986-93) and member of the Board of the Association of Swiss Exchanges (1988-92), as well as member of the Board of the Zurich Chamber of Commerce (1988-96). From 1998 until 2004 he was Vice President of the British Swiss Chamber of Commerce. Since 1985, Mr. Cuoni has been member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva. He is presently also a member of the Board of Right to Play International in Toronto as well as 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 Group and is a member of the Board 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 is a Fellow of the Institute of Chartered Accountants of England and Wales. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972-73) and at Morland and Partners, Liverpool (1974-76).

Spiro J. Latsis is a Greek citizen, born in 1946. 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. Latsis has been the Chairman of the Board of EFG Group since 1997 and a member of EFG Group's Board of Directors since 1981. In addition, he is a director in other EFG Group companies, including Private Financial Investments Holding Ltd., Jersey (since 1991), Private Financial Holdings Limited, England (since 1989), EFG Consolidated Holdings SA, Luxembourg (since 1989) and EFG Eurobank Ergasias, Athens (since 1990). Mr. Latsis is also President of SETE S.A., Geneva and Chairman of Paneuropean Oil and Industrial Holdings S.A., Luxembourg.

Mr. Latsis obtained his bachelor degree in Economics in 1968, a masters 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 at 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 and risk committee. Mr. Matthews has also been a member of the Board of Directors of EFG Group since 2001 and 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 (1994-96), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960-69), Brussels, Los Angeles and New York (1969-71) and Zurich (1971-94).

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 Group since 1997. He is also a non-executive director of various EFG Group 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 (1978-80) and Petrola International, Athens (1977-78).

Mr. Petalas passed 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 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 a partner 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, LB(Swiss) Privatbank AG, Russian Commercial Bank Ltd. and Hinduja Bank (Suisse) SA as well as a member of the Boards of BBVA (Suiza) SA, Algerian Foreign Commerce Bank Ltd, SLB Commercial Bank and LB(Swiss) Investment AG.

Mr. Niederer holds a doctorate in law from the University of Zurich (1968) and a masters degree in law (LL. M.) from the University of California, Berkeley (1970). He was admitted to the bar in Switzerland in 1971.

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 elected by the general meeting for a one-year term and who may be re-elected. There is no limit to the numbers of terms a director may serve. The term of office ends on the day of the ordinary general meeting.

The tenure of all the current members of the Board of Directors will expire at the 2009 general meeting, at which time all directors will be subject to re-election by the shareholders.

In addition, the Board of Directors proposes the election of Messrs. Erwin Richard Caduff and Apostolos Tamvakakis as non-executive members of the Board of Directors for a one-year term of office by the 2009 general meeting.

3.4 Internal organisational structure

The internal organisational structure is laid down in the internal regulations of the Company. 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 Board of Directors met six times in 2008. Meetings typically last half a day.

The Board of Directors has established an audit committee, a risk committee, a remuneration committee and an acquisitions 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 review of the management and internal control processes,
(ii) the financial and business reporting processes,
(iii) the risk domination and related internal control systems,
(iv) the monitoring and compliance with laws and regulations and the own code of conduct,
(v) the terminal and external audit processes, and
(vi) the monitoring of operational risk.

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 2008, the audit committee met five times.

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 2008, the risk committee met four times.

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 fulfilling its oversight responsibilities by:

(i) reviewing the general remuneration policy,
(ii) reviewing the remuneration of members of the Board of Directors and of key executives,
(iii) reviewing the annual remuneration review process, and
(iv) carrying out other tasks conferred on it by the Board of Directors.

The remuneration committee comprises of at least three Board members (at present Mr. Petalas has been appointed as Chairman and Messrs. Cuoni and Bussetil 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 members of the executive management. During 2008, the remuneration committee met five times.

The Minutes of the remuneration committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report from the Chairman of the remuneration committee is given to the Board of Directors at each of its meetings.

Acquisitions committee

The acquisitions 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 group. The acquisitions 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 acquisitions committee comprises at least three Board members (at present, Mr. Bussetil has been appointed as Chairman and Messrs. Petalas and Cuoni have been appointed as members of the acquisitions committee). The acquisitions committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the Chief Executive Officer and Chief Financial Officer/ Head of M&A regarding the status of negotiations with various acquisition targets. Meetings vary in length from one to three hours.

The Minutes of the acquisitions committee are reviewed by the full Board of Directors at its meetings. In addition, an oral report from the Chairman of the acquisitions committee is given to the Board of Directors at each of its meetings.

During 2008, the acquisitions committee met four times.

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 the 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/regulations

The Board of Directors has delegated the operational management and that of its subsidiaries to the Chief Executive Officer ("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.

The EFG International Group is organised as a single structure, reporting to the Chief Executive Officer. Various support, service or control Units report either directly to the Chief Executive Officer, 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 Chief Executive Officer (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 Swiss Federal Banking Commission (as of 1 January 2009, the Swiss Financial Market Supervisory Authority (FINMA)) for the prudent management and regulation-compliant operation of the organisation.

Deputy Chief Executive Officer
The Deputy Chief Executive Officer is responsible for assisting the Chief Executive Officer in the execution of his duties and is specifically responsible for Credit, Structured Transactions and, in conjunction with the CEO, for the supervision of the Private Banking business and asset management. In addition, the Deputy CEO supports the Chief Executive Officer and the Chief Financial Officer in the evaluation of acquisition opportunities.

Chief Financial Officer
The Chief Financial Officer (CFO) has overall responsibility for the financial management of the EFG International Group. He is responsible for corporate finance, including capital raising, funding and the execution of suitable transactions, and for the Group's investor relations. The CFO is also responsible for regulatory reporting requirements and compliance with capital adequacy requirements, in addition to tax matters and advising on the preparation of the financial statements.

Senior Executive Operations & Administration
The Senior Executive Operations & Administration is responsible for the management, coordination, supervision, planning and control of most of the support activities of EFG International, i.e. Operations, Operational risks, Technology, Compliance, Product approval, Integration of new business acquisition, set-up of start-up businesses together with a coordination role with branches and subsidiaries, internal and external auditors, and regulators. In addition, he is member a several Board of Directors of EFG International subsidiaries and of the EFG International Executive Credit Committee.

Head of Strategic Marketing & Communications
The Head of Strategic Marketing & Communications is responsible for the global strategic marketing, branding, advertising and communication activities for the EFG International Group.

CEO Southern Europe
The CEO Southern Europe oversees the development of EFG International activities in Southern Europe including France, Monaco and Spain.

Chief Risk Officer and Group General Counsel
The Chief Risk Officer and Group General Counsel is responsible for risk assessment, reporting, management and controlling for the EFG International group. Functional areas under his responsibility include market, liquidity, counterparty and legal risk management as well as operation and client risk controlling. In addition he is responsible for providing legal advice to the EFG International Group, supervising and coordinating Compliance functions throughout the group.

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 Chief Executive Officer provides a written report to the Board on a quarterly basis summarising developments in the business and is available to answer questions from the Board. In addition, the Chief Financial Officer reports on the financial results to the Board on a quarterly basis.

Members of management responsible for the finance and accounting function, including the Chief Financial Officer attend audit committee meetings and are available to answer questions from the committee relating to the accounts. In addition, the Head of Legal and Compliance attends audit committee meetings and is available to answer questions relating to compliance issues.

The members of management responsible for credit, market and bank and country risk management attend the risk management committee meetings.

In addition, independent audits are performed by the Group's audit services department, which reports to the audit committee. Organisationally independent of management, it 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. The internal audit services department has an unlimited right to information and access to documents with respect to all elements of the Group and its subsidiaries.

See also the information on risk management on page 46.

4. EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

Lawrence D. Howell is a U.S. citizen, born in 1953. He is Chief Executive Officer of EFG International. Previously, he was the Chief Executive Officer 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 Group. Prior to joining the EFG Group, 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.

James T. H. Lee is a British citizen, born in 1948. He is the Deputy Chief Executive Officer of EFG International. He previously was the Deputy Chief Executive Officer of 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 is a non-executive member of the Board of CMA Global Hedge PCC Limited, a Guernsey company listed in July 2006 on the London Stock Exchange. CMA Global Hedge PCC Limited is not a subsidiary or affiliate of EFG International.

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.

Rudy van den Steen is a Belgian citizen, born in 1964. He is the Chief Financial Officer and Head of M&A of EFG International. He joined EFG Bank as Chief Financial Officer in June 2000. In addition of his CFO responsibilities, Mr. van den Steen heads the M&A initiatives. Prior to joining EFG Bank, Mr. van den Steen worked for Price Waterhouse where he was ultimately the head of the Financial Institutions Group's M&A Advisory group for Switzerland.

Mr. van den Steen holds a master's degree in Applied Economics and General Management with a major in quantitative/mathematical economics from Louvain University (Leuven) in Belgium.

Alain Diriberry was appointed Senior Executive Operations & Administration of EFG International in July 2008. 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.

He is a French Citizen born in 1953, and holds a PhD in Information Technology from the University of Toulouse.

Keith Gapp was appointed Head of Strategic Marketing & Communications in July 2007. Previously (1999-2007), Keith was a co-founder and managing partner of GMQ, a strategic consulting boutique serving a blue chip client base of leading private banks/ wealth managers in Europe, the Middle East and US. He was also co-author of leading industry journal The Wealth Partnership Review. Before founding these businesses, Keith spent 13 years at Barclays Group. He held a variety of management roles, including Head of Premier International, a cross-border wealth management business (1998-99); Head of Finance, Planning & Compliance, Barclays Offshore Services (1996-98); Corporate Manager, City Corporate Group, 54 Lombard St. (1993-96); Business Sector Marketing (1990-93); and PA to President and CEO of Barclays American Corporation (1989-90).

Keith Gapp is a UK citizen, was born in 1964, and read Economics at King's College, Cambridge University.

Gérard Griseti is Chief Executive Officer for the Southern Europe Region of EFG International. Previously he was the Head of Private Banking and Clientele Division of CFM Monaco/Crédit Agricole Group (since 1998). From 1988 to 1998, he occupied senior roles in Paris, Bruxelles and Luxemburg with Banque Indosuez, Calyon and Crédit Agricole Group. From 1985 to 1988, he worked with American Express in New York and in Paris as Deputy Director of the Private Banking Department.

Mr Griseti is a French citizen, was born in 1958, and holds a "Diplôme d'Etudes Supérieures Spécialisées de Banque et Finance" and a "Maîtrise de Sciences Economiques" from the University of Aix en Provence (France).

Frederick Link was appointed as Group General Counsel and Corporate Secretary of EFG International in March 2006 and Chief Risk Officer in July 2008. He is responsible for risk assessment, management and controlling throughout the EFG International Group, as well as providing legal advice throughout the 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, 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.

4.2 Other activities and vested interests

There are no other activities and vested interests of any members of the Executive Committee.

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 once a year and sets compensation levels for members of the Board of Directors and members of the Executive Committee within parameters established by the full Board of Directors. Special meetings may be convened as required.

The remuneration committee determines the compensation of members of the Executive Committee by considering market compensation levels for similar positions as well as the individual performance and contribution to the business of each employee. The EFG International group has adopted a stock option plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Stock Option 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 Stock Option Plan will cover any options granted during the financial years 2005 to 2009 and last up to the point in time that all options and restricted stock units granted under the Stock Option Plan have either been exercised or have expired.

The CEO identifies and recommends each year all persons who are eligible to participate in the Stock Option Plan to the remuneration committee, which then considers the recommendation and, at its absolute discretion, determines the size of the options to be granted to each eligible person.

Details of the options granted under the Stock Option Plan can be found in Note 50 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.

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 cash,
- Cash bonuses defined annually,
- Other cash compensations (expenses allowances, etc.),
- EFG International Stock Option Plan,
- Pension fund.

Bonuses for members of senior management other than the CEO are determined entirely within the discretion of the remuneration committee upon the recommendation of the CEO (except in relation to his own bonus) and are intended to reflect market levels of compensation as well as individual performance and the performance of EFG International through the year.

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 Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 (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 1 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. The individual lock-up undertakings as described in section 1.4 above would no longer be effective if EFG Group ceases to have a controlling interest in EFG International such that, as a result thereof EFG International ceases to be part of the consolidated supervision of EFG Group exercised by the Swiss Federal Banking Commission (as of 1 January 2009, the Swiss Financial Market Supervisory Authority (FINMA)).

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 head auditor on 29 April 2008.

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 4,633,778 for auditing the 2008 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 162,579 and fees for tax advice, consultancy and other services of CHF 135,628 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 Group Auditors and their lead partners.
The audit committee confers with the Group Auditors about the effectiveness of the internal control systems in view of the risk profile of the Group.

The audit committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to the 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's Office discusses with the lead partners of PricewaterhouseCoopers the audit work performed, the main findings and critical issues that arose during the audit.

The audit committee and the Chairman's Office report 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.

Important Dates
An updated list can be found on our homepage
www.efginternational.com/corporate-calendar

A private bank
unlike any other.

Technical expertise.
Crafted into advice.
Delivered one
relationship at a time

EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31 December 2008 CHF millions	Year ended 31 December 2007 CHF millions
Interest and discount income		861.8	766.2
Interest expense		(575.2)	(521.8)
Net interest income	5	**286.6**	244.4
Banking fee and commission income		671.5	725.7
Banking fee and commission expense		(99.8)	(135.9)
Net banking fee and commission income	6	**571.7**	589.8
Dividend income	7	3.2	
Net trading income	8	88.3	75.7
Net (loss)/gain from financial instruments designated at fair value	9	(127.2)	5.3
Gains less losses from investment securities	10	107.6	(0.3)
Other operating income/(loss)		16.1	(1.1)
Net other income		**88.0**	**79.6**
Operating income		**946.3**	913.8
Impairment charges	11	(15.4)	(1.0)
Operating expenses	12	(709.5)	(542.0)
Profit before tax		221.4	370.8
Income tax expense	14	(25.5)	(40.6)
Net profit for the year		195.9	330.2
Net loss attributable to minority shareholders		26.0	1.8
Net profit attributable to Group shareholders		**221.9**	332.0
		CHF	CHF
Earnings per ordinary share			
Basic	47.1	1.33	2.06
Diluted	47.2	1.32	2.05

The notes on pages 82 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

	Note	31 December 2008 CHF millions	31 December 2007 CHF millions
Assets			
Cash and balances with central banks	17	115.2	73.7
Treasury bills and other eligible bills	19	73.7	794.6
Due from other banks	20	3,730.6	3,501.0
Loans and advances to customers	21	7,424.3	7,920.0
Derivative financial instruments	24	452.8	223.4
Financial assets designated at fair value:			
Trading Assets	25	720.3	
Designated at inception	26	533.4	37.6
Investment securities:			
Available-for-sale	27	3,351.4	3,537.7
Held-to-maturity	28	514.1	566.1
Intangible assets	30	1,763.0	1,191.4
Property, plant and equipment	31	57.1	44.8
Deferred income tax assets	15	25.8	11.0
Other assets	32	132.6	135.3
Total assets		**18,894.3**	18,036.6
Of which assets to significant shareholders		*10.4*	*62.0*
Liabilities			
Due to other banks	33	400.9	807.1
Due to customers	34	14,213.4	13,579.6
Derivative financial instruments	24	459.6	235.6
Financial liabilities designated at fair value	35	263.1	
Other financial liabilities	36	679.6	
Debt securities in issue	37		158.0
Current income tax liabilities		12.9	39.5
Deferred income tax liabilities	15	66.0	35.8
Other liabilities	38	541.4	741.9
Total liabilities		**16,636.9**	15,597.5
Equity			
Share capital	40.1	77.3	78.4
Share premium	40.2	1,205.3	1,263.1
Other reserves	41	160.1	517.1
Retained earnings		719.6	578.3
		2,162.3	2,436.9
Minority shareholders		95.1	2.2
Total shareholders' equity		**2,257.4**	2,439.1
Total equity and liabilities		**18,894.3**	18,036.6
Of which subordinated liabilities		*-*	*158.0*
Of which liabilities to significant shareholders		*5.3*	*5.9*

The notes on pages 82 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Minority shareholders CHF millions	Total CHF millions
		Attributable to equity holders of the group					
Balance at 1 January 2007		79.3	1,338.3	567.3	319.6	-	2,304.5
Dividend paid on ordinary shares					(44.0)		(44.0)
Dividend paid on preference shares					(29.3)		(29.3)
Ordinary shares repurchased	40	(0.9)	(75.1)				(76.0)
Preference shares repurchased	40	(0.0)	(0.1)				(0.1)
Shares issued to minority shareholders						4.0	4.0
Cost of share capital increase in subsidiaries				(1.0)			(1.0)
Employee stock option plan	50			8.8			8.8
Other reserves adjustment	41			(3.8)			(3.8)
Other reserves adjustment - tax impact				1.0			1.0
Available-for-sale securities							
Changes in fair value	27			9.1			9.1
tax effect on changes in fair value				(0.1)			(0.1)
Transfer to net profit, net of tax				2.5			2.5
Currency translation adjustments				(66.7)			(66.7)
Net profit for the period					332.0	(1.8)	330.2
Total 2007		(0.9)	(75.2)	(50.2)	258.7	2.2	134.6
Balance at 31 December 2007		78.4	1,263.1	517.1	578.3	2.2	2,439.1
Dividend paid on ordinary shares	48				(50.2)		(50.2)
Dividend paid on preference shares					(30.4)		(30.4)
Ordinary shares repurchased	40	(1.1)	(63.7)				(64.8)
Shares issued to minorities						131.4	131.4
Distributions to minority shareholders						(10.9)	(10.9)
Minority put option	41			(36.0)			(36.0)
Employee stock option plan	50			20.4			20.4
Stock-options sold	40.2		5.9				5.9
Available-for-sale securities							
Changes in fair value	27			66.5			66.5
Tax effect on changes in fair value				(4.3)			(4.3)
Transfer to net profit, net of tax				(107.6)			(107.6)
Currency translation adjustments				(296.0)		(1.6)	(297.6)
Net profit for the period					221.9	(26.0)	195.9
Total 2008		**(1.1)**	**(57.8)**	**(357.0)**	**141.3**	**92.9**	**(181.7)**
Balance at 31 December 2008		**77.3**	**1,205.3**	**160.1**	**719.6**	**95.1**	**2,257.4**

The notes on pages 82 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 CHF millions	31 December 2007 CHF millions
Cash flows from operating activities			
Interest received		821.1	683.0
Interest paid		(553.4)	(578.7)
Banking fee and commission received		677.1	743.7
Banking fee and commission paid		(97.0)	(187.7)
Dividend received		3.2	
Net trading income		72.4	80.9
Other operating (payments)/receipts		(24.7)	7.6
Staff costs paid		(404.5)	(338.8)
Other operating expenses paid		(201.0)	(124.0)
Income tax paid		(49.6)	(16.1)
Cash flows from operating activities before changes in operating assets and liabilities		**243.6**	269.9
Changes in operating assets and liabilities			
Net decrease in treasury bills			7.6
Net (increase)/decrease in due from other banks		(51.0)	23.8
Net (increase)/decrease in derivative financial instruments		(3.6)	12.8
Net increase in loans and advances to customers		(718.9)	(1,735.6)
Net decrease/(increase) in other assets		12.9	(67.5)
Net (decrease)/increase in due to other banks		(156.9)	116.7
Net increase in due to customers		2,637.3	1,768.7
Net decrease in other liabilities		(40.9)	(40.7)
Net cash flows from operating activities		**1,922.5**	355.7
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		(848.1)	(174.1)
Disposal of minority share in subsidiaries and businesses		3.4	
Purchase of securities		(10,950.0)	(6,683.5)
Proceeds from sale of securities		9,287.3	4,812.2
Purchase of property, plant and equipment	31	(29.2)	(23.3)
Purchase of intangible assets		(10.7)	(8.3)
Proceeds from sale of property, plant and equipment		0.1	0.6
Net cash flows used in investing activities		**(2,547.2)**	(2,076.4)
Cash flows from financing activities			
Dividends paid on preference shares		(30.4)	(29.3)
Dividends paid on ordinary shares	48	(50.2)	(44.0)
Distributions to minority shareholders		(10.9)	
Ordinary shares repurchased	40	(64.8)	(76.1)
Shares issued to minority shareholders		99.1	4.0
Issuance of structured products		669.1	
Repayments from other borrowed funds		(150.7)	
Share issue costs in subsidiaries			(1.0)
Net cash flows from/(used) in financing activities		**461.2**	(146.4)
Effect of exchange rate changes on cash and cash equivalents		**(362.7)**	79.8
Net change in cash and cash equivalents		**(526.2)**	(1,787.3)
Cash and cash equivalents at beginning of period	18	4,370.4	6,157.7
Net change in cash and cash equivalents		(526.2)	(1,787.3)
Cash and cash equivalents	18	**(3,844.2)**	4,370.4

The notes on pages 82 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 the Bahamas, Bangkok, Bermuda, Buenos-Aires, Canada, Cayman, Channel Islands, Dubai, Finland, Gibraltar, Hong Kong, Liechtenstein, Luxembourg, Madrid, Miami, Monaco, Mumbai, New York, Paris, Singapore, Sweden, Switzerland, Taiwan and the United Kingdom. In Switzerland, the Group's offices are located in Zurich, Geneva, Lugano, Sion, Martigny, Verbier and Crans-Montana. Across the whole Group, the number of employees at 31 December 2008 was 2,455 (31 December 2007: 1,864).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland, and listed on the SIX Swiss Exchange.

These consolidated financial statements were approved for issue by the Board of Directors on 31 March 2009.

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 2008. These financial statements have been prepared in accordance with those IFRS (International Financial Reporting Standards) standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective or issued and early adopted as at the time of preparing these statements (31 March 2009). 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 30.

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.

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 IFRIC of the IASB, effective for accounting periods beginning on 1 January 2008.

These are as follows:

– IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interactions, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

– IFRIC 11 - 'Group and treasury share transactions'. Provides guidance on certain share-based payment transactions not specifically covered by IFRS 2. This includes transactions where a subsidiary grants rights to shares of its parent to its employees, or where the parent grants rights directly to the employees of its subsidiary (effective for years starting on or after 1 March 2007).

With respect to certain new accounting standards and IFRIC interpretations that have been published to the date of these Consolidated Financial Statements and that are mandatory for accounting periods beginning after 1 January 2008, the Group has elected not to early adopt any of the new or revised standards not yet mandatory for its 2008 consolidated financial statements.

– IAS 1 (Revised) - 'Presentation of Financial Statements'. Relates to the presentation of owner changes in equity and of other comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS requirements (effective 1 January 2009).
– IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some, rather than all, financial assets and liabilities classified as held-for-trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 39 (Amendment) from 1 January 2009.
– IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

– IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Group will apply the IAS 19 (Amendment) from 1 January 2009.
– 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 remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non controlling interests from 1 January 2010. The Group will consider the impact of the revised standard.
– IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.
– IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The Group will apply the IAS 39 (Amendment) from 1 January 2009.
- IFRS 2 (Amendment), 'Share based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009 and believes that this amendment will not have a significant impact on its 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 remeasured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non controlling interest in the acquiree either at fair vale 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.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IFRS 8 - 'Operating segments'. Replaces IAS 14. Governs the disclosure of information on the level of business segments regarding the manner and the financial impact of the business operations, as well as about the economic environment which the entity operates in (effective 1 January 2009).

The Group believes that the following new standards and interpretations do not have any impact on its financial statements:

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 23 (Amendment) Borrowing costs -effective for annual periods beginning on 1 January 2009.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment will not have an impact on the Group's operations, as all intangible assets are amortised using the straight-line method.
- IFRIC 12 'Service concession arrangements' - effective for annual periods beginning on 1 January 2008.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's accounts.

The Group believes that the following new standards and interpretations are not relevant for the Group's operations:
– IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).
– IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
– IFRIC 15, 'Agreements for the construction of real estate' (effective from 1 January 2009).
– IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 January 2008).
– IFRIC 17, 'Distribution of non-cash assets to owners' (effective from 1 July 2009).
– IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009).
– IFRS 7, (Amendment), 'Financial Instruments: Disclosures' (effective from 1 January 2009).

(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 given, 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 minority interest. 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 income statement.

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 29.

(ii) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Put options over minority shareholders

A wholly owned subsidiary of EFG International wrote a put option on shares in a subsidiary that are held by minority shareholders. 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 minority 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 income statement.

(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 company's functional and presentation currency. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement 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 income statement.

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:

	2008 Closing rate	2008 Average rate	2007 Closing rate	2007 Average rate
USD	1.0609	1.0832	1.1240	1.2002
GBP	1.5398	1.9973	2.2564	2.4019
EUR	1.4916	1.5866	1.6547	1.6430
SEK	0.1362	0.1653	0.1753	0.1776

(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, including : foreign exchange contracts, currency forwards and options, interest rate swaps and options, equity options, gold forwards and options, 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 conversion option in a convertible bond, 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 or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

The 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 income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to 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 income statement. Amounts accumulated in equity are recycled to the income statement 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 income statement. 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 income statement.

(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 equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement 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 income statement.

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) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis, using the effective interest method. 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 income statement.

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: 5-10 years
– Computer hardware: 3-4 years
– Furniture, equipment and motor vehicles: 5-10 years

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

(h) Intangible assets

(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 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 30.2). 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 income statement. 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, loans and spot and foreign exchange transactions, which are entered in the balance sheet on their respective value dates.

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) Designated at fair value

This category has two sub-categories: financial assets held-for-trading, and those designated at fair-value-through-profit-or-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. 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 through-profit-or-loss, or b) those that the Group upon initial recognition designates as available-for-sale. They 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.

Purchases and sales of financial assets at fair-value-through-profit-or-loss, 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-through-profit-or-loss 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-through-profit-or-loss' category are included in the income statement 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 equity, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method, is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement 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 designated at fair value investments and available-for-sale.
The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy.

(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 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 profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. 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 profit or loss, the impairment loss is reversed through the income statement.

(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 income statement.

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 income statement.

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 income statement.

(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 income statement 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 income statement 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 equity, is charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss. Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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 income statement 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 is recognised as an expense over the vesting period for options 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 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 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 income statement, 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 and on an arm's length 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.

(q) Segmental reporting

Pursuant to IAS 14, the Group's primary segments are geographic segments, while its secondary segmental reporting is done on the basis of business segments.

For comparison purposes, the Group shows four main geographical regions, which follow the Group's organisational and management structure: Europe Cross Border, Europe Onshore, Asia, and The Americas. The Europe Cross Border segment includes locations where typically the clients are from a different country relative to where their banking relationship exists with the Group, such as Switzerland, Monaco, Liechtenstein and Gibraltar.

The Europe Onshore segment includes business locations where typically the clients are from the same country as the Group company with which they transact, such as for example the United Kingdom, France and Sweden. The Asia segment includes all the locations in the Middle and Far East, such as Hong Kong and Singapore. The Americas include United States of America, Bahamas, Latin America and Canada.

In 2008 the Group acquired Marble Bar Asset Management ("MBAM"), a hedge fund business. The Group believes that the risk return profile of MBAM and the C.M. Advisors Ltd business not to be significantly different from the Groups private banking activities. However for relative size reasons, management reports a second business segment "Hedge Fund Management".

(r) Share Capital

Ordinary shares and non-voting Bons de Participation (preference shares) 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.

(s) 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.

(t) 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.

(u) 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 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 fair value less costs to sell calculations. These calculations have been made 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. As the fair value less cost to sell exceeded the carrying amounts of each cash generating units, the value in use did not need to be estimated. Further information is presented in Note 30.

(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 4.4). 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 designated 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 4.4) 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 4.2.3 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 would result in a loss of CHF 17.6 million through the Income Statement, and a 3 months increase in actual life expectancies would result in a loss of CHF 16.3 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 (note 4.4). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.3 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 would result in a loss of CHF 18.1 million through equity, and a 3 months increase in actual life expectancies would result in a loss of CHF 16.4 million.

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

The Group determines that available-for-sale equity investments are 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

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.

(g) 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, mortgages, Lombard loans and other secured loans, and market risk largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group.

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 EFG Group Risk Committee. Implementation of the Group's policies and compliance with procedures is the responsibility of sub-committees for market risk and credit risk, assisted by both internal and external audit functions.

In compliance with the art. 663b of Swiss Code of Obligation, the Board delegated to the Audit Committee the responsibility to analyze 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 security 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 finalised 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 Operating Credit Committee of EFG Bank. 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, the Operating Credit Committee of EFG Bank, 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 colletral	C

The ratings of a major rating agency (shown in the table above), are mapped to the Group's rating classes based 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 Standard & Poor's rating or their equivalents, are used by Executive Credit Committee for managing of 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 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. Over 90% 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 co-ordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set by the Group's Market, Bank and Country Risk Committee up to a certain absolute size or ceiling; depending on each counterparty's Fitch ratings and on its total equity. Beyond that ceiling, an opinion must be requested from the Group's Risk Unit, prior to submission to the Group's Risk Committee, for approval.

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 funds advances, which is common practice. 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 Impairment and provisioning policies

The internal and external rating systems described in Note 4.1.1 focus more 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 have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2 (j)). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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	Loans and advances 2008 - %	Impairment provision 2008 - %	Loans and advances 2007 - %	Impairment provision 2007 - %
1. Grade 1–3	96.1	-	97.0	-
2. Grade 4–5	1.8	-	2.8	-
3. Grade 6–7	1.9	-	0.0	-
4. Grade 8	0.0	-	0.2	-
5. Grade 9–10	0.2	100.0	0.0	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.

4.1.4 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2008 and 2007, before and after collateral held or other credit enhancements.

	Maximum exposure *before* collateral held or other credit enhancements		Exposure *after* collateral held or other credit enhancements	
31 December	2008 CHF millions	2007 CHF millions	2008 CHF millions	2007 CHF millions
Balances with central banks	107.2	66.8	107.2	66.8
Treasury bills and other eligible bills	73.7	794.6	73.7	794.6
Due from other banks	3,730.6	3,501.0	3,730.6	3,501.0
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	6,068.8	6,470.9	123.0	56.6
Mortgages	1,355.5	1,499.1		
Derivative financial instruments	452.8	223.4	312.4	109.3
Financial assets designated at fair value:				
Trading Assets - Debt securities	640.6		640.6	
Designated at inception - Debt securities	524.0	0.4	311.8	0.4
Investment securities - Debt securities	3,828.9	4,102.2	3,828.9	3,314.3
Other assets	132.6	135.3	132.6	135.3
On-balance sheet assets	**16,914.7**	16,743.7	**9,260.8**	7,978.3
Financial guarantees	311.2	653.6	7.3	9.2
Loan commitments, and other credit related guarantees	235.4	374.7	34.8	41.8
Off-balance sheet assets	**546.6**	1,028.3	**42.1**	51.0
Total	**17,461.3**	17,772.0	**9,302.9**	8,029.3

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 98.4% (2007: 99.3%) of the total. Mortgages are 100% secured.

4.1.5 Loans and advances

Loans and advances are summarised as follows:

		31 December 2008		31 December 2007	
		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)	7,302.8	3,730.6	7,748.6	3,501.0
Past due but not impaired	b)	121.5		171.4	
Impaired		14.7		3.3	
Gross		7,439.0	3,730.6	7,923.3	3,501.0
Less: allowance for impairment		(14.7)		(3.3)	
Net		**7,424.3**	**3,730.6**	7,920.0	3,501.0

The total impairment provision for loans and advances of CHF 14.7 million (2007: CHF 3.3 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.

		Loans and advances to customers			Due from other banks
		Individuals			
Grades		Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions	CHF millions
31 December 2008					
1.	Grade 1–3	5,968.6	1,168.8	7,137.4	3,730.6
2.	Grade 4–5	44.8	88.3	133.1	
3.	Grade 6–7	28.1	4.2	32.3	
4.	Grade 8				
5.	Grade 9–10				
		6,041.5	**1,261.3**	**7,302.8**	**3,730.6**
31 December 2007					
1.	Grade 1–3	6,402.3	1,277.7	7,680.0	3,501.0
2.	Grade 4–5	55.7		68.6	
3.	Grade 6–7	12.9			
4.	Grade 8				
5.	Grade 9–10				
		6,470.9	1,277.7	7,748.6	3,501.0

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	Due From other banks CHF millions
31 December 2008				
Greater than 180 days, past due	19.0	68.4	87.4	
Less than 180 days, past due	8.3	25.8	34.1	
Total	**27.3**	**94.2**	**121.5**	**-**
Fair value of collateral	43.4	175.4	218.8	
31 December 2007				
Greater than 180 days, past due		128.0	128.0	
Less than 180 days, past due		43.4	43.4	
Total	-	171.4	171.4	-
Fair value of collateral	-	186.9	186.9	

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 2008, based on Moody's ratings:

Moody's rating	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at fair value CHF millions	Investment securities CHF millions	Total CHF millions
Aaa–Aa3	73.7	640.6	239.0	3,679.6	4,632.9
A1–A3			256.2	117.8	374.0
Baa			20.9	26.1	47.0
Unrated			7.9	5.4	13.3
Total	**73.7**	**640.6**	**524.0**	**3,828.9**	**5,067.2**

4.1.7 Geographic concentration of credit exposure for financial assets

The following table shows the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2008. Geographic concentration is determined by the region of the subsidiary that the assets are booked in. The 2007 comparative amounts have been restated to eliminate inter-group transactions and thus reflect only external counterparty exposures.

	Europe Cross-Border CHF millions	Europe Onshore CHF millions	Asia CHF millions	The Americas CHF millions	Total CHF millions
Treasury bills and other eligible bills	53.1		6.8	13.8	73.7
Due from other banks	2,193.9	656.5	845.8	34.4	3,730.6
Loans and advances to customers					
Overdrafts, Lombard & term loans	2,934.2	1,589.1	1,471.0	74.5	6,068.8
Mortgages	119.8	1,202.0	2.4	31.3	1,355.5
Derivative financial instruments	174.8	202.1	75.7	0.2	452.8
Financial assets designated at fair value					
Trading Assets - Debt securities	640.6				640.6
Designated at inception - Debt securities	523.0	1.0			524.0
Investment securities Debt - securities					
Available-for-sale	1,460.2	1,798.4	54.2	2.0	3,314.8
Held-to-maturity	510.1	3.7		0.3	514.1
Other assets	34.5	74.0	12.8	11.3	132.6
31 December 2008	**8,644.2**	**5,526.8**	**2,468.7**	**167.8**	**16,807.5**
31 December 2007	8,593.8	5,422.4	2,520.2	140.5	16,676.9

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 out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco, Stockholm and Zurich. The Group does not engage in proprietary trading in securities, but does from time to time provide liquidity to clients holding selected securities. 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 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.

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, 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-tailed 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 (using 500 days of historical data). 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.

(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, Private equity and Hedge funds
ii) Available for sale - Life insurance policies
iii) Financial liabilities - Life insurance policies and liabilities to purchase minority 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.

(c) Stress tests

VaR calculations are complimented 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.

4.2.2 VaR summary

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
2008				
Interest rate risk	7.2	2.1	7.3	0.3
Currency	0.7	0.5	0.9	0.2
Equity price risk	2.0	3.2	4.8	1.9
VaR	**9.9**	**5.8**	**13.0**	**2.4**
2007				
Interest rate risk	2.3	1.0	2.3	0.3
Currency	0.2	0.2	0.4	-
Equity price risk	2.7	1.8	2.7	0.4
VaR	5.2	3.0	5.4	0.7

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

4.2.3 Alternative sensitivity analysis

The following risks exist for positions at 31 December 2008 for which VaR is not calculated, above.

Risk	Category	Product	Impact from	Market value CHF millions	P&L CHF millions	Equity CHF millions
			CHF millions			
i) Price risk						
	Financial assets designated at fair value	Structured products	10% price decrease	1.6	(0.2)	
	Financial assets designated at fair value	Hedge funds	10% price decrease	0.8	(0.1)	
	Financial assets designated at fair value	Private equity	10% price decrease	1.8	(0.2)	
	Available for sale	Unquoted equities	10% price decrease	27.6		(2.8)
	Financial assets designated at fair value	Life insurance companies	10% price decrease	212.2*	(21.2)	
	Financial liabilities designated at fair value	Synthetic life insurance exposure	10% price decrease	(212.2)*	21.2	
	Financial liabilities designated at fair value	Liabilities to purchase minority interests	20% increase in revenue	(34.4)	(1.7)	
ii) Interest rate risk						
	Financial assets designated at fair value	Life insurance policies	100 bps increase in IRR**	308.7	(18.1)	
	Available for sale	Life insurance policies	100 bps increase in IRR**	309.6		(18.1)
iii) Life expectancy (actual changes based on actuarial evidence)						
	Financial assets designated at fair value	Life insurance policies	3 month increase	308.7	(16.3)	
	Available for sale	Life insurance policies	3 month increase	309.6	(16.4)	

* *Assets and liabilities fair values are linked and thus a loss on the asset will be offset by a 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).*

4.2.4 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 2008						
Asset						
Cash and balances with central banks	107.2				8.0	115.2
Treasury bills	73.7					73.7
Due from other banks	3,556.4	75.3			98.9	3,730.6
Loans and advances to customers	6,301.6	992.7	109.5	20.5		7,424.3
Derivative financial instruments	278.2			49.0	125.6	452.8
Financial assets designated at fair value						
Trading Assets	640.6				79.7	720.3
Designated at inception	3.1			520.9	9.4	533.4
Investment securities						
Available-for-sale	1,816.5	1,181.7	15.3	301.3	36.6	3,351.4
Held-to-maturity	60.0	450.4	3.7			514.1
Other assets					132.6	132.6
Total financial assets	**12,837.3**	**2,700.1**	**128.5**	**891.7**	**490.8**	**17,048.4**
Liabilities						
Due to other banks	394.7	6.2				400.9
Due to customers	11,848.3	959.0	31.2		1,374.9	14,213.4
Derivative financial instruments	376.2				83.4	459.6
Financial liabilities designated at fair value	34.4			212.2	16.5	263.1
Other financial liabilities	15.1	124.7	214.1	325.7		679.6
Other liabilities					541.4	541.4
Total financial liabilities	**12,668.7**	**1,089.9**	**245.3**	**537.9**	**2,016.2**	**16.558.0**
On-balance-sheet interest repricing gap	168.6	1,610.2	(116.8)	353.8	(1,525.4)	490.4
Off-balance-sheet interest repricing gap	(26.2)	22.3	3.9	(57.8)		(57.8)
31 December 2007						
Total financial assets*	14,317.7	2,581.9	84.0	24.0	(218.2)	16,789.4
Total financial liabilities	13,495.2	1,085.9	44.2		896.9	15,522.2
On-balance-sheet interest repricing gap	822.5	1,496.0	39.8	24.0	(1,115.1)	1,267.2
Off-balance-sheet interest repricing gap	47.2		(47.2)			

* *In 2007 financial assets are negative as unsettled life insurance policies of CHF (410.7) million are set off as non interest bearing.*

4.2.5 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. From time to time the Group may hedge its foreign exchange exposure arising from highly probable future cash flows in non CHF currencies, using forward contracts.

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 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 2008, 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 4.2.2 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 liquidation of marketable securities and drawdowns on lines of credit 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 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 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 (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 2008						
Liabilities						
Due to other banks	299.5	13.3	48.0		40.1	400.9
Due to customers	10,894.8	2,359.4	935.0	24.2		14,213.4
Derivative financial instruments	9,852.4					9,852.4
Financial liabilities designated at fair value	16.5			34.4	212.2	263.1
Other financial liabilities	17.4	310.5	124.7	214.1	12.9	679.6
Other liabilities	168.9	27.8	80.2	181.5	83.0	541.4
Total financial liabilities	**21,249.5**	**2,711.0**	**1,187.9**	**454.2**	**348.2**	**25,950.8**
31 December 2007						
Liabilities						
Due to other banks	787.2	7.2	0.2		12.5	807.1
Due to customers	10,777.6	1,676.1	1,083.9	42.0		13,579.6
Derivative financial instruments	9,174.2					9,174.2
Debt securities in issue					158.0	158.0
Other liabilities	246.0	122.1	32.1	323.4	18.3	741.9
Total financial liabilities	20,985.0	1,805.4	1,116.2	365.4	188.8	24,460.8

4.3.4 Off-balance sheet items

The following table summarises the Group's off-balance sheet items:

	Not later than 1 year CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2008				
Guarantees	206.7	45.8	58.7	311.2
Loan commitments	145.8	88.0	1.6	235.4
Operating lease commitments	30.6	110.3	73.9	214.8
Total	**383.1**	**244.1**	**134.2**	**761.4**
31 December 2007				
Guarantees	530.9	62.2	60.5	653.6
Loan commitments	194.2	180.5		374.7
Operating lease commitments	21.6	49.4	57.6	128.6
Total	746.7	292.1	118.1	1,156.9

(a) Loan commitments

The maturity is based on the dates on which loan commitments made to customers will cease to exist (note 43).

(b) Financial guarantees and other financial facilities

Financial guarantees (note 43) are based on the earliest contractual maturity date.

(c) Operating lease commitments

Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases is disclosed (note 43.2).

4.3.5 Summary of Liquidity

EFG Bank's central treasury manages the liquidity and financing risks on an integrated basis. The liquidity positions of EFG International entities are monitored and managed daily and exceed the regulatory minimum, as required by the EFG International's market risk framework and policy. Overall, EFG International, through its business entities enjoys a favourable funding base with stable and diversified customer deposits, which provide the vast majority of the EFG International 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 EFG International's Group liquidity policies and guidelines.

4.4 Fair value of financial assets and liabilities

(a) No active market - 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, and
iv) option pricing models

Unquoted Financial assets	Valuation technique	31 December 2008 CHF millions	31 December 2007 CHF millions
Financial assets designated at fair value - Debt securities	Recent arm's length transactions	1.3	0.4
Financial assets designated at fair value - Equity securities	Recent arm's length transactions	1.8	8.0
Financial assets designated at fair value - Life Insurance policies	Discounted cash flow analysis, and life expectancies (non-market observable inputs)	212.2*	-
Financial assets designated at fair value - Life Insurance policies	Discounted cash flow analysis, and life expectancies (non-market observable inputs)	308.7	-
Available-for-sale - Debt securities	Discounted cash flow analysis	2,580.9	2,733.9
Available-for-sale - Equity securities	Discounted cash flow analysis	33.1	0.7
Available-for-sale - Life insurance policies	Discounted cash flow analysis, and life expectancies (non-market observable inputs)	309.6	486.8
Financial liabilities designated at fair value - Life insurance policies	Discounted cash flow analysis, and life expectancies (non-market observable inputs)	(212.2)*	-
Financial liabilities designated at fair value - liabilities to purchase minority interests	Discounted cashflow analysis	(34.4)	-
Total		**3,201.0**	3,229.8

* *Assets valued at CHF 212.2 million and similarly valued liabilities are linked and thus a change in value in one would be reflected in the other.*

(b) Financial instruments 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.

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2008				
Financial Assets				
Due from other banks	(i)	3,730.6	3,730.7	0.1
Loans and advances to customers	(ii)	7,424.3	7,457.0	32.7
Investment securities - Held-to-maturity	(iii)	514.1	480.5	(33.6)
		11,669.0	**11,668.2**	**(0.8)**
Financial liabilities				
Due to other banks	(iv)	400.9	401.0	(0.1)
Due to customers	(iv)	14,213.4	14,225.0	(11.6)
Other financial liabilities	(v)	679.6	693.9	(14.3)
		15,293.9	**15,319.9**	**(26.0)**
Net financial instruments		**(3,624.9)**	**(3,651.7)**	**(26.8)**
31 December 2007				
Financial Assets				
Due from other banks	(i)	3,501.0	3,501.0	-
Loans and advances to customers	(ii)	7,920.0	7,935.2	15.2
Investment securities - Held-to-maturity	(iii)	566.1	525.0	(41.1)
		11,987.1	11,961.2	(25.9)
Financial liabilities				
Due to other banks	(iv)	807.1	807.1	-
Due to customers	(iv)	13,579.6	13,579.6	-
Debt securities in issue	(v)	158.0	158.0	-
		14,544.7	14,544.7	-
Net financial instruments		(2,557.6)	(2,583.5)	(25.9)

(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

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.

(iv) 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.

(v) Other financial liabilities

The value of structured products sold to clients is reflected on an accruals 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.

4.5 Capital Management

The Group's objectives when managing regulatory capital, which is a broader concept than balance sheet 'equity', are to comply with the capital requirements set by regulators of the banking markets in which the Group entities operate; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the development of its business.

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.

Swiss Financial Markets Supervisory Authority requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted assets at 20% above the internationally agreed minimum of 8% (i.e. a minimum Swiss regulatory requirement of 9.6%). In addition, the individual banking subsidiaries or similar financial institutions are directly regulated and supervised by their respective local banking supervisors.

The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill net of acquisition related liabilities is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity 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. 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 2008 CHF millions	31 December 2007 CHF millions
Tier 1 capital		
Share capital	77.3	78.4
Share premium	1,205.3	1,263.1
Other reserves	160.1	517.1
Retained earnings	719.6	578.3
Minority shareholders	95.1	2.2
IFRS: Total shareholders' equity	**2,257.4**	2,439.1
Less: Proposed dividend on Ordinary Shares (note 48)	(35.3)	(51.3)
Less: Accrual for estimated expected future dividend on preference shares	(4.7)	(5.3)
Less: Available-for-sale investment securities revaluation reserve		(7.2)
Less: Loans to employees	(5.5)	(31.4)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(1,462.9)	(875.0)
Total qualifying Tier 1 capital	**749.0**	1,468.9
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)		3.2
Subordinated debt securities		158.0
Total regulatory capital	**749.0**	1,630.1
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,627.9	4,461.4
Non-counterparty related risk	75.9	68.6
Market risk*	698.5	377.8
Operational risk*	1,567.0	1,290.5
Total risk-weighted assets	**5,969.3**	6,198.3

	31 December 2008 %	31 December 2007 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**12.5**	26.3

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

5. NET INTEREST INCOME

	31 December 2008 CHF millions	31 December 2007 CHF millions
Interest and discount income		
Banks and customers	608.7	604.3
Treasury bills and other eligible bills	37.3	28.3
Trading securities	0.3	0.3
Financial Asset designated at fair value	18.0	
Available-for-sale securities	177.9	114.0
Held-to-maturity	19.6	19.3
Total interest and discount income	**861.8**	766.2
Interest expense		
Banks and customers	(566.1)	(512.4)
Debt securities in issue	(9.1)	(9.4)
Total interest expense	**(575.2)**	(521.8)
Net interest income	**286.6**	244.4

Interest income accrued on impaired financial assets is CHF Nil (2007: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

Banking fee and commission income		
Lending activities commission	0.2	0.9
Securities and investment activities commission	576.1	558.4
Other services commission	95.2	166.4
Total fee and commission income	**671.5**	725.7
Commission expenses	(99.8)	(135.9)
Net banking fee and commission income	**571.7**	589.8

7. DIVIDEND INCOME

Trading securities	2.3	
Available-for-sale securities	0.9	
Total	**3.2**	-

8. NET TRADING INCOME

Foreign exchange	86.8	75.7
Interest rate instruments	(1.4)	
Equity securities	2.9	
Total	**88.3**	75.7

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

	31 December 2008 CHF millions	31 December 2007 CHF millions
Interest rate instruments	(9.1)	0.7
Equity securities	(13.0)	4.6
Life insurance securities	(105.1)	
Total	**(127.2)**	5.3

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain/(loss) on disposal of Available-for-sale securities - Transfer from Equity		
Equity securities	25.1	
Debt securities	33.6	(0.3)
Life insurance securities	48.9	
Total	**107.6**	(0.3)

11. IMPAIRMENT CHARGES

Impairments on amounts due from customers*	13.3	1.0
Impairments of other assets	2.1	
Total	**15.4**	1.0

* *A significant portion of the impairment on amounts due from customers includes provision made for unauthorised overdrafts that arose as a result of declines in clients collateral values where margin calls procedures and stop loss selling levels were breached.*

12. OPERATING EXPENSES

Staff costs (note 13)	(447.4)	(365.8)
Professional services	(29.0)	(14.7)
Advertising and marketing	(11.2)	(6.1)
Administrative expenses	(83.5)	(74.5)
Operating lease rentals	(34.2)	(24.8)
Depreciation of property, plant and equipment (note 31)	(13.9)	(9.3)
Amortisation of intangible assets		
Computer software and licences (note 30)	(5.2)	(3.0)
Other intangible assets (note 30)	(52.0)	(21.2)
Others	(33.1)	(22.6)
Operating expenses	**(709.5)**	(542.0)

13. STAFF COSTS

	31 December 2008 CHF millions	31 December 2007 CHF millions
Wages, salaries and staff bonuses	(356.8)	(297.3)
Social security costs	(28.6)	(26.4)
Pension costs		
Defined benefits (note 39)	(13.0)	(9.8)
Defined contribution	(7.4)	(12.7)
Employee Stock Option plan (note 50)	(20.4)	(8.8)
Other	(21.2)	(10.8)
Staff costs	**(447.4)**	(365.8)

As at 31 December 2008 the number of employees of the Group was 2,455 and the average for the year was 2,199 (31 December 2007: 1,864 and average for the year: 1,666).

14. INCOME TAX EXPENSE

Current tax	(35.8)	(38.7)
Deferred tax benefit/(charge) (note 15)	10.3	(1.9)
Total income tax expense	**(25.5)**	(40.6)

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

Profit before tax	221.4	370.8
Tax at the weighted average applicable rate of 11% (2007: 12%)	(24.3)	(44.5)
Tax effect of:		
Income not subject to taxes	(8.9)	10.4
Different tax rates in different countries	7.7	(6.5)
Total income tax expense	**(25.5)**	(40.6)

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

15. DEFERRED INCOME TAXES

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

	31 December 2008 CHF millions	31 December 2007 CHF millions
Deferred income tax assets and liabilities comprise the following:		
Deferred income tax assets	25.8	11.0
Deferred income tax liabilities	(66.0)	(35.8)
Net deferred income tax liabilities	**(40.2)**	**(24.8)**

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

At 1 January	(24.8)	(9.6)
Income statement charge for period	10.3	(1.9)
Available-for-sale adjustment through equity	(3.7)	
Arising from acquisition	(22.5)	(13.3)
Exchange differences	0.5	
At 31 December	**(40.2)**	(24.8)

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

Tax losses carried forward	24.9	10.9
Timing differences - income under IFRS not recognised in taxable income	0.9	0.1
Deferred income tax assets	**25.8**	11.0
Arising from acquisition of intangibles	(35.7)	(34.5)
Timing differences - expenses under IFRS not recognised in taxable income	(30.3)	(1.3)
Deferred income tax liabilities	**(66.0)**	(35.8)
Net deferred income tax liabilities	**(40.2)**	(24.8)

The deferred income tax charge/(benefit) in the income statement comprises the following temporary differences:

Utilisation of tax losses carried forward	1.0	3.5
Creation of deferred tax assets	(17.3)	(7.6)
Pensions and other post retirement benefits		0.3
Change in taxe rate	(1.9)	
Other temporary differences	7.9	5.7
Deferred income tax (benefit)/charge	**(10.3)**	1.9

The Group has subsidiaries with tax losses of CHF 113.0 million (2007: CHF 25.5 million) to carry forward against future taxable income, that will expire after 2014. 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 profits.

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 2008			
Interest and discount income	192.2	669.6	861.8
Interest expense	(58.2)	(517.0)	(575.2)
Net interest income	**134.0**	**152.6**	**286.6**
Banking fee and commission income	187.2	484.3	671.5
Banking fee and commission expense	(40.7)	(59.1)	(99.8)
Net banking fee and commission income	**146.5**	**425.2**	**571.7**
Dividend income	3.2		3.2
Net trading income	19.5	68.8	88.3
Net loss from financial assets designated at fair value		(127.2)	(127.2)
Gains less losses from investment securities	36.0	71.6	107.6
Other operating income/(loss)	25.4	(9.3)	16.1
Net other income	**84.1**	**3.9**	**88.0**
Operating income	**364.6**	**581.7**	**946.3**
Impairment charges	(5.8)	(9.6)	(15.4)
Operating expenses	(260.8)	(448.7)	(709.5)
Profit before tax	**98.0**	**123.4**	**221.4**
Income tax expense	(25.1)	(0.4)	(25.5)
Net profit for the year	**72.9**	**123.0**	**195.9**
Net loss attributable to minority shareholders	3.3	22.7	26.0
Net profit attributable to Group shareholders	**76.2**	**145.7**	**221.9**

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 2007			
Interest and discount income	130.1	636.1	766.2
Interest expense		(521.8)	(521.8)
Net interest income	130.1	114.3	244.4
Banking fee and commission income	228.8	496.9	725.7
Banking fee and commission expense	(53.1)	(82.8)	(135.9)
Net banking fee and commission income	175.7	414.1	589.8
Net trading income	25.8	49.9	75.7
Net income from financial assets designated at fair value	0.7	4.6	5.3
Gains less losses from investment securities	1.2	(1.5)	(0.3)
Other operating (loss)/income	0.4	(1.5)	(1.1)
Net other income	28.1	51.5	79.6
Operating income	333.9	579.9	913.8
Impairment charges		(1.0)	(1.0)
Operating expenses	(208.4)	(333.6)	(542.0)
Profit before tax	125.5	245.3	370.8
Income tax expense	(23.7)	(16.9)	(40.6)
Net profit for the year	101.8	228.4	330.2
Net loss attributable to minority shareholders	1.8		1.8
Net profit attributable to Group shareholders	103.6	228.4	332.0

17. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2008 CHF millions	31 December 2007 CHF millions
Cash in hand	**8.0**	6.9
Balances with central banks	**107.2**	66.8
Cash and balances with central banks	**115.2**	73.7

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 2008 CHF millions	31 December 2007 CHF millions
Cash and balances with central banks	115.2	73.7
Treasury bills and other eligible bills	73.7	794.6
Due from other banks - At sight	632.8	702.6
Due from other banks - At term	3,022.5	2,774.0
Financial assets designated at fair value		25.5
Cash and cash equivalents with less than 90 days maturity	**3,844.2**	4,370.4

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Treasury bills	36.5	794.6
Other eligible bills	37.2	
Treasury bills and other eligible bills	**73.7**	794.6
Pledged treasury bills with central banks and clearing system companies.	*15.9*	*38.8*

Treasury bills and other eligible bills are debt securities purchased with a maximum term of 90 days. All Treasury bills are subject to variable interest rate risk due to maturities under 90 days.

20. DUE FROM OTHER BANKS

At sight	632.8	702.6
At term - with maturity in less than 90 days	3,022.5	2,774.0
At term - with maturity in more than 90 days	75.3	24.4
Due from other banks	**3,730.6**	3,501.0

21. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2008 CHF millions	31 December 2007 CHF millions
Individual (retail customers)		
Due from customers	**6,080.5**	6,474.2
Mortgages	**1,358.5**	1,449.1
Gross loans and advances	**7,439.0**	7,923.3
Less: Provision for impairment losses (note 22)	**(14.7)**	(3.3)
Net loans and advances	**7,424.3**	7,920.0

Geographic sector risk concentrations within the Group's customer loan portfolio were as follows:

	31 December 2008		31 December 2007	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	**2,340.5**	**31.5**	2,035.1	25.7
Europe (other)	**1,712.4**	**23.1**	2,229.8	28.2
Asia and Oceania	**1,620.0**	**21.8**	1,468.0	18.5
United Kingdom	**784.6**	**10.6**	849.5	10.7
Switzerland	**284.6**	**3.8**	295.1	3.7
Africa and Middle East	**250.8**	**3.4**	226.6	2.9
Luxembourg	**202.1**	**2.7**	636.5	8.0
United States and Canada	**120.7**	**1.6**	72.0	0.9
Greece	**108.6**	**1.5**	107.4	1.4
Total	**7,424.3**	**100**	7,920.0	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 2008 CHF millions	31 December 2007 CHF millions
At 1 January	**3.3**	2.2
Exchange rate movements	**(1.9)**	0.1
Impairment charge for credit losses (Note 11)	**13.3**	1.0
At 31 December	**14.7**	3.3

23. COLLATERAL FOR LOANS

Loans and advances to customers		
Mortgages	**1,355.5**	1,449.1
Secured by other collateral	**5,945.8**	6,414.3
Unsecured*	**123.0**	56.6
Total loans and advances	**7,424.3**	7,920.0
Off-balance-sheet commitments		
Contingent liabilities secured by other collateral	**504.5**	977.3
Contingent liabilities unsecured	**42.1**	51.0
Total	**546.6**	1,028.3

* *The unsecured loans include CHF 57.0 million (2007: 32.0 million) of loans made with no collateral and CHF 66.0 million (2007: CHF 24.6 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. The Group is exposed to credit risk on purchased options only; and only to the extent of their carrying amount, which is their fair value.

Credit risk on index 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 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 2008			31 December 2007		
	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	10,044.2	249.8	341.6	14,069.3	153.6	164.6
OTC currency options	1,050.9	33.8	33.5	1,488.6	55.4	52.4
		283.6	**375.1**		209.0	217.0
Interest rate derivatives						
Interest rate swaps	54.2	1.2	2.0	94.4	3.7	3.9
OTC interest rate options	55.4	0.3	0.3	97.9	2.2	4.1
Interest rate futures	57.8		3.5			
		1.5	**5.8**		5.9	8.0
Other derivatives						
Equity options and index futures	1,396.2	117.9	77.1	66.4	8.5	9.0
Credit default swaps				788.0		0.9
Total return swaps	323.6	49.0				
		166.9	**77.1**		8.5	9.9
Total derivative assets/liabilities held for trading		**452.0**	**458.0**		223.4	234.9
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	25.7	0.8	1.6	39.5		0.7
Total derivative assets/liabilities held for hedging		**0.8**	**1.6**			0.7
Total derivatives assets/liabilities		**452.8**	**459.6**		223.4	235.6

24.2 Hedging activities

The hedging practices and accounting treatment are disclosed in Note 2 (d).

(a) 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 2008 was negative CHF 0.8 million (2007: negative CHF 0.7 million).

25. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE - TRADING ASSETS

		31 December 2008 CHF millions	31 December 2007 CHF millions
Issued by public issuers:	Government	640.6	
Issued by non public issuers:	Other	79.7	
Total		**720.3**	-

		31 December 2008 CHF millions	31 December 2007 CHF millions
Equity securities - at fair value:	Listed	79.7	
Debt securities - at fair value:	Listed	640.6	
Total		**720.3**	-

The movement in the account is as follows:

	31 December 2008 CHF millions	31 December 2007 CHF millions
At 1 January	**-**	-
Additions	718.8	
Gains from changes in fair value	1.5	
At 31 December	**720.3**	-

26. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE - DESIGNATED AT INCEPTION

		31 December 2008 CHF millions	31 December 2007 CHF millions
Issued by non public issuers:	Banks	1.1	1.0
Issued by non public issuers:	Private equity investment	1.8	3.6
Issued by non public issuers:	Others	9.6	33.0
Issued by other issuers:	US life insurance companies*	212.2	
Issued by other issuers:	US life insurance companies	308.7	
Total		**533.4**	37.6

Equity securities - at fair value:	Listed	7.6	29.2
Equity securities - at fair value:	Unquoted - Recent arm's length transactions	1.8	8.0
Debt securities - at fair value:	Listed	1.8	
Debt securities - at fair value:	Unlisted	1.3	0.4
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis*	212.2	
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis	308.7	
Total		**533.4**	37.6

The movement in the account is as follows:

At 1 January	37.6	8.8
Additions	722.3	30.7
Disposals (sale and redemption)	(108.4)	(3.7)
(Losses)/gains from changes in fair value	(118.1)	1.8
At 31 December	**533.4**	37.6

* See note 35.

27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

		31 December 2008 CHF millions	31 December 2007 CHF millions
Issued by public bodies:	Government	**22.9**	338.5
Issued by public bodies:	Other public sector	**203.9**	132.8
Issued by other issuers:	Banks	**2,750.2**	2,189.8
Issued by other issuers:	US life insurance companies	**309.6**	76.1
Issued by other issuers:	Other	**64.8**	800.5
		3,351.4	3,537.7

Debt securities - at fair value:	Listed	**213.3**	491.7
Debt securities - at fair value:	Quoted	**211.0**	235.1
Debt securities - at fair value:	Unquoted - Discounted cash flow analysis	**2,580.9**	2,733.2
Equity securities - at fair value:	Listed	**0.3**	0.3
Equity securities - at fair value:	Quoted	**3.2**	0.6
Equity securities - at fair value:	Unquoted - Other valuation Models	**33.1**	0.7
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis	**309.6**	76.1
Gross securities available-for-sale		**3,351.4**	3,537.7
Allowance for impairment		-	-
Total		**3,351.4**	3,537.7
Pledged securities with central banks and clearing system companies.		*38.1*	*33.0*

The movement in the account is as follows:

At 1 January	**3,537.7**	1,761.8
Exchange differences	**(778.5)**	(141.2)
Additions	**9,715.8**	6,678.3
Disposals (sale and redemption)	**(9,194.4)**	(4,808.5)
Gains from changes in fair value	**66.5**	9.1
Accrued interest	**4.3**	38.2
At 31 December	**3,351.4**	3,537.7

27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE, (CONTINUED)

Equity reserve - 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 equity. (Note 41)

The movement of the reserve, is as follows:

	31 December 2008 CHF millions	31 December 2007 CHF millions
At 1 January	7.2	(4.3)
Net gains/(losses) from changes in fair value for the year	66.5	9.1
Tax effect on changes in fair value	(4.3)	(0.1)
Transferred to net profit on disposal	(107.6)	2.5
At 31 December	**(38.2)**	7.2

28. INVESTMENT SECURITIES - HELD-TO-MATURITY

Issued by public bodies:	Government	135.3	150.1
Issued by public bodies:	Other public sector	375.1	416.0
Issued by other issuers:	Financial services	3.7	
Total		**514.1**	566.1

The Group has not reclassified any investment securities, during the year (2007: Nil).

The movement of the reserve, is as follows:

	31 December 2008 CHF millions	31 December 2007 CHF millions
At 1 January	566.1	549.0
Exchange differences	(57.0)	16.5
Additions	4.8	0.2
Accrued interest	0.2	0.4
At 31 December	**514.1**	566.1
Pledged securities with central banks and clearing system companies.	*119.3*	*132.3*

29. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2008:

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank, Zurich	Bank	Switzerland	CHF	162,410
EFG Eurofinancière d'Investissements SAM, 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	20,000
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 (formerly EFG Bank Investment Bank AB), Stockholm	Bank	Sweden	SEK	100,000
PRS Investment Services (Cayman) Ltd, Georgtown	Private Banking & 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
EFG Gestion Privée (formerly Sycomore Gestion Privée SA), Paris*	Investment Advisory	France	EUR	240
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	841
EFG Platts Flello Ltd, Birmingham	Financial Planning	England & Wales	GBP	2
Ashby London Financial Services Ltd, Wolverhampton	Financial Planning	England & Wales	GBP	238
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
Marble Bar Asset Management LLP, London*	Hedge Fund Management	England & Wales	USD	462,486
Marble Bar Asset Management (Cayman) Ltd, Georgetown*	Hedge Fund Management	Cayman Islands	USD	50
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	555,603

All the subsidiaries above are 100% held, with the exception of Marble Bar Asset Management (90.01%), EFG Financial Products Holding AG (50.1%), EFG Wealth Management (India) Private Ltd (75%) and Asesores y Gestores Financieros S.A. (72%).

* *Acquired/incorporated in 2008. See Intangible assets (note 30) for details of material acquisitions.*

30. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Intangible Assets CHF millions
At 1 January 2007				
Cost	32.2	164.3	771.9	968.4
Accumulated amortisation	(25.2)	(12.3)	(21.0)	(58.5)
Net book value	7.0	152.0	750.9	909.9
Year ended December 2007				
Opening net book amount	7.0	152.0	750.9	909.9
Acquisitions and revaluation of earnout obligations	8.3	74.9	264.5	347.7
Amortisation charge for the year - Computer software and licences	(3.0)			(3.0)
Amortisation charge for the year - Other intangible assets		(21.2)		(21.2)
Exchange rate adjustments	(0.4)	(11.5)	(30.1)	(42.0)
Closing net book value	11.9	194.2	985.3	1,191.4
At 31 December 2007				
Cost	40.1	227.7	1,006.3	1,274.1
Accumulated amortisation	(28.2)	(33.5)	(21.0)	(82.7)
Net book value	11.9	194.2	985.3	1,191.4
Year ended December 2008				
Opening net book amount	11.9	194.2	985.3	1,191.4
Acquisitions and revaluation of earnout obligations	10.7	378.7	376.6	766.0
Acquisition of subsidiary, net of amortisation	0.4			0.4
Amortisation charge for the year - Computer software and licences	(5.2)			(5.2)
Amortisation charge for the year - Other intangible assets		(52.0)		(52.0)
Exchange rate adjustments	(0.4)	(45.5)	(91.7)	(137.6)
Closing net book value	**17.4**	**475.4**	**1,270.2**	**1,763.0**
At 31 December 2008				
Cost	32.4	553.8	1,291.2	1,877.4
Accumulated amortisation and impairment	(15.0)	(78.4)	(21.0)	(114.4)
Net book value	**17.4**	**475.4**	**1,270.2**	**1,763.0**

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 getting 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.

30.1 Increase in acquisition related intangibles during 2008

		Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Acquisitions				
Marble Bar Asset Management	i	300.7	427.3	728.0
Asesores y Gestores Financieros SA	ii	53.3	59.0	112.3
Sycomore Société de Gestion Privée	iii	12.5	18.6	31.1
Others		12.2	18.7	30.9
Revaluation of earnout obligations				
Derivatives Structured Asset Management unit ("DSAM")	iv		(105.9)	(105.9)
C.M. Advisors Ltd	v		(20.4)	(20.4)
PRS Group	vi		(16.1)	(16.1)
Quesada			(4.1)	(4.1)
Others			(0.5)	(0.5)
		378.7	**376.6**	**755.3**

i) Marble Bar Asset Management

On 9 January 2008, the Group acquired 90.01% of the business of Marble Bar Asset Management (MBAM) a leading UK-based alternative asset manager, with an effective date of 1 January 2008. MBAM is an investment manager specialising in long/short equity strategies, serving institutional clients as well as ultra-high-net-worth individuals. The transaction, when first recognised in January 2008 gave rise to goodwill of CHF 581.5 million and intangible assets of CHF 271.7 million based on expected future earnings at the date of acquisition.

As a result of changed estimates related to the earnout and the decrease in Assets under Management in late 2008 due to client redemptions across the hedge fund industry, the deferred consideration was re-assessed at 31 December 2008 and as a result the transaction gives rise at 31 December 2008 to goodwill of CHF 427.3 million, after a contingent purchase consideration of CHF 147.0 million; and intangible assets of CHF 300.7 million. The intangible assets are amortised over 2 to 14 year periods depending on their nature. The fair value of net assets acquired was CHF 0.7 million, and the acquire's previous carrying value of tangible assets acquired was not significantly different from the fair value. For the period ending 31 December 2008, the acquired business contributed a net profit of CHF 93.3 million before tax, minorities and amortisation of intangible assets linked to the acquisition (CHF 66.4 million before tax and after amortisation and before minorities).

Details of fair value of net assets acquired and goodwill / intangible assets arising, are as follows:

	CHF millions
Purchase consideration paid (discharged by cash)	524.1
Purchase consideration paid by minorities (discharged by cash)	57.6
Contingent purchase consideration	147.0
Total purchase consideration	**728.7**
Comprising:	
Fair value of net assets acquired	0.7
Intangible Assets acquired	
Client relationships	252.3
Non-compete agreements	35.7
Trademarks	7.3
Software	5.4
	301.4
Goodwill	427.3
Total purchase consideration	**728.7**
Purchase consideration paid (discharged by cash)	524.1
Less: Cash and cash equivalents in subsidiary acquired	
Net cash outflow on acquisition	**524.1**

Goodwill is attributable to the future income expected to be generated by the business.

ii) Asesores y Gestores Financieros SA

On 2 April 2008, the Group acquired 72% of the issued share capital of Spanish based Asesores y Gestores Financieros SA (AyG), effective 1 April 2008. Asesores y Gestores Financieros SA is a private wealth manager that provides advisory services to high-net-worth individuals. It also offers portfolio management and third party funds sales to institutional clients. The transaction gave rise to goodwill of CHF 59.0 million, after a contingent purchase consideration of CHF 27.2 million; and intangible assets of CHF 53.3 million. The intangible assets are amortised over 6 to 13 year periods depending on their nature. The fair value of net assets acquired was CHF 11.5 million and the acquiree's previous carrying value of tangible assets acquired was not significantly different from their fair value. For the period ending 31 December 2008, the acquired company contributed a net profit of CHF 0.6 million, before amortisation of intangible assets linked to the acquisition and minorities (loss of CHF 2.0 million after amortisation and before minorities).

If the acquisition had occurred on 1 January 2008, rather than the actual closing date of 2 April 2008, the operating income contribution would have been CHF 18.7 million, and the net profit contribution CHF 1.4 million; before amortisation of intangible assets, linked to the acquisition and minorities.

Details of fair value of net assets acquired and goodwill / intangible assets arising, are as follows:

	CHF millions
Purchase consideration paid (discharged by cash)	66.9
Contingent purchase consideration	27.2
Total purchase consideration	**94.1**
Comprising:	
Fair value of net assets acquired	11.5
Other Intangible Assets	
Client relationships	46.9
Trademarks	3.7
Non-compete agreements	2.0
Software	0.7
Deferred tax liabilities arising on intangible assets	(16.0)
	48.8
Attributable to minority shareholders	(13.7)
	35.1
Goodwill	59.0
Total purchase consideration	**94.1**
Purchase consideration paid (discharged by cash)	66.9
Less: Cash and cash equivalents in subsidiary acquired	14.2
Net cash outflow on acquisition	**52.7**

Goodwill is attributable to the future income expected to be generated by the business.

iii) Sycomore Société de Gestion Privée

On 27 July 2008, the Group acquired 100% of the issued share capital of Sycomore Gestion Privée (SGP), a specialist wealth manager, with a focus on discretionary investment management for wealthy individuals. The transaction gave rise to goodwill of CHF 18.6 million, after a contingent purchase consideration of CHF 4.4 million and intangible assets of CHF 12.5 million. The intangible assets are amortised over 5 to 8 year periods depending on their nature. The fair value of net assets acquired was CHF 5.1 million and the acquiree's previous carrying value of tangible assets acquired was not significantly different from their fair value. For the period ending 31 December 2008, the acquired company contributed a net profit of CHF 0.7 million, before amortisation of intangible assets linked to the acquisition (loss of CHF 0.1 million after amortisation).

If the acquisition had occurred on 1 January 2008, rather than the actual closing date of 27 July 2008, the operating income contribution would have been CHF 6.3 million, and the net profit contribution CHF 1.9 million; before amortisation of intangible assets, linked to the acquisition.

Details of fair value of net assets acquired and goodwill / intangible assets arising, are as follows:

	CHF millions
Purchase consideration paid (discharged by cash)	27.6
Contingent purchase consideration	4.4
Total purchase consideration	**32.0**
Comprising:	
Fair value of net assets acquired	5.1
Other Intangible Assets	
Client relationships	12.2
Non-compete agreements	0.3
Deferred tax liabilities arising on intangible assets	(4.2)
	13.4
Goodwill	18.6
Total purchase consideration	**32.0**
Purchase consideration paid (discharged by cash)	27.6
Less: Cash and cash equivalents in subsidiary acquired	4.2
Net cash outflow on acquisition	**23.4**

Goodwill is attributable to the future income expected to be generated by the business.

iv) Derivatives Structured Asset Management unit ("DSAM")

At 31 December 2007 the carrying value of goodwill and net intangibles was CHF 305.1 million. On 31 December 2008 the estimated contingent purchase payments were reassessed based on the performance of the business in 2008 and based on expected future performance and as a result, no further payments are expected to be made. The goodwill was decreased by CHF 105.9 million (2007 : CHF 75.0 million increase) and after current year amortisation of intangibles of CHF 0.4 million, the carrying value is CHF 198.8 million.

v) C.M. Advisors Limited

At 31 December 2007 the carrying value of goodwill and net intangibles was CHF 317.7 million. On 31 December 2008 the estimated contingent purchase payments were reassessed based on the performance of the business in 2008 and on expected future performance. As a result, the goodwill was decreased by CHF 20.4 million (2007 : CHF 35.4 million increase) and after current year amortisation of intangibles of CHF 9.2 million, and foreign currency effects reducing the value by CHF 17.2 million, the carrying value is CHF 270.9 million.

vi) PRS Group

At 31 December 2007 the carrying value of goodwill and net intangibles was CHF 124.2 million. On 31 December 2008 the estimated contingent purchase payments were reassessed based on the performance of the business in 2008 and on expected future performance. As a result, the goodwill was decreased by CHF 16.1 million and after current year amortisation of intangibles of CHF 2.5 million, and foreign currency effects reducing the value by CHF 6.8 million, the carrying value is CHF 98.8 million.

30.2 Impairment tests

Goodwill is allocated to cash generating units that have been identified on the basis of each acquisition performed until 31 December 2008. Carrying values have been compared to recoverable amounts, which are calculated on fair value less costs to sell. As the fair value less cost to sell exceeded the carrying amounts of each cash generating units, the value in use did not need to be estimated.

The carrying amounts of goodwill and intangible assets allocated to each cash generating units are as follows:

31 December 2008	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Hedge Fund Management cash generating units			
Marble Bar Asset Management ("MBAM")	257.5	403.4	660.9
C.M. Advisors Limited ("CMA")	30.6	240.3	270.9
Private Banking cash generating units			
Derivatives Structured Asset Management unit ("DSAM")	1.6	197.2	198.8
Asesores y Gestores Financieros SA ("AyG")	47.3	56.0	103.3
PRS Group ("PRS")	41.1	57.7	98.8
Banque Edouard Constant		76.3	76.3
Harris Allday	27.6	35.1	62.7
Quesada Kapitalförvaltning AB ("Quesada")	10.1	41.7	51.8
Bank von Ernst (Liechtenstein) AG	10.3	32.2	42.5
Banque Monégasque de Gestion	8.8	28.8	37.6
Other Cash Generating Units	40.5	101.5	142.0
Total carrying values	**475.4**	**1,270.2**	**1,745.6**

For each of the Hedge Fund Management cash generating units, fair values have been calculated on a PE approach (range between 8.5 and 13) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

For each of the Private Banking cash generating units, fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and goodwill / intangible assets based on comparable market transactions (3 to 5% of Assets under Management). Secondly, calculations have been done using a PE approach (range between 8.5 and 14) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

Management believes that any reasonable possible changes in the key assumptions, on which the recoverable amounts have been based, would not cause the carrying amounts to exceed their respective recoverable amounts. However the Group has agreed to pay for certain acquisitions with earn-outs in order to reduce acquisition risk. With respect to certain acquisitions, the total consideration price is based on earn-out multiples implying that such consideration price can increase significantly in the future depending on the future revenues generated by the business acquired. This applies with respect to the acquisitions of DSAM, CMA, PRS, Quesada and MBAM as part of the total consideration price is based on earn-out multiples.

For the major acquisitions at 31 December 2008 the below table summarises the estimated acquisition price that has already been fixed, and the portion of the total acquisition price that will be variable based on the estimated future payments (which are derived from contractual factors based on future earnings, and the future years earnings that these relate to).

Acquisitions with significant earnouts:

	Residual period of earn-out	Fixed component %	Variable component %
Acquisitions			
MBAM	2009 to 2013	81	19
CMA	2009 to 2010	79	21
DSAM	2009 to 2011	100	
PRS	2009 to 2011	72	28
Quesada	2009 to 2011	55	45

The valuation of intangibles and goodwill is sensitive to future earnings from the relevant cash generating units. By way of illustration, for the 3 largest acquisitions, the impact of a 50% decline in profits attributable to the cash generating units would result in the following impact:

– If the profits attributable to MBAM declined 50%, the total intangible assets would decrease by approximately CHF 235 million. Of this decrease approximately CHF 132 million would be attributable to a revaluation of the contingent acquisition obligations and approximately CHF 103 million would be charged to the Income Statement as an impairment charge.

– If the profits attributable to CMA declined 50%, the total intangible assets would decrease by approximately CHF 132 million. Of this decrease approximately CHF 45 million would be attributable to a revaluation of the contingent acquisition obligations and approximately CHF 87 million would be charged to the Income Statement as an impairment charge.

– If the profits attributable to DSAM declined 50%, the total intangible assets would not decrease and no amount would be charged to the Income Statement as an impairment charge.

31. 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 2007					
Cost	6.8	25.2	21.7	31.1	84.8
Accumulated depreciation	(1.2)	(13.1)	(15.4)	(20.4)	(50.1)
Net book value	5.6	12.1	6.3	10.7	34.7
Year ended December 2007					
Opening net book amount	7.7	10.0	6.3	10.7	34.7
Additions	0.1	8.4	2.8	12.0	23.3
Acquisition of subsidiary		0.2	0.9	0.3	1.4
Depreciation charge for the year		(2.6)	(1.8)	(4.9)	(9.3)
Depreciation charge for prior years - through Other reserves				(3.8)	(3.8)
Disposal and write-offs		(0.4)	(0.2)	(0.2)	(0.8)
Exchange rate adjustments	(0.3)	(0.1)	(0.7)	0.4	(0.7)
Closing net book value	7.5	15.5	7.3	14.5	44.8
At 31 December 2007					
Cost	5.7	33.2	23.2	41.9	104.0
Accumulated depreciation	(0.5)	(15.4)	(15.9)	(27.4)	(59.2)
Net book value	5.2	17.8	7.3	14.5	44.8
Year ended December 2008					
Opening net book amount	5.2	17.8	7.3	14.5	44.8
Additions		13.2	6.6	9.4	29.2
Acquisition of subsidiary		1.8	0.5	0.4	2.7
Depreciation charge for the year		(4.5)	(2.8)	(6.6)	(13.9)
Disposal and write-offs	(0.2)		0.4	(0.4)	(0.2)
Exchange rate adjustments	(1.6)	(1.8)	(1.3)	(0.8)	(5.5)
Closing net book value	**3.4**	**26.5**	**10.7**	**16.5**	**57.1**
At 31 December 2008					
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**

** Land and Buildings were in previous years included in Leasehold improvements due to the immateriality of this caption. These are now disclosed seperately, and comparatives have been restated.*

32. OTHER ASSETS

	At 31 December 2008 CHF millions	At 31 December 2007 CHF millions
Prepaid expenses and accrued income	69.2	45.8
Settlement balances	15.4	33.6
Other assets	48.0	55.9
Other assets	**132.6**	**135.3**

33. DUE TO OTHER BANKS

Due to other banks at sight	299.5	443.8
Due to other banks at term	101.4	363.3
Due to other banks	**400.9**	807.1

34. DUE TO CUSTOMERS

Savings and current accounts	1,349.9	990.0
Term deposits	12,863.5	12,589.6
Due to customers	**14,213.4**	13,579.6

35. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Synthetic life insurance		212.2	
Equities		16.5	
Liabilities to purchase minority interests		34.4	
		263.1	**-**
Debt securities - at fair value:	Unquoted -		
	Discounted cash flow analysis (note 26)	212.2	
Equity securities - at fair value:	Listed	16.5	
Equity securities - at fair value:	Discounted cash flow analysis	34.4	
Total		**263.1**	-

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is fully hedged by a portfolio of life insurance policies (see note 26).

Liability to purchase minority interests

The minority shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International. This right applies from 1 January 2010 and that right expires on the occurance 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 recognised by reclassification from Group equity at inception date on 2 April 2008. As of 31 December 2008, the financial liability was valued at CHF 34.4 million (previous year CHF 0).

36. OTHER FINANCIAL LIABILITIES

	At 31 December 2008 CHF millions	At 31 December 2007 CHF millions
Structured products issued	679.6	
	679.6	-

37. DEBT SECURITIES IN ISSUE

Subordinated notes		
EUR 100 million floating rate note, less part owned by Group companies. Due 17 December 2013	-	158.0

The floating rate note was redeemed on 17 December 2008.

38. OTHER LIABILITIES

Contingent acquisition obligations	313.1	527.0
Deferred income and accrued expenses	147.2	110.9
Settlement balances	42.3	45.9
Short term compensated absences	8.0	1.6
Other liabilities	30.8	56.5
Total other liabilities	**541.4**	741.9

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.

39. RETIREMENT BENEFIT OBLIGATIONS

As the Group applies the corridor approach, 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 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 3.0 million, the fair value of plan assets is CHF 3.2 million and the unfunded liability decreased by CHF 0.2 million in the current year.

The Switzerland plan - defined benefit

The movement in the present value of the funded obligation, is as follows:

	At 31 December 2008 CHF millions	At 31 December 2007 CHF millions
At 1 January	**163.0**	149.9
Service cost	7.8	6.7
Employee's contributions	6.2	5.1
Benefit payments	1.8	4.0
Interest cost	5.2	4.4
Supplemental Cost under IAS 19	6.7	
Pension transfers	(4.2)	(2.8)
Actuarial (gain)/loss for the year	2.5	(4.3)
At 31 December	**189.0**	163.0

The movement in the fair value of the plan assets, is as follows:

At 1 January	**165.4**	144.3
Employee's contributions	6.2	5.1
Employer's contributions	13.0	10.8
Benefit payments	1.8	4.0
Expected return on plan assets	6.7	6.1
Actuarial loss for the year	(21.6)	(2.1)
Pension transfers	(4.2)	(2.8)
At 31 December	**167.3**	165.4

39. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2008 CHF millions	At 31 December 2007 CHF millions	At 31 December 2006 CHF millions
At 31 December			
Present value of funded obligation	189.0	163.0	149.9
Fair value of plan assets	(167.3)	(165.4)	(144.3)
Deficit/(surplus)	21.7	(2.4)	5.6
Unrecognised actuarial loss	(26.5)	(2.4)	(4.6)
Pension (prepaid)/accrual	(4.8)	(4.8)	1.0
Unrecognised asset at year end	4.8	4.8	
Net liability recognised in balance sheet	-	-	1.0
Experience adjustments on plan liabilities	(4.6)	2.6	5.0
Experience adjustments on plan assets	(21.6)	2.1	(1.4)

None of the plan assets have been pledged as collateral (2007: Nil).

The movement in net liability, is as follows:

	At 31 December 2008 CHF millions	At 31 December 2007 CHF millions
At 1 January	-	1.0
Net periodic pension cost	6.3	5.0
Supplemental Cost under IAS 19	6.7	
Employer's contributions	(13.0)	(10.8)
Pension prepaid	-	(4.8)
Increase in unrecognised asset	-	4.8
At 31 December	-	-

The movement in unrecognised actuarial loss, is as follows:

At 1 January	2.4	4.6
Actuarial (gain)/loss for the year arising on defined benefit obligation	2.5	(4.3)
Actuarial loss arising on the plan assets	21.6	2.1
At 31 December	**26.5**	2.4

The movement recognised in the Income statement, is as follows:

Service cost	7.8	6.7
Interest cost	5.2	4.4
Expected return on plan assets	(6.7)	(6.1)
Net periodic pension cost	**6.3**	5.0
Supplemental Cost under IAS 19	6.7	4.8
Total periodic pension cost (note 13)	**13.0**	9.8

39. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

The asset allocation, is as follows:

	At 31 December 2008 %	At 31 December 2007 %
Debt instruments	53.7	63.4
Equity instruments	16.1	25.4
Cash	24.4	2.0
Real estate	4.3	6.3
Other	1.5	2.9
	100.0	100.0

The principal annual actuarial assumptions used, were as follows:

Discount rate (p.a)	2.75	3.25
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)	9.90	13.75

	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 2008 (based on the average age of 67.5) for current male pensioners is 15.9 years and for current female pensioners (based on the average age of 66.1) is 19.5 years.

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 contributions to the post-employment benefit plan for the year ending 31 December 2009 are CHF 12.7 million.

40. 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 EFG International's Bons de Participation "B" (Preference shares) is CHF 15–. All of EFG International shares and Bons de Participation "B" are fully paid.

40.1 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 2007	73.4	6.0	-	(0.1)	79.3
Preference shares repurchased				(0.0)	-
Ordinary shares repurchased			(0.9)		(0.9)
At 31 December 2007	73.4	6.0	(0.9)	(0.1)	78.4
Ordinary shares repurchased			(1.1)		(1.1)
At 31 December 2008	**73.4**	**6.0**	**(2.0)**	**(0.1)**	**77.3**

40.2 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 million
At 1 January 2007	1,324.7	2.0	18.8	(7.2)	1,338.3
Preference shares repurchased				(0.1)	(0.1)
Ordinary shares repurchased			(75.1)		(75.1)
At 31 December 2007	1,324.7	2.0	(56.3)	(7.3)	1,263.1
Options sold**	5.9				5.9
Ordinary shares repurchased			(63.7)		(63.7)
At 31 December 2008	**1,330.6**	**2.0**	**(120.0)**	**(7.3)**	**1,205.3**

** Each Bons de Participation B represents the part of the Fiduciary Certificate issued by EFG International and are also linked to an interest in the Class B share issued by EFG Finance (Guernsey) Ltd.*

*** In 2008 the Group sold 457,997 options with a strike price of CHF 24.00 per share, and received CHF 12.25 in option premium for each option sold, and 14,982 options with a strike price of zero and received CHF 29.23 in option premium for each zero strike option sold. These options can be exercised 5 to 7 years after issue.*

40.3 Number of shares

The following is an analysis of the movement in the number of shares issued by the Group:

Nominal	Ordinary shares with voting right CHF 0.50	Bons de Participation without voting right CHF 15.--	Treasury Shares Ordinary Shares CHF 0.50	Treasury Shares Bons de Participation B CHF 15.--	Net
At 1 January 2007	146,670,000	400,000		(4,865)	
Preference shares repurchased				(100)	
Ordinary shares repurchased			(1,642,791)		
At 31 December 2007	146,670,000	400,000	(1,642,791)	(4,965)	
Ordinary shares repurchased			(2,232,036)		
At 31 December 2008	**146,670,000**	**400,000**	**(3,874,827)**	**(4,965)**	
Net share capital (CHF milions)	**73.3**	**6.0**	**(1.9)**	**(0.1)**	**77.3**

The share capital may be increased by a maximum of CHF 2,282,500 by issuing up to 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 Board of directors is authorised, at any time until 29 April 2010, to increase the share capital by a maximum of CHF 9,165,000 by issuing up to 18,330,000 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.

The Board of directors is authorised until 29 April 2010 to increase the participation capital up to a maximum aggregate amount of CHF 15,000,000, through the issuance of a maximum of 1,000,000 Class C registered participation certificates, which shall be fully paid in, with a face value of CHF 15 per certificate. Partial increases are permissible.

The Board of directors is authorised until 29 April 2010 to increase the participation capital up to a maximum aggregate amount of CHF 12,000,000, through the issuance of a maximum of 400,000 Class D registered participation certificates, which shall be fully paid in, with a face value of CHF 30 per certificate. Partial increases are permissible.

41. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2007	(4.3)	1.8	569.8	567.3
Cost of share capital increase in subsidiaries			(1.0)	(1.0)
Employee stock option plan		8.8		8.8
Other reserves adjustment			(3.8)	(3.8)
Other reserves adjustment - tax impact			1.0	1.0
Available-for-sale securities				
changes in fair value	9.1			9.1
tax effect on changes in fair value	(0.1)			(0.1)
transfer to net profit, net of tax	2.5			2.5
Currency translation adjustments			(66.7)	(66.7)
At 31 December 2007	7.2	10.6	499.3	517.1
At 1 January 2008	**7.2**	**10.6**	**499.3**	**517.1**
Minority put option*			(36.0)	(36.0)
Employee stock option plan		20.4		20.4
Available-for-sale securities				
changes in fair value	66.5			66.5
tax effect on changes in fair value	(4.3)			(4.3)
transfer to net profit, net of tax	(107.6)			(107.6)
Currency translation adjustments			(296.0)	(296.0)
At 31 December 2008	**(38.2)**	**31.0**	**167.3**	**160.1**

* *Minority put option represents the put options of the minority 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 are created.*

42. GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

	Total assets CHF millions	Total liabilities CHF millions	Contingent liabilities CHF millions
At 31 December 2008			
Switzerland	**2,122.2**	**2,669.6**	**45.7**
Europe E.U.	**9,685.7**	**4,987.1**	**157.4**
Other Europe	**1,191.9**	**1,989.0**	**60.5**
Americas	**3,227.3**	**3,105.4**	**205.8**
Africa, Asia and Oceania	**2,667.2**	**3,885.8**	**77.2**
	18,894.3	**16,636.9**	**546.6**
At 31 December 2007			
Switzerland	3,630.6	1,554.8	91.9
Europe E.U.	4,795.4	4,531.2	273.3
Other Europe	4,820.9	3,323.2	152.5
Americas	2,045.6	2,713.3	369.2
Africa, Asia and Oceania	2,744.1	3,475.0	141.4
	18,036.6	15,597.5	1,028.3

43. CONTINGENT LIABILITIES AND COMMITMENTS

43.1 Contingent liabilities

	31 December 2008 CHF millions	31 December 2007 CHF millions
Guarantees issued in favour of third parties	**311.2**	653.6
Irrevocable commitments	**235.4**	374.7
Total	**546.6**	1,028.3

43.2 Future annual commitments under operating leases

Due within one year	**30.6**	21.7
Due between one and five years	**110.3**	49.4
Due beyond five and up to 10 years	**57.1**	38.2
Due beyond 10 and up to 15 years	**16.8**	19.4
	214.8	128.7
Less sublease rentals receivable under non-cancellable leases	-	(0.1)
Total	**214.8**	128.6

44. FIDUCIARY TRANSACTIONS

Fiduciary transactions with third party banks	4,391.2	6,331.8
Deposits with affiliated banks of the Group	1,032.5	709.5
Loans and other fiduciary transactions	10.6	18.8
Total	**5,434.3**	7,060.1

45. SEGMENTAL REPORTING

Pursuant to IAS 14, EFG International's primary segments are geographic segments, while its secondary segmental reporting is done on the basis of business segments.

45.1 Geographic segmentation

For comparison purposes, the Group shows four main geographical regions, which follow the Group's organisational and management structure: Europe Cross-Border, Europe Onshore, Asia and The Americas.

The Europe Cross-Border segment includes locations where typically the clients are from a different country relative to where their banking relationship exists with the Group, such as Switzerland, Monaco, Liechtenstein and Gibraltar. The Europe Onshore segment includes business locations where typically the clients are from the same country as the Group company with which they transact, such as for example the United Kingdom, France and Sweden. The Asia segment includes all the locations in the Middle and Far East, such as Hong Kong, Singapore and India. The Americas include United States of America, Canada, Cayman, Bahamas and Latin America.

	Europe Cross-Border CHF millions	Europe Onshore CHF millions	Asia CHF millions	The Americas CHF millions	Elimination CHF millions	Total CHF millions
At 31 December 2008						
Segment revenue from external customers	475.4	374.6	95.0	59.4	(58.1)	946.3
Cost to acquire intangible assets	(3.2)	(44.7)	(0.2)	(3.6)		(51.7)
Segment profit before tax	147.5	53.8	25.9	(5.8)		221.4
Income tax expense						(25.5)
Net profit for the year						195.9
Net loss attributable to minority shareholders						26.0
Net profit attributable to Group shareholders						**221.9**
Segment assets	14,466.4	8,101.4	3,525.5	555.3	(7,754.3)	18,894.3
Segment liabilities	11,268.4	7,640.6	3,503.1	568.6	(6,343.8)	16,636.9
At 31 December 2007						
Segment revenue from external customers	463.4	303.3	102.6	65.4	(20.9)	913.8
Cost to acquire intangible assets	(2.1)	(16.5)		(2.6)		(21.2)
Segment profit before tax	230.6	103.7	30.3	6.2		370.8
Income tax expense						(40.6)
Net profit for the year						330.2
Net loss attributable to minority shareholders						1.8
Net profit attributable to Group shareholders						**332.0**
Segment assets	15,922.4	6,015.9	4,322.2	446.7	(8,670.6)	18,036.6
Segment liabilities	14,566.9	5,246.4	4,298.2	319.6	(8,833.6)	15,597.5

45.2 Business segmentation

In 2008 the Group acquired Marble Bar Asset Management ("MBAM"), a hedge fund business. The Group believes that the risk return profile of MBAM and the C.M.Advisors Ltd business acquired in 2006 not to be significantly different from the Group's private banking activities. However for relative size reasons management report a second business segment "Hedge Fund Management".

	Private Banking CHF millions	Hedge Fund Management CHF millions	Elimination CHF millions	Total CHF millions
At 31 December 2008				
Segment revenue from external customers	770.0	178.2	(1.9)	946.3
Cost to acquire intangible assets	(15.6)	(36.1)		(51.7)
Segment profit before tax	136.6	86.7	(1.9)	221.4
Income tax expense				(25.5)
Net profit for the year				195.9
Net loss attributable to minority shareholders				26.0
Net profit attributable to Group shareholders				**221.9**
Segment assets	17,903.0	991.3		18,894.3
Segment liabilities	16,403.4	233.5		16,636.9
At 31 December 2007				
Segment revenue from external customers	851.6	63.8	(1.6)	913.8
Cost to acquire intangible assets	(9.5)	(11.7)		(21.2)
Segment profit before tax	329.3	43.1	(1.6)	370.8
Income tax expense				(40.6)
Net profit attributable to Group shareholders				330.2
Net loss attributable to minority shareholders				1.8
Net profit attributable to Group shareholders				332.0
Segment assets	17,696.2	340.4		18,036.6
Segment liabilities	15,408.1	189.4		15,597.5

46. ANALYSIS OF SWISS AND FOREIGN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
At 31 December 2008			
Assets			
Cash and balances with central banks	70.6	44.6	115.2
Treasury bills and other eligible bills	53.0	20.7	73.7
Due from other banks	741.4	2,989.2	3,730.6
Loans and advances to customers	2,420.9	5,003.4	7,424.3
Derivative financial instruments	221.4	231.4	452.8
Financial assets designated at fair-value			
Trading Assets	79.7	640.6	720.3
Designated at inception		533.4	533.4
Investment securities			
Available-for-sale	1,041.6	2,309.8	3,351.4
Held-to-maturity	59.6	454.5	514.1
Intangible assets	82.4	1,680.6	1,763.0
Property, plant and equipment	23.4	33.7	57.1
Deferred income tax assets	6.7	19.1	25.8
Other assets	20.9	111.7	132.6
Total assets	**4,821.6**	**14,072.7**	**18,894.3**
Liabilities			
Due to other banks	110.6	290.3	400.9
Due to customers	1,894.3	12,319.1	14,213.4
Derivative financial instruments	199.9	259.7	459.6
Financial liabilities designated at fair value	16.5	246.6	263.1
Other financial liabilities	679.6		679.6
Current income tax liabilities	22.8	(9.9)	12.9
Deferred income tax liabilities	4.1	61.9	66.0
Other liabilities	71.7	469.7	541.4
Total liabilities	**2,999.5**	**13,637.4**	**16,636.9**
Equity			
Share capital	77.3		77.3
Share premium	1,205.3		1,205.3
Other reserves	200.0	(39.9)	160.1
Retained earnings	310.1	409.5	719.6
	1,792.7	**369.6**	**2,162.3**
Minority interest	1.8	93.3	95.1
Total shareholders' equity	**1,794.5**	**462.9**	**2,257.4**
Total equity and liabilities	**4,794.0**	**14,100.3**	**18,894.3**

46. ANALYSIS OF SWISS AND FOREIGN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY, (CONTINUED)

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
At 31 December 2007			
Assets			
Cash and balances with central banks	34.3	39.4	73.7
Treasury bills and other eligible bills	38.1	756.5	794.6
Due from other banks	1,413.4	2,087.6	3,501.0
Loans and advances to customers	2,927.6	4,992.4	7,920.0
Derivative financial instruments	129.5	93.9	223.4
Financial assets designated at fair-value			
Designated at inception	4.9	32.7	37.6
Investment securities			
Available-for-sale	34.3	3,503.4	3,537.7
Held-to-maturity	66.5	499.6	566.1
Intangible assets	99.5	1,091.9	1,191.4
Property, plant and equipment	20.9	23.9	44.8
Deferred income tax assets	1.3	9.7	11.0
Other assets	25.7	109.6	135.3
Total assets	4,796.0	13,240.6	18,036.6
Liabilities			
Due to other banks	345.0	462.1	807.1
Due to customers	1,272.5	12,307.1	13,579.6
Derivative financial instruments	135.4	100.2	235.6
Debt securities in issue		158.0	158.0
Current income tax liabilities	26.8	12.7	39.5
Deferred income tax liabilities		35.8	35.8
Other liabilities	78.3	663.6	741.9
Total liabilities	1,858.0	13,739.5	15,597.5
Equity			
Share capital	78.4		78.4
Share premium	1,263.1		1,263.1
Other reserves	557.0	(39.9)	517.1
Retained earnings	314.5	263.8	578.3
Total shareholders' equity	2,213.0	223.9	2,436.9
Minority interest	2.2		2.2
Total shareholders' equity	2,215.2	223.9	2,439.1
Total equity and liabilities	4,073.2	13,963.4	18,036.6

47. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

47.1 Basic

	31 December 2008 CHF millions	31 December 2007 CHF millions
Net profit for the period	221.9	332.0
Estimated, pro-forma accrued dividend on preference shares	(30.3)	(29.8)
Net profit for the period attributable to ordinary shareholders	**191.6**	302.2
Weighted average number of ordinary shares - *'000s of shares*	143,661	146,515
Basic earnings per ordinary share - CHF	1.33	2.06

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 and amounting to 3,008,631 (2007: 155,050). 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 preference shares. The latter has been computed by using a dividend rate from 1st January 2008 until 30 April 2008 of 4.816%. The estimated dividends for the period after the AGM is based on a rate of 4.876% from 30 April 2008 until 30 October 2008 and a rate of 4.716% thereafter. The average number of shares excludes the average number of EFG Fiduciary Certificates owned by the Group.

47.2 Diluted

	31 December 2008 CHF millions	31 December 2007 CHF millions
Net profit for the period	221.9	332.0
Estimated, pro-forma accrued dividend on preference shares	(30.3)	(29.8)
Net profit for the period attributable to ordinary shareholders	**191.6**	302.2
Diluted-weighted average number of ordinary shares - *'000s of shares*	144,664	147,288
Diluted earnings per ordinary share - CHF	1.32	2.05

Pursuant to its employee stock option plan, EFG International issued on 23 February 2008 options to purchase 2,197,275 (2007: 2,296,746) shares of EFG International which increased the diluted-weighted average number of ordinary shares of EFG International by 1,002,747 (2007: 773,520) shares to 144,664,116 (2007: 147,288,470) shares. Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For information regarding the EFG International stock option plan, see note 50.

48. DIVIDEND PER SHARE

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 29 April 2009, a dividend in respect of 2008 of CHF 0.25 (2007: CHF 0.35) per share amounting to approximately CHF 35.3 million, net of dividends not payable on treasury shares (2007: CHF 50.2 million) is to be proposed. The financial statements for the year ended 31 December 2008 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 2009.

49. RELATED PARTY TRANSACTIONS

49.1 Related party transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2008		
Assets		
Due from other banks	297.8	
Derivatives	0.4	
Loans and advances to customers	0.1	15.5
Investment securities	4.0	
Liabilities		
Due to other banks	21.6	
Derivatives	3.5	
Due to customers	1.6	22.2
Other liabilities	0.8	

Year ended 31 December 2008		
Interest income	38.7	1.4
Interest expense	(2.0)	(0.2)
Commission income	1.2	
Commission expense	(1.1)	
Other operating income	2.2	
Other operating expenses	(0.7)	

49.1 Related party transactions, (continued)

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2007		
Assets		
Due from other banks	90.5	
Derivatives	0.8	
Loans and advances to customers	3.1	45.0
Investment securities	6.5	
Other assets	0.1	
Liabilities		
Due to other banks	28.5	
Derivatives	0.8	
Due to customers	1.9	8.9
Other liabilities	0.3	
Contingent liabilities and commitments	9.6	
Year ended 31 December 2007		
Interest income	17.4	0.8
Interest expense	(7.1)	
Commission income	0.2	
Commission expense	(1.1)	
Other operating income	5.3	
Other operating expenses	(1.2)	

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 (2007: Nil).

49.2 Key management compensation (including directors)

The compensation of the members of the Executive Committee relating to the year 2008 comprised of cash compensation of CHF 6,434,541 (2007: CHF 6,070,956), pension contributions of CHF 366,340 (2007: CHF 422,967) and stock options valued at approximately CHF 8,233,333 (2007: CHF 14,719,510). Provision has been made for payments under a long term incentive plan of CHF 1,200,000 which would be payable in future years.

The compensation of the members of the Board of Directors relating to the year 2008 comprised of cash compensation of CHF 860,000 (2007: CHF 1,716,584).

For additional details required under Swiss Law (SCO 663) see note 18 of the parent company financial statements on page 162.

50. STOCK OPTION PLAN

EFG International launched it's Employee Stock Option Plan in 2006. These options have a vesting period of three years and may be exercised at any time during a period beginning 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 income statement spreads the cost of the grant 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 Employee Stock Option Plan in the income statement for the period ended 31 December 2008 was CHF 20.4 million (2007: CHF 8.8 million).

The table below summarises the outstanding options at 31 December 2008.

Date granted	Type	Exercise price CHF	At beginning of year CHF	Granted CHF	Lapsed CHF	Outstanding CHF
February 28, 2006	In-the-money	25.33	761,548		6,906	754,642
February 23, 2007	In-the-money	32.83	1,036,591		17,336	1,019,255
February 23, 2007	At-the-money	49.25	1,246,050		16,097	1,229,953
February 23, 2008	In-the-money	24.00		672,634	627	672,007
February 23, 2008	At-the-money	35.95		733,837	869	732,968
February 23, 2008	Zero strike	0		790,804	259	790,545
			3,044,189	**2,197,275**	**42,094**	**5,199,370**

50.1 2008 option plan

EFG International granted 2,197,275 options on 23 February 2008. All classes have a vesting period of three years and an exercise period beginning five years from the grant date and ending seven years from the grant date. A deemed value of each In-the-money Options was estimated to be CHF 12.25, of each At-the-money Options of CHF 7.86 and each Zero Strike Option at CHF 29.23 using a modified version of the Black Scholes Merton formula which takes into account expected dividend yield as well as other funding costs 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 35.95), expected volatility (30%), dividend yield (2%), other funding costs (5%), the expected life of the options (72 months) and the risk free rate (2.6%). 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. Other funding costs represent adjustments made by market participants when pricing options that cannot be hedged or exercised and, pursuant to IFRS 2, may be applied only after the vesting period.

50.2 2009 option plan

EFG International granted 3,563,181 options on 17 March 2009. There are three classes of options having an exercise price of CHF 5.00 ("In-the-money Options"), CHF 0 with 3 year lock-up ("Zero strike options with 3 year lock-up") and CHF 0 with 5 year lock-up ("Zero strike options with 5 year lock-up") respectively. All three classes have a vesting period of three years and an exercise period beginning five years from the grant date and ending seven years from the grant date, with the exception of the Zero strike options with 3 year lock-up, which can be exercised after 3 years.

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 2008 CHF millions	31 December 2007 CHF millions
Character of client assets		
Third party funds	15,069	16,393
Equities	10,487	15,635
Deposits	15,487	13,580
Bonds	8,990	8,317
Loans	7,766	7,920
Fiduciary deposits	5,434	7,060
Structured notes	5,026	6,822
EFG International locked-up shares	1,799	4,309
EFG funds	6,661	4,643
Other	466	2,542
Total Assets under Management	**77,185**	87,221
Total Assets under Administration	**8,800**	8,626
Total	**85,985**	95,847

Assets under Administration are trust assets administered by the Group.

53. POST BALANCE SHEET EVENTS

Other
The Group issued 3,563,181 options to employees on 17 March 2009. See note 50.

Treasury shares
On 5 March 2009 the Group announced that it had purchased over 5.72% of the outstanding ordinary shares in issue.

54. BOARD OF DIRECTORS

The Board of Directors of EFG International comprises the following:

Jean Pierre Cuoni, Chairman
Emmanuel L. Bussetil
Spiro J. Latsis
Hugh Napier Matthews
Pericles Petalas
Hans Niederer

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 changes in equity) 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.

(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.

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.

(d) Goodwill and Intangible Assets
Under both IFRS and under Swiss law, goodwill and intangibles 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 intangibles are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangibles is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the income statement.

(e) Extraordinary income and expense
Under IFRS, items of income and expense 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.

Report of the statutory auditor
to the general meeting of
EFG International
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes (set out from pages 78 to 153), for the year ended 31 December 2008.

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 2008 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 SA

Alex Astolfi
Audit Expert
Auditor in charge

Eric Maglieri
Audit expert

Geneva, 8 April 2009

PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

EFG International, Zurich

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2008 CHF millions	Year ended 31 December 2007 CHF millions
Income			
Interest income from subsidiaries		**23.3**	22.5
Income from subsidiaries	13	**44.7**	81.1
Gain on disposal of shares in subsidiary		**4.6**	
Foreign exchange		**(56.1)**	(7.6)
Total income		**16.5**	96.0
Expenses			
Staff expenses		**(15.3)**	(16.9)
Operating expenses		**(8.8)**	(8.4)
Depreciation		**(11.0)**	(13.0)
Tax expense		**(0.7)**	(1.7)
Total expenses		**(35.8)**	(40.0)
Net profit/(loss)		**(19.3)**	56.0

BALANCE SHEET AS AT 31 DECEMBER 2008

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2008 CHF millions	Year ended 31 December 2007 CHF millions
Assets			
Due from subsidiaries		**56.3**	265.1
Accrued income and prepaid expenses			1.4
Other assets		**6.8**	0.6
Current assets		**63.1**	267.1
Investments in subsidiaries		**1,593.5**	1,390.2
Subordinated loans to subsidiaries		**267.7**	324.6
Tangible fixed assets		**0.1**	0.1
Intangible assets		**1.5**	
Formation costs		**18.0**	27.9
Non current assets		**1,880.8**	1,742.8
Total assets		**1,943.9**	2,009.9
Liabilities			
Due to subsidiaries		**0.6**	3.8
Accrued expenses and deferred income		**12.2**	11.3
Other liabilities		**6.0**	0.1
Current liabilities		**18.8**	15.2
Total liabilities		**18.8**	15.2
Equity			
Share capital	11	**79.3**	79.3
General legal reserve	14	**1,357.3**	1,357.3
Other reserves		**361.3**	426.1
Reserve for own shares		**140.8**	76.0
Retained earnings	15	**5.7**	
Net profit/(loss) for the period		**(19.3)**	56.0
Total shareholders' equity		**1,925.1**	1,994.7
Total shareholders' equity and liabilities		**1,943.9**	2,009.9

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 has entered into several guarantee agreements with subsidiaries which could lead to potential obligations of approximately CHF 1,294 million. The majority of these potential obligations are collaterised by cash and highly rated bonds owned by the subsidiaries.

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 0.1 million and are covered by the fire insurance subscribed by EFG Bank for the Zurich premises for a total amount of 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 29, page 125, to the consolidated financial statements.

8. RELEASE OF UNDISCLOSED RESERVES

There are no undisclosed reserves.

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 2008, 4,965 Bons de Participation “B” and 3,874,827 registered shares were held by companies of the Group.

11. SHARE CAPITAL

	31 December 2008 CHF millions	31 December 2007 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	2.3	2.3

The share capital may be increased by a maximum of CHF 2,282,500 by issuing up to 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 Board of directors is authorised, at any time until 29 April 2010, to increase the share capital by a maximum of CHF 9,165,000 by issuing up to 18,330,000 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.

The Board of directors is authorised until 29 April 2010 to increase the participation capital up to a maximum aggregate amount of CHF 15,000,000, through the issuance of a maximum of 1,000,000 Class C registered participation certificates, which shall be fully paid in, with a face value of CHF 15 per certificate. Partial increases are permissible.

The Board of directors is authorised until 29 April 2010 to increase the participation capital up to a maximum aggregate amount of CHF 12,000,000, through the issuance of a maximum of 400,000 Class D registered participation certificates, which shall be fully paid in, with a face value of CHF 30 per certificate. Partial increases are permissible.

12. SIGNIFICANT SHAREHOLDERS

The significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are:

		31 December 2008		31 December 2007
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group	72,263,209	49.27	71,492,153	48.74
Lawrence D. Howell	8,052,000	5.49	8,352,000	5.69
FMR LLC (Fidelity Management & Research)	7,351,190	5.01	7,351,190	5.01

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2008 CHF millions	31 December 2007 CHF millions
Dividend	0.2	40.5
Management service fees	29.2	18.9
Royalties	14.6	16.0
Other income	0.7	5.7
Total	**44.7**	81.1

There are no further items requiring disclosure under Art. 663b of the Swiss Code of Obligations.

14. GENERAL LEGAL RESERVE

No amount was allocated to the General Legal Reserve in 2008.

15. RETAINED EARNINGS

The Net Result of 2007 of CHF 56.0 million was used to pay a dividend of CHF 50.3 million (CHF 0.35 per share excluding dividend not payable on 2,785,924 Treasury Shares held by group companies).

16. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes on the provison that the General Meeting approves, that the retained earnings of CHF 36.7 million (comprising the net loss for 2008 of CHF (19.3) million plus the profit brought forward from the previous year of CHF 5.7 million plus the transfer from the other reserves of CHF 50.3 million) be allocated as follows :

– Distribution of a dividend of CHF 0.25 per share - total amount of CHF 36.7 million.
– Balance carried forward CHF 0.

17. RISK MANAGEMENT

See note 4 of consolidated financial statement on page 95.

18. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Year ended 31 December 2008

(i) Compensation

	Base compensation	*Variable compensation*		*Other compensation*		*2008*
	Cash CHF	Cash bonus (1) CHF	Share options (2) CHF	(3) CHF	Social charges CHF	Total CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				46,200	706,200
Hugh Napier Matthews	100,000				7,000	107,000
Hans Niederer	100,000				7,000	107,000
Emmanuel L. Bussetil (4)						-
Spiro J. Latsis (4)						-
Pericles Petalas (4)						-
Total Board of Directors	**860,000**	**-**	**-**	**-**	**60,200**	**920,200**
Executive Committee						
Total Executive Committee	**5,940,194**	**494,347**	**8,233,333**	**1,566,340**	**450,417**	**16,684,631**
of which highest paid:						
Lawrence D. Howell, CEO	1,865,602		5,000,000	66,614	130,592	7,062,808

Notes:

1) The amounts represent the recorded expense for the 2008 cash bonuses.
2) The amounts represent the value of options granted in 2009 related to the 2008 year. For details of the EFG International stock option plan, refer to note 50 of the Consolidated financial statements. All options have a 3 year vesting period and can be exercised after 3 to 5 years. The value of the share options cannot be compared to the cost that will be used for IFRS purposes in note 50 over the 3 year vesting period. Lawrence D. Howell received 833,333 zero strike options in the period, which cannot be exercised for 5 years. Other members of the Executive Committee recieved 150,000 in-the-money options and 455,827 zero strike options.
3) These amounts comprise payments to pension plans and provisions for long term incentive plans.
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.

(ii) Loans and credits

At 31 December 2008 the following loans and credits were granted by subsidiaries to and where oustanding with members of the Board of Directors and the Executive Committee.

	CHF
Cuoni family interests*	7,891,707
Other members of the Board of Directors	-
Total Board of Directors	**7,891,707**
Lawrence D. Howell, CEO (highest paid member of Executive Committee)**	1,672,439
Other members of the Executive Committee	5,285,775
Total Executive Committee	**6,958,214**

* *Fully collateralised loans granted to closely linked parties.*

** *Fully cash collateralised loans.*

Interest rates ranging from 0.91% p.a. to 3.56% p.a. are charged on outstanding CHF loans. The loans oustanding at 31 December 2008, mature between 1 and 3 months.

(iii) Shareholdings

At 31 December 2008 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares	Share options granted 2007	Share options granted 2008
Board of Directors			
Jean Pierre Cuoni, Chairman	6,836,000	313,808	-
Emmanuel L. Bussetil		-	-
Spiro J. Latsis	72,263,209	-	-
Hugh Napier Matthews	3,500	-	-
Pericles Petalas		-	-
Hans Niederer	50,000	-	-
Executive Committee			
Total Executive Committee	**9,328,619**	770,267	**1,355,827**
of which:			
Lawrence D. Howell, CEO	8,052,000	366,109	833,333

Report of the statutory auditors
to the general meeting of
EFG International
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of EFG International, which comprise the income statement, balance sheet and notes (set out from pages 158 to 163), for the year ended 31 December 2008.

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 2008 comply with Swiss law and the company's articles of incorporation.

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 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 statements 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

Eric Maglieri
Audit expert

Geneva, 8 April 2009

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CONTACTS AND ADDRESSES

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FORWARD LOOKING STATEMENTS

This Annual Report contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industries in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on these forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity, and the development of the industries in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Annual Report. These factors include among others (i) the performance of investments;
(ii) our ability to retain and recruit high quality CROs;
(iii) governmental factors, including the costs of compliance with regulations and the impact of regulatory changes;
(iv) our ability to implement our acquisition strategy;
(v) the impact of fluctuations in global capital markets;
(vi) the impact of currency exchange rate and interest rate fluctuations; and (vii) other risks, uncertainties and factors inherent in our business.

EFG International AG is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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