EFG International

ANNUAL REPORT 2013

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.

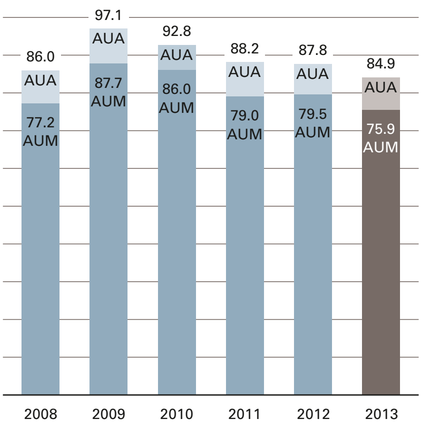
The essence of private banking is relationships; at EFG International, our role is to provide the conditions for these to flourish. Courtesy of an entrepreneurial business model, our business attracts professionals of the highest calibre, who enjoy the controlled freedom to operate in their clients'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

EFG International's global family of private banking businesses operates in around 30 locations worldwide. The business benefits from the resources of EFG Bank European Financial Group, based in Geneva, which is EFG International's largest shareholder with 56%.

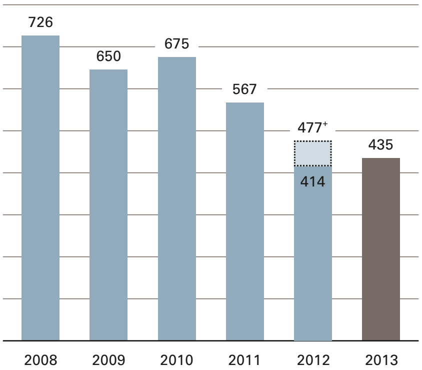
EFG INTERNATIONAL PERFORMANCE EVOLUTION

AUM and AUA

in CHF billions



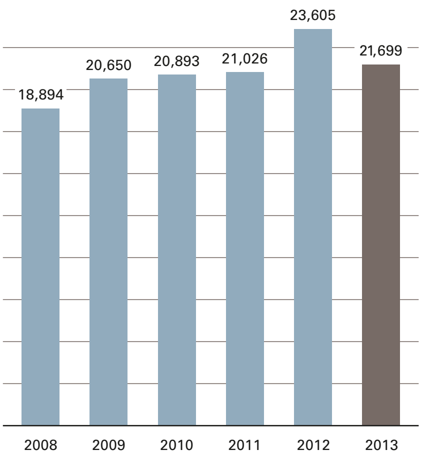
Client Relationship Officers (CROs)



+ Includes EFG Financial Products, excluded in 2013

Total Balance Sheet

in CHF millions



EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

in CHF millions	31 December 2013
Income	
IFRS net profit*	111.8
IFRS net profit attributable to ordinary shareholders*	110.9
Underlying IFRS net profit attributable to ordinary shareholders*/**	111.2
Operating income	666.0
Cost/income ratio	81.5%
Balance Sheet	
Total Assets	21,699
Shareholders' Equity	1,107
Market Capitalisation	
Share Price (in CHF)	12.75
Market Capitalisation (ordinary shares)	1,885
BIS Capital	
BIS Capital	1,020
BIS Capital Ratio (Basel III, fully applied)	18.0%

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

Personnel	
Total number of CROs	435
Total number of employees	1,989
Listing	
Listing at the SIX Swiss Exchange, Switzerland; ISIN: CH0022268228	
Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* Figures above exclude EFG Financial Products, except where marked with a single asterisk.
** Excluding impact of non-recurring items.

International practitioners
of the craft of private banking

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CHAIRMAN’S LETTER

Jean Pierre Cuoni

Dear shareholders, dear clients,

The private banking industry faces no shortage of challenges, and these were much in evidence during 2013. EFG International incurred a number of exceptional legal and regulatory expenses, and also opted to mitigate uncertainty by participating in the US Tax Programme as a Category 2 bank. At the same time, economic and market conditions remained uncertain. The Swiss franc continued to be strong; low interest rates acted as a brake on profitability (notably in relation to asset and liability management); and client sentiment remained fragile, as demonstrated in particular during the third quarter.

These external factors had an impact on EFG International's financial performance in 2013. IFRS net profit attributable to ordinary shareholders was CHF 110.9 million in 2013, compared with CHF 103.1 million a year earlier. Underlying net profit attributable to ordinary shareholders was CHF 111.2 million (CHF 124.5 million in 2012). Operating income (excluding EFG Financial Products) was CHF 666.0 million, down 5% from a year earlier. Revenue-generating Assets under Management were CHF 75.9 billion, compared with CHF 78.7 billion at end-2012, but up 5% after adjusting for exited businesses and reclassifications. The Basel III BIS Capital Ratio stood at 18.0% at end 2013, up from 15.9% a year earlier.

However, this was also a year of significant accomplishments. The business review was completed, leaving EFG International simplified and derisked. A number of organisational changes were made, designed to deliver growth. We relocated our head office to a prime property in the heart of the Zurich financial district, and successfully rebranded, enabling us to project more effectively a unified business.

The quality of earnings also improved during 2013. EFG International is now all about private banking and growing core revenues and profits. While performance was constrained by the factors mentioned above, core private banking operating revenues from continuing businesses increased by 5% during the year. Net new asset generation started the year strongly, but was constrained during the second half by market conditions and client caution. However, new assets improved year-on-year, and we remain confident in the ability of the business to generate net new asset growth within its target range. CRO hiring was up significantly, boding well for the future. With a continued emphasis on high calibre individuals and teams, the number of CROs rose from 414 to 435, with a net 19 CROs added during the second half of the year and most regional businesses up year-on-year.

It is no exaggeration to say that EFG International has rediscovered its sense of dynamism and purpose - and that purpose is growth! As I look around the business, it is pleasing to be able to point to such a wide range of growth-related initiatives. We have made senior appointments to help drive business forward in Europe and Asia. Our business in Singapore was recently granted a wholesale banking license, and our Spanish business is likewise applying for a banking license, with a view to broadening its offering to clients. Central and Eastern Europe was an important source of growth in 2013, and we are actively looking to grow our business in both Latin America and the Middle East.

I see manifold reasons to be positive. The global private banking opportunity is significant and growing, and I am convinced that EFG International is well equipped to capitalise on this. There is significant upside potential in our business and, while we will not compromise in relation to quality, there also is no shortage of acquisition opportunities as the industry goes through a period of consolidation.

As a business, we are resolutely committed to delivering a step-change in growth and profits. This would be an impossible goal without the dedication and professionalism of all our employees, to whom I extend my warmest thanks.

Jean Pierre Cuoni,
Chairman of the Board

A modern, progressive private bank.

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

LETTER FROM THE CEO

John Williamson

In the year ended 31 December 2013, financial highlights for EFG International were as follows:

– EFG International made an IFRS net profit attributable to ordinary shareholders of CHF 110.9 million in 2013, compared with CHF 103.1 million a year earlier. Excluding non-recurring charges (profit on the sale of EFG Financial Products, as well as legal, regulatory and other expenses), underlying net profit attributable to ordinary shareholders was CHF 111.2 million versus CHF 124.5 million a year earlier.

– Revenue-generating Assets under Management were CHF 75.9 billion, compared with CHF 78.7 billion at end-2012, but up 5% after adjusting for exited businesses and reclassifications.

– Net new assets from continuing businesses were CHF 3.2 billion (annual growth of 4.3%), excluding the outflow of a low-yielding single stock position, compared with CHF 3.0 billion a year earlier.

– The number of Client Relationship Officers (CROs) stood at 435 at end 2013, up from 414 as at end-2012.

REVIEW OF BUSINESS

An increase in net profit attributable to ordinary shareholders, albeit a reduction in underlying net profit

EFG International made an IFRS net profit of CHF 111.8 million in 2013, compared with CHF 111.2 million a year earlier. Underlying net profit attributable to ordinary shareholders was CHF 111.2 million (CHF 124.5 million in 2012) after excluding the following non-recurring items:

– CHF 36.4 million gain relating to EFG Financial Products. Of this, CHF 33.8 million related to the capital gain on the sale in April 2013 of EFG International's remaining stake of 20.25%.

– CHF 4.0 million of net expenses relating to completion of the business review. Last year, EFG International tied up a number of loose ends from its business review, including the sale of its Canadian business (neutral in P&L terms).

– CHF 8.0 million, representing a provision relating to EFG International's share of the advance payment made by Swiss banks relating to the UK tax agreement, plus a further CHF 15.4 million following an unexpected outcome of a longstanding legal action in the UK to which it was a party.

– CHF 2.8 million of actual legal expenses, plus a provision of CHF 6.5 million to cover future legal expenses, relating to the US Tax Programme. At this time, EFG International has concluded that it is not possible to make a reliable estimate of the final penalty that may be payable. EFG International has always maintained a policy that US clients are not a target market but, as announced in December, it has decided to participate in the US Tax Programme as a Category 2 bank.

– CHF 0.9 million relating to the Bons de Participation dividend.

Excluding EFG Financial Products, operating income was CHF 666.0 million in 2013, compared with CHF 697.1 million a year earlier, due to lower asset and liability management revenues, increased Tier 2 interest costs, and the absence of specialist structuring transactions relating to large clients. The revenue margin stood at 88, compared with 93 a year earlier. It improved from 87 bps to 88 bps between the first and second halves of the year, above EFG International's target of 84 bps. Operating expenses were CHF 547.2 million, down from CHF 554.3 million in 2012. The cost-income ratio stood at 81.5%, compared with 78.8% for the same period last year.

Revenue-generating Assets under Management were CHF 75.9 billion, compared with CHF 78.7 billion at end-2012. This reflects a reduction of CHF 6.0 billion relating to disposals (EFG Financial Products and Canada) and exited businesses, plus the redesignation of CHF 1.0 billion as Assets under Administration, offset by FX and market effects of CHF 1.7 billion and net new assets from continuing businesses of CHF 2.5 billion (CHF 3.2 billion excluding the outflow of a low-yielding single stock position). Excluding exited businesses and reclassifications, revenue-generating Assets under Management were up 5%.

An improvement in earnings quality; capital position remains strong

EFG International has been simplified and business risks lessened as a result of the various steps taken as part of its business review. The business is now all about private banking and growing core revenues and profits. While overall performance was constrained by lower asset and liability management revenues (due to the current low yield environment and the reduction in high-yielding GIIPS assets), an increase in Tier 2 interest costs, and the absence of specialist structuring transactions relating to large clients, core private banking operating revenues from continuing businesses increased by 5% during 2013. This would have been more marked but for a particularly challenging third quarter, when market conditions and client caution significantly impacted revenues and margins.

On a Basel III (fully applied) basis, EFG International's BIS Capital Ratio stood at 18.0%, compared with 15.9% at end-2012. The Common Equity Ratio (CET 1) stood at 13.5%, up from 11.7%. This takes into account a proposed increase in the dividend from CHF 0.10 to CHF 0.20 per share, representing a payout ratio of 27% based on the underlying recurring net profit attributable to ordinary shareholders.

Most regional businesses making good progress

The Continental European business delivered double-digit growth in operating income and profits, with Monaco performing particularly strongly. Asia delivered double-digit growth in operating income and maintained its track record of increased profits, in a region where lack of profitability is an industry issue. The UK delivered robust growth in revenues and a strong double-digit increase in profit before legal settlement expenses. Switzerland continued to be impacted by a particularly challenging environment and the absence of significant structuring transactions relating to large clients. The latter factor also impacted the Americas business, which was consequently unable to sustain the strong performance seen in 2012.

Progress in relation to net new assets; second half disappointing but mitigating factors

Net new assets were CHF 3.2 billion (growth of 4.3%), excluding the outflow of a low-yielding CHF 0.6 billion single stock position, compared with CHF 3.0 billion in 2012. Disappointingly, net new asset development was weaker during the second half, reflecting market conditions and substantial outflows due to the exiting of lower value accounts in Hong Kong as a result of regulatory changes relating to affluent clients. Without these transitional effects in Hong Kong, net new asset growth would have been at the lower end of EFG International's target range of 5–10%. The Continental Europe business generated net new asset growth in excess of this range; the UK performed within the target range; the Swiss private banking business was slightly negative, with encouragingly stronger gross inflows in large measure offsetting outflows relating to legacy businesses; Asia came in slightly below, but would have been comfortably within but for the exiting of lower value accounts; and the Americas, while below, improved markedly during the second half.

EFG International believes that it is well placed to deliver on its net new asset target going forward, particularly given the quickening tempo of initiatives designed to deliver growth (see later).

Notable improvement in CRO hiring

The total number of CROs (excluding EFG Financial Products) stood at 435 at the end of 2013, up from 414 a year earlier (407 excluding non-continuing businesses). Furthermore, EFG International added a net 19 CROs during the second half of 2013. All regional businesses were up year-on-year, with the exception of Asia. For Asia, this reflects a further tranche of underperforming CROs let go during the first quarter of 2013, with 10 CROs added during the remainder of the year.

An overriding focus on delivering growth; manifold initiatives

With the business review complete, the focus is now all about delivering controlled, profitable growth. This commitment to growth is supported by various initiatives and the tempo of activity will continue to accelerate. Current initiatives include:

- CRO recruitment. The CRO pipeline is strong, with a clear focus on high quality individuals and teams. Central and Eastern Europe has been, and will continue to be, a focal point for hiring, particularly as the region delivered very strong growth in 2013.

- In Switzerland, new Heads of Private Banking are now in place in Zurich and Geneva (Stephan Keiser and Jean-Louis Platteau respectively) and they have an important role in attracting new CROs and driving growth in Switzerland, both domestically and internationally. EFG International has completed the relocation of its Zurich head office to a prestige property at Bleicherweg 8, a clear reflection of its ambition to grow the business significantly.

- In Asia, Alvin Ma joined EFG International on 21 February 2014 as Head of Emerging Wealth, based in Hong Kong. Alvin was formerly a highly successful banker at EFG International, before moving to China CITIC Bank International, where he was responsible for international private banking.

- In Singapore, EFG International has been granted approval for a wholesale banking license, with a view to significantly improving its service offering, including Singapore dollar deposits. It expects to commence operations as a wholesale bank during March 2014.

- To capitalise on the Global Indian opportunity, a new role is being created of Head of Global Indians, and EFG International is in the process of hiring, to be based in Singapore but with an international remit.

- In Spain, AyG has established itself as a force in Spanish private wealth management and is committed to continuing to enhance its offering to clients. Towards this end, it is in the process of applying for a banking license.

- Coverage of the Greek market was recently enhanced by the hiring of a team head in Luxembourg to cover Greece and more hires will follow across a number of centres. EFG International is also evaluating the case for establishing some form of representation in Athens.

- A comprehensive and integrated solutions platform is now in place, encompassing wealth structuring, investment solutions and credit. EFG International will continue invest in this area, as there is a significant opportunity to broaden and deepen relationships with clients. Strong progress continues to be made in relation to investment solutions, with clients' assets under some form of investment management standing at CHF 8.2 billion at end-2013. This has more than doubled over the past four years and continues to deliver strong, double-digit growth.

- EFG International successfully rebranded during the second half of 2013. It will increasingly project a unified approach under the marketing name, "EFG". In certain regions, the logo will be accompanied by the descriptor, 'Private bankers', reflecting EFG International's sole focus on private banking.

Focus remains on organic growth, but targeted acquisition activity

Delivering on latent potential offers the most significant short-term upside to shareholder value and therefore the short- to medium-term focus remains on organic growth. However, we are open to making acquisitions where there is a shared appreciation of private banking, complementary cultures and capabilities, and scope for meaningful synergies.
In January 2014, EFG International and Falcon Private Bank agreed on a referral of the latter's clients in Hong Kong. The two organisations will be working closely together to ensure a smooth introduction of client relationships during the first half of 2014 and a number of CROs will move across. Assets under management of circa CHF 800 million are involved and it is expected that the lion's share will ultimately transfer to EFG.

Organising to deliver growth

As announced in January, as CEO of EFG International, I will be devoting more of my time to the development of the five regional private banking businesses, as well as investment and wealth solutions. To facilitate this, Giorgio Pradelli, Chief Financial Officer, is now focused on EFG International's operational and risk platform and has additionally taken on the role of Deputy CEO.

LOOKING AHEAD

Committed to delivering medium-term targets

The external pressures impacting private banking were much in evidence in 2013, and served to constrain business performance as well as taking up valuable management time. In addition, market conditions continued to act as a brake on profitability, notably in relation to asset and liability management, and client sentiment remains fragile as demonstrated, in particular, during the third quarter.

This said, the private banking opportunity is a significant and growing one, and I am convinced that EFG International is well equipped to capitalise on this, and to deliver strong growth in the future. Over the past 12 months, progress has been made in relation to net new assets (albeit the second half of 2013 was weaker than anticipated), and in particular CRO hiring, which bodes well for the future. The business offers significant upside potential – both in terms of doing more with existing clients as well as obtaining new ones – and there is no shortage of acquisition opportunities although, in this respect, EFG International will not compromise on quality.

There is significant profit upside as and when interest rates start to rise, but EFG International's focus remains resolutely on delivering business growth, flowing through with minimal dilution to productivity and profits. This is reflected in the various enabling steps that have been taken (from organisational changes to compliance as a pre-condition of growth) and the number, range and quickening pace of growth-related initiatives.

While EFG International is capable of delivering strong double-digit growth in profits for the foreseeable future, it is behind where it needs to be in relation to its objective of delivering an IFRS net profit of CHF 200 million in 2015. This is now dependent on delivering net new asset growth at the top of EFG International's target range, as well as assistance from significantly better market conditions and rising interest rates. However, we are retaining this objective - albeit as a stretch target - given that its focus in 2014 and 2015 is unequivocally about delivering growth and a step-change in business performance.

We reaffirm EFG International's other medium-term objectives:

- Net new assets in the range 5–10% per annum.

- A reduced cost-income ratio – to below 75%, albeit in 2015 rather than 2014.

- Continue to strengthen capital. The business review target of 14–16% for the BIS Capital Ratio has been exceeded, and replaced by an objective of high teens for the Basel III BIS Capital Ratio and low teens for the Common Equity Ratio (CET 1).

- Gross margin to remain broadly at the level prevailing at the time of the business review (84 bps, excluding EFG Financial Products).

- As a result, delivering strong double-digit growth in profit and a double-digit return on shareholders' equity.

John Williamson,
Chief Executive Officer

INTERNATIONAL PRESENCE

A global footprint

EFG International benefits from its geographical diversification, and long-standing commitment to onshore as well as international businesses. Regional operations are 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: Bridgnorth, Ombersley, Wolverhampton.

* Switzerland includes: Geneva, Zurich.

FINANCIAL REVIEW

Giorgio Pradelli
Deputy CEO & Chief Financial Officer

Following the turnaround of the business in the previous year, 2013 has been a year of consolidation. We have continued to grow our business – albeit at a slower pace than what we would have liked; we have significantly improved our quality of earnings and our capital ratios, we have strengthened our internal control framework.

IFRS profit attributable to owners of the Group was marginally up year on year at CHF 111.8 million, though the underlying IFRS net profit was CHF 111.2 million, 12.0% lower than in the previous year. However, the core private banking revenues improved by 4.7% excluding the effect of the structuring transactions and the lower Asset and Liability Management revenue in 2013 due to lower life insurance portfolio income, additional Tier II interest expense and the low interest rate environment.

The revenue margin stood at 88 bps, up from 87 bps in the first half of the year, above our target of 84 bps. However, the total AUM remains at CHF 75.9 billion, flat compared to last year while the Net New Asset growth was below our expectations and below our 5%–10% target due to the weakness in the second half.

FACTORS AFFECTING RESULTS OF OPERATIONS

In 2013, EFG International sold its remaining stake in EFG Financial Products, a 20% held subsidiary specialising in structured products, listed on the SIX Swiss Exchange which contributed CHF 36.4 million to the IFRS profit attributable to owners of the Group, mainly due to the profit on the disposal in April.

Revenue-generating Assets under Management (AUM) decreased to CHF 75.9 billion from CHF 78.8 billion due to the de-recognition of CHF 6.0 billion of AUM related to businesses sold in the current year (EFG Financial Products and the Canadian business). Average revenue-generating AUM were CHF 76.0 billion at the year end.

The number of Client Relationship Officers (CROs) increased by 21 to 435 at the end of 2013, reflecting the return to net hiring in the period following the decrease in previous years as a result of the business review.

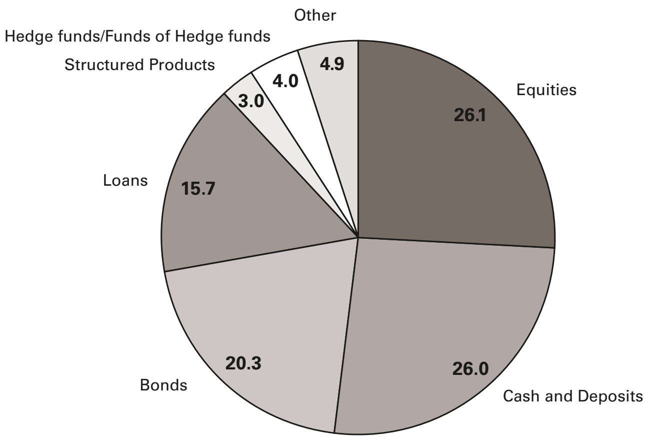
CONSOLIDATED ASSETS UNDER MANAGEMENT

Revenue-generating AUMs were CHF 75.9 billion at end-2013, down from CHF 78.7 billion at end-2012. This reflected increases due to net positive market movements of CHF 2.8 billion; net new asset inflows of CHF 2.5 billion for continuing businesses, offset by decreases for foreign exchange effects of CHF (1.1) billion; a transfer to Assets under Administration of CHF (1.0) billion and CHF (6.0) billion due to the sale of businesses; and net outflows of CHF (0.1) billion on businesses being exited or sold.

Exchange rates were more stable than over the past few years, with year-end rates showing a strengthening of the Swiss franc relative to the US dollar and pound sterling of 3% and 1% respectively, and a decrease against the Euro by 2%, resulting in AUM decreasing by a net CHF 1.1 billion.

AUM by category

in %



CONSOLIDATED FINANCIALS

Operating income

Operating income was CHF 666.0 million in 2013, compared to CHF 697.1 million in 2012 for continuing businesses (2012 comparatives have been restated under IFRS to exclude the impact in 2012 and 2013 of the EFG Financial Products business disposed of in 2013).

The year-on-year net decrease in the operating income was due to an increased contribution from “pure” private banking and asset management revenues by 5%, which was more than offset by an absence of contribution in 2013 from structuring transactions, decreased revenues due to other businesses being closed and the low interest rate environment driving down Asset and Liability Management revenues relatives to 2012.

Growth in operating income in the Switzerland, UK and Asset Management businesses was broadly offset by lower operating income in the Continental European businesses, which included a decline of about CHF 17 million year-on-year for the businesses being exited. Operating income in Americas was in particular negatively affected from an absence in revenues from structuring transactions.

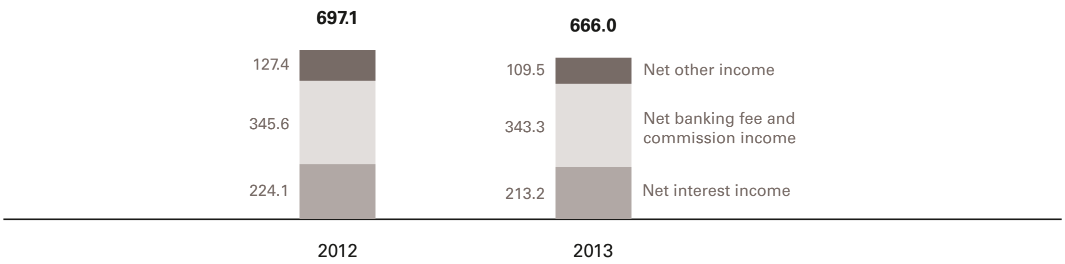
The return on AUM decreased to 88 basis points, from 93 in the prior year, as revenues decreased and average AUM increased by 0.3%, however still above our target of 84 basis points.

Net interest income was CHF 213.2 million, a decrease of 5% or CHF 10.9 million year-on-year. This was down mainly due to the interest expense attributable to the CHF denominated Basel III-compliant Tier 2 debt issued in January for a notional of CHF 180 million at a rate of 4.75 % as part of the restructuring of the Bons de Participation. This decrease in net interest needs to be considered in the context of the CHF 7.2 million lower 2013 dividend to holders of Bons de Participation which goes directly through equity and not through the income statement and that would have offset this impact.

Net commission income was CHF 343.3 million; flat versus the previous year. AUMs are the key driver for commission revenues with approximately 50% of AUM being in US dollars. Net other income was CHF 109.5 million, compared to CHF 127.4 million in 2012 as Asset and Liability Management generated lower results in 2013.

Operating income

in CHF millions



Operating expenses

Operating expenses were CHF 547.2 million, down CHF 7.1 million from 2012. This reflected the residual reduction of the costs of the businesses being exited and the general cost control focus in 2013 partially offset by increased variable compensation payable to the CROs; depreciation of fixed assets of CHF 7.8 million; and reflects an increase in professional and legal costs. 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 79% to 81% on the back of reduced revenues.

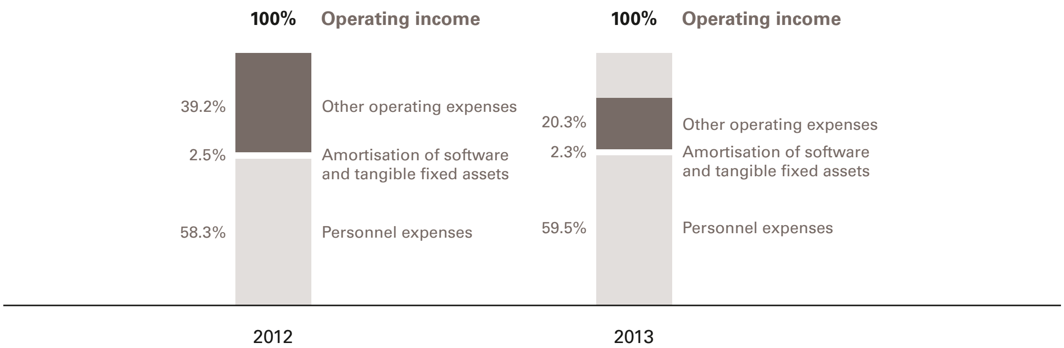
Personnel expenses decreased by CHF 10.4 million to CHF 396.2 million for continuing business. Variable compensation (linked to higher overall qualifying revenues) increased by CHF 6 million due to a "one-off" incentive scheme in 2013. Overall headcount decrease to 1,989 from 2,260 employees. This decrease in headcount reflects the disposal of EFG Financial Products decreasing headcount by 266 and a further decrease of 5 in headcount in 2013 as the business has focused on cost control.

Other operating expenses increased slightly to CHF 151.0 million from CHF 147.8 million at end-2012, reflecting declines in costs due to focus on cost control, even in the light of increased costs from regulatory and litigation pressures.

Provisions of CHF 33.7 million have been made to cover the costs of the UK/Switzerland tax agreement, the legal and advisers costs for the US/Switzerland tax agreement and for the results of an adverse legal case in the UK.

The tax line reflects a net charge of CHF 8.2 million compared to CHF 18.6 million in the previous year. This relates primarily to current tax charges of CHF 11.5 million, and deferred tax gains of CHF 3.3 million primarily due to deferred tax assets revalued upwards in the current period.

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



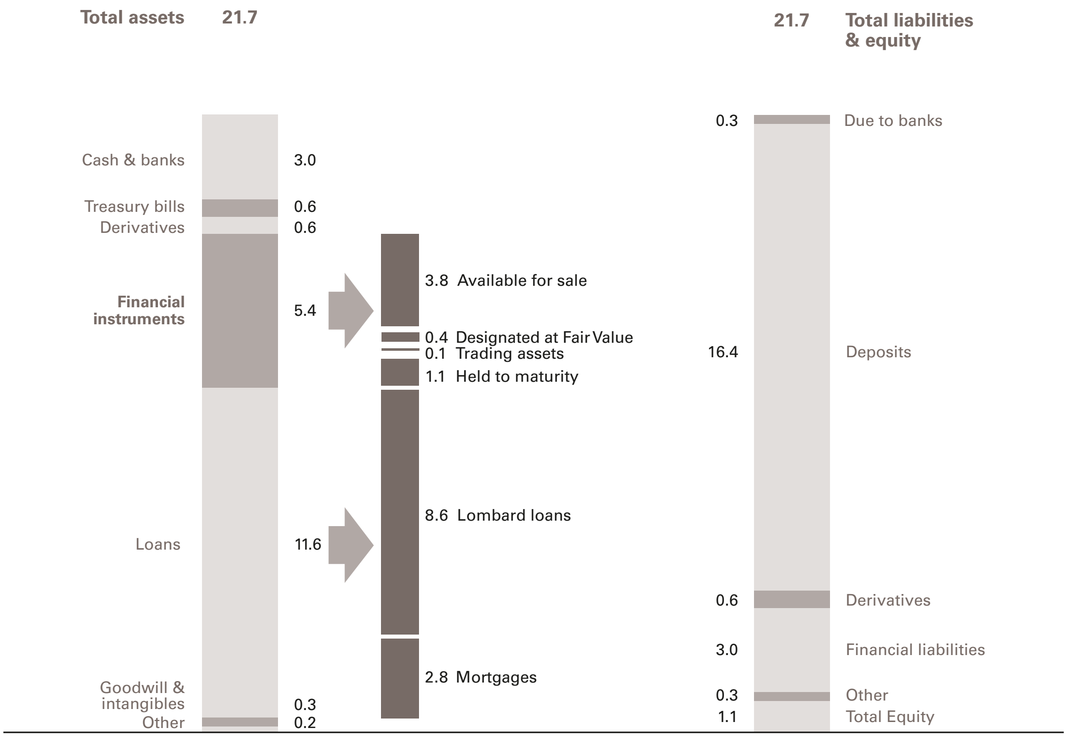
EFG International earned net revenues on the life settlement portfolio of CHF 28.8 million in 2013 (2012: CHF 39.3 million).

BALANCE SHEET

The consolidated balance sheet total decreased to CHF 21.7 billion (2012: CHF 23.6 billion). Loans to customers increased by 11% to CHF 11.6 billion mainly due to increased fully collateralised lombard lending. These comprised CHF 8.4 billion of loans to customers almost entirely backed by collateral of diversified liquid/marketable securities, and mortgages totalling CHF 3.0 billion.

Breakdown of balance sheet

in CHF billions



Customer deposits increased by CHF 0.4 billion or 2% to CHF 16.4 billion. The majority of tangible assets remain callable or disposable within 3 months, with the exception of life settlement policies of CHF 0.8 billion and CHF 3.0 billion mortgages. The customer deposit to loan ratio of 163% decreased from the prior year due to the de-consolidation of EFG Financial Products and the decrease in structured products on the year end balance sheet and remains at a very healthy level (including funding from structured products issuances).

CAPITAL

Shareholders' equity totalled CHF 1.11 billion, down from CHF 1.28 billion we disclosed at end-2012, with changes year-on-year primarily as a result of the following:

Increases from:
- CHF 122.7 million net profit attributable to Group and non-controlling shareholders;

Decreases from shareholder transactions as follows:
- CHF 19.3 million net decrease from adoption of IAS 19 Revised related to pension funds, with impact on adoption offset in the current year by return on pension fund assets in excess of expected return and from an increased discount rates reducing pension liabilities;
- CHF 10.5 million gains on disposal of available-for-sale securities; and
- CHF 188.4 million from the repurchase of Bons de Participation as part of the transaction in January 2013, when CHF 180 million of Basel III-compliant Tier II debt was issued;
- CHF 14.7 million paid on ordinary dividend; and
- CHF 1.9 million dividend paid on the Bons de Participation

In 2013 the Group changed to reporting under the Basel III rules, and below we compare 2013 under Basel III with 2012 under Basel II. The BIS Total Capital Ratio was 18.0% at 31 December 2013 on a Basel III fully applied basis, after including CHF 29.5 million anticipated ordinary 2013 dividend, to be approved by the 2013 Annual General Meeting. Risk-weighted assets decreased to CHF 5.7 billion as of 31 December 2013 down from CHF 6.0 billion (under Basel II) as post the disposal of EFG Financial Products the Groups market risk requirement has decreased by circa CHF 0.4 billion. This comprised the following (CHF billion):

	2012	2013
Credit Risk	4.0	**4.1**
Operational Risk	1.4	**1.3**
Market Risk, Settlement Risk, Non-Counterparty Related	0.6	**0.3**
Total BIS Risk Weighted Assets	6.0	**5.7**

Total Common Equity Tier 1 capital amounted to CHF 765.7 million at 31 December 2013, including anticipated 2013 ordinary dividend, expected to be approved by the 2013 Annual General Meeting. Total Tier 2 capital was up to CHF 238.1 million from CHF 58.6 million at end-2012 as a result of the January 2013 issuance of Tier II debt when the Group repurchased Bons de Participation.

Total BIS capital represented 4.8% (2012: 4.7%) of total assets net of intangibles.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.20 per share, representing a dividend payout of approximately CHF 29.5 million will be proposed to the Annual General Meeting scheduled for 25 April 2014 and payable on 6 May 2014.

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 A3.

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 P1.

Resolute experts.

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

EFG INTERNATIONAL
BOARD AND MANAGEMENT

EXECUTIVE COMMITTEE EFG INTERNATIONAL AG

John Williamson Chief Executive Officer
Giorgio Pradelli Deputy Chief Executive & Chief Financial Officer
Keith Gapp Head of Strategy & Marketing
James T.H. Lee Head of Investment & Wealth Solutions
Mark Bagnall Global Chief Operating Officer
Henric Immink Group General Legal Counsel
Frederick Link Chief Risk Officer

(Member, 1 April – 30 September 2013: Ludovic Chechin-Laurans).

BOARD OF DIRECTORS EFG INTERNATIONAL AG

Jean Pierre Cuoni Chairman
Hugh N. Matthews Vice-chairman
Niccolò Herbert Burki (elected 26 April 2013) Member
Emmanuel L. Bussetil Member
Erwin Richard Caduff Member
Michael N. Higgin Member
Spiro J. Latsis Member
Bernd-Albrecht von Maltzan (elected 26 April 2013) Member
Hans Niederer Member
Périclès Petalas Member

GLOBAL BUSINESS COMMITTEE (GBC) EFG INTERNATIONAL AG

Executive Committee EFG International AG +
Alain Diriberry CEO, Continental Europe
Albert Chiu CEO, Asia
Robert Chiu Executive Chairman, Asia
Anthony Cooke-Yarborough CEO, UK
Sixto Campano CEO, Americas
Victor M. Echevarria Chairman, Americas

Main photo: EFG International Executive Committee.
Individual photos: additional members of EFG International GBC.

A question of chemistry.

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

"RIGHT TO PLAY STAFF HAVE GIVEN ME GREAT KNOWLEDGE THAT I FIND VERY USEFUL. MY FRIENDS AND CHILDREN LIVING IN MY SECTION IN THE CAMP HAVE ALSO PARTICIPATED IN RIGHT TO PLAY ACTIVITIES. MOREOVER, I'VE BEEN SELECTED TO BE VICE-PRESIDENT OF THE STUDENT'S CLUB, BEING A REPRESENTATIVE TO GIVE SPEECHES IN MAJOR EVENTS. THAT ENCOURAGES ME TO BE MORE CONFIDENT AND IMPROVE MY LEADERSHIP SKILLS."

Ms Cha Tha Blay, aged 16, Youth Volunteer

RIGHT TO PLAY

EFG International is proud to support Right To Play, a global organisation that uses the transformative power of play to educate and empower children facing adversity. Through sport and play-based programmes, Right To Play helps children affected by war, poverty and disease to build essential life skills and better futures, while driving social change in their communities.

Thanks to donations from its employees, EFG is able to give targeted support to specific projects and, in recent years, it has supported a project helping displaced refugees from Burma/Myanmar. The Thailand Burmese Refugee Programme is active in seven of the nine refugee camps on the border, collaborating with community groups, volunteers and over 90 refugee schools. Since EFG started supporting the Thailand Burmese refugee programme, the number of refugee children benefiting from the project has doubled to some 60,000 and the number of trained Right To Play coaches has likewise doubled to nearly 1,000. This is a striking achievement that has made a real difference to some of the most vulnerable children in the region.

Right To Play trains teachers and community members to deliver child development and education activities, with an emphasis on a child-centred methodology. The children are in turn provided with safe play spaces, the opportunity for healthy development and, crucially, a sense of normalcy. Play-based learning activities take place twice a week in nursery and primary schools, and there are regular Play Days, sport tournaments and other special events. During 2013, for example, Peace and Unity Events were held in all the camps and various sports activities were held to commemorate World Refugee Day.

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




> "We are thrilled to be working alongside EFG International and its employees to help more children and young people realise their right to play and chance for a brighter future. It is because of the support of people like you that we are able to do the work we do around the world."

Johann Koss, President and CEO of Right To Play International

RISK MANAGEMENT

The management of EFG International believes that the proper management of risks is critical for the continued success of EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group"). In this respect, EFG International has established a comprehensive risk supervision framework, also taking into consideration regulatory requirements in Switzerland and other applicable jurisdictions. As part of this risk supervision framework, EFG International has established policies and procedures in order to ensure that various categories of risk, such as credit, country, market, liquidity, operational, compliance, legal and reputational, can be identified and managed throughout the organisation in an effective and consistent manner.

EFG International's primary activities performed through its business units reflect the execution of client related activities, with the clients carrying the risk. Within the risk appetite framework agreed and approved by the Board of Directors and related Risk Committees, the Group also maintains "nostro" positions in a number of selected areas. Consequently, the Group 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 which is mainly restricted to foreign exchange, interest rate gapping and life insurance settlement 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 defines the risk appetite of the organisation and sets policies. The Board of Directors has delegated certain supervision and approval functions to its Risk Committee and Audit Committee.

At the management level, the ultimate responsibility for the implementation of policies and compliance with procedures lies with the EFG International Executive Committee, the EFG International Management Risk Committee and the EFG International Executive Credit Committee. Independent assurance to the EFG International Board of Directors, Risk Committee, Audit Committee and Executive Committee on the implementation of and adherence to the Group's policies and procedures by the EFG International business entities, as well as the effectiveness of the organisation's risk management framework is provided by both internal and external auditors, or by other external providers when mandated.

RISK GOVERNANCE AND ORGANISATION

The EFG International Board of Directors determines the overall risk appetite for EFG International. The Board of Directors has delegated responsibilities for risk oversight activities as follows:

- The Risk Committee has responsibility for determining direction of risk profile and the organisation of risk supervision. The responsibility for the oversight of operational, compliance and legal risks, in particular, lies with the Audit Committee.

- The Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations which also include operational, legal and reputation risks.

- The Executive Committee has assigned responsibility for the implementation of its market risk policies to the Management Risk Committee. This Committee monitors market and liquidity risks, including compliance with policies and procedures, as well as exposures relative to limits.

- The Asset & Liability Committee is responsible for the management of the Group's consolidated balance sheet. In particular, it is responsible for the management of EFGI Market Risk exposure and liquidity, with control delegated to the EFGI Risk Committee and the Management Risk Committee.

- The Fiduciary and Suitability Committee is responsible for monitoring of the regulated Asset Management businesses within EFG International associated with the discretionary management of assets.

- The Executive Credit Committee has responsibility for the management of client credit risk, including insurance companies and corporate names.

- The Sub-Committee of the Executive Credit Committee, established in December 2013, has credit approval authorities delegated from the Risk Committee for correspondent banking-, broker- and custodian relationships and for counterparty credit risk for banks and financial institutions as well as country limits within approved guidelines and parameters.

- The Chief Risk Officer is responsible for the management and oversight of credit, market, liquidity and operational risks. In achieving this, further to the appointment of global risk officers within Risk Management responsible for each of these risks, he also collaborates with other central Group functions that also undertake risk oversight activities for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Global Head of Compliance and General Counsel. Each business region has its own designated Regional Risk Officer who is responsible for the oversight of risk management in the region and reports to local senior management and to the Group's Chief Risk Officer.

- The Chief Financial Officer is also responsible for the (i) consolidated financial regulatory reporting, (ii) balance sheet and capital management, i.e. the maintenance of a sound capital adequacy ratio, (iii) global Compliance function and the relationship with regulators across the Group, and (iv) product approval and fiduciary review processes.

- The Chief Operating Officer is, among other, responsible for the oversight of IT security matters, operational integration of new businesses, business continuity management throughout the Group and the Group's insurance cover policies, as well as the Treasury Middle Office of EFG Bank AG in Switzerland.

- The Chief Compliance Officer heads the Compliance function and is responsible for providing efficient support to EFGI's managing bodies with regards to the management of regulatory and reputational risk. In addition, the Compliance function is also responsible for monitoring compliance with anti-money laundering/know-your-customer and cross-border activity rules, as well as adherence to product suitability, product selling restrictions and the Code of Conduct.

- The General Counsel is responsible for the management and oversight of legal risk, corporate tax matters and corporate governance processes.

The Fiduciary Oversight unit ensures through a network of Fiduciary and Suitability Committees that the holdings of discretionary and advisory portfolios managed or advised throughout the Group adhere to the mandate in place, to the Group Limits Directive and to the strategy that applies to the relevant model portfolio. These committees also ensure that whatever is purchased for clients is suitable for them, conforming to the Group's Suitability Directive. The same Fiduciary Oversight unit also ensures through a network of Local Product Committees that all products or securities sold to clients or bought for them have been through the appropriate approval process. Fiduciary and Suitability Committees and Local Product Committees report their findings respectively to the EFGI Fiduciary and Suitability Committee and the Group Product Committee, which in turn send their minutes to the Executive Committee and the Risk Committee.

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 collateralized 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 Client Relationship Officers (CROs) and must be supported by Regional Business Heads.

The approval of loans and other exposures has been delegated, depending on certain defined risk and size parameters, to the credit departments of EFG International's business units, to local credit committees, to specific bank executives and management functions within the organisation and to the Executive Credit Committee of EFG International. The approval competencies for large exposures and exposures with increased risk profiles are centrally reviewed and approved or recommended in Switzerland, in compliance with local regulatory and legal requirements of the individual international business units. Regional Business Heads and CROs have credit approval competencies only within established limits and client collateral diversification parameters.

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

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

The credit departments of EFG International's business units monitor credit exposures against approved limits and pledged collateral. Most of the collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, hedge funds and some other mutual funds are valued monthly, whereas insurance policies are normally valued annually, mortgages less frequently.

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

CREDIT RISKS RELATED TO FINANCIAL INSTITUTIONS

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. Depending on, among others, each counterparty's S&P rating and on its total equity, the limits are set by the Sub-Committee of the Executive Credit Committee. Approval competences for certain amounts and within predefined risk parameters have been delegated to individual members of the Sub-Committee.

Limits for exposures to insurance companies and selected corporate names are granted by the Executive Credit Committee based on a predefined matrix which sets maximum limit criteria based on the companies' long-term ratings and consolidated net worth.

COUNTRY RISK

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

EFG International measures country risk based on external country ratings, predominantly derived from information provided by the S&P rating agency.

Management of country risk is based on a centralised process at the EFG International level. Limits are set by the Sub-Committee of the Executive Credit Committee. Approval competences for certain amounts and within predefined risk parameters have been delegated to individual members of the Sub-Committee. The Sub-Committee monitors country risk exposures within these limits.

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 precious metals on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami and Zurich. EFG Bank maintains limited foreign exchange positions and interest rate exposure which are measured against overnight, stress test and Value at Risk (VaR) limits, subject to 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 risks throughout the Group.

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 probability for a given confidence level. EFG Group's self-developed internal VaR model, which has been implemented on an EFG Group-wide basis taking into account relevant market risk takers and units.

The internal model is based on a historical approach and uses a 99% one-tailed confidence level. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in the Group's 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 daily and monthly market risk reports.

These VaR computations are complemented by various stress tests to identify the potential impact of extreme market scenarios on the value of portfolios. These stress tests simulate both exceptional movements in prices or rates and drastic deteriorations in market correlations. They, along with nominal limits, sensitivity limits and stop losses, are the primary tools used for internal market risk management. Stress test results are calculated daily by the EFG Bank Market Risk Management Unit and reported to management.

In line with the FINMA circular 08/6 related to interest rate income, Net Interest Income (NII) sensitivity and Interest Earnings at Risk (IEAR) measurements have been implemented and outcomes are regularly reviewed against defined stress scenario limits.

Daily risk reports are produced 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.

CURRENCY RISK

Apart from the exposure to foreign currencies which relates to banking and trading activities performed within EFG International's subsidiary banks, and which are managed by the local treasury departments within pre-established risk parameters and limits, the Group is also exposed to foreign currency fluctuations because most of the subsidiary banks use local currencies as their reporting currencies.

ASSET/LIABILITY MANAGEMENT

EFG International applies a matched fund transfer pricing system that distinguishes between the margins earned by the customer business and the profits arising out of certain interest rate positions. The system is based on current market rates and is the basis for calculating the profitability of profit centers and products.

The Group's capital and deposit base has continued to provide a substantial excess of funding. Structural mismatches are reflected in the interest rate position of EFG International and the result of the maturity transformation is shown in net interest income.

LIQUIDITY RISK

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy the Group's own cash flow needs within all of its business entities.

Funding operations aim to avoid concentrations in funding facilities. The pricing of assets and credit business is based on the current liquidity situation. EFG International also has a liquidity management process in place that includes liquidity contingency plans, encompassing repo borrowing and liquidation of marketable securities. Stress tests are undertaken monthly as part of the reporting requirements established within the EFG International Risk Guidelines.

Our customer deposit base, our capital and reserves position and our conservative gapping policy when funding customer loans ensure that EFG International runs only limited liquidity risks.

OPERATIONAL RISK

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, human errors or systems, or from external causes or a combination of the foregoing.

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

Organisational structure and governance

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

The primary responsibility for managing operational risk on a daily basis rests with the line managements of the various local business entities, which mitigate operational risk through the establishment of an adequate internal control system and strong risk culture.

At the EFG International risk management level, operational risk oversight and guidance, including the development of an operational risk management framework, are under the responsibility of the Operational Risk Management Function headed by the Global Head of Operational Risk Management. The Operational Risk Management Function works in collaboration with the Operational Risk Officers of the local business entities, the Regional Risk Officers within the Group as well as certain centralised Group functions that also undertake operational risk oversight for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Global Compliance, General Counsel and Fiduciary Oversight. The principal aim of the Operational Risk Management Function is to ensure that the Group has an appropriate operational risk management framework and program in place for identifying, assessing, mitigating, monitoring and reporting operational risk. The Global Head of Operational Risk Management reports to the EFG International Chief Risk Officer and Audit Committee.

Operational risk management framework

The operational risk management framework of EFG International codifies the Group's approach to identifying, assessing, mitigating, monitoring and reporting operational risk and also incorporates the standards defined by the Basel Committee for Banking Supervision. This framework comprises the philosophy, scope, definitions, operational risk boundaries, key operational risk areas, operational risk mitigation/transfer alternatives, approach for operational risk capital charge selected by the Group, principles for the management of operational risk, operational risk appetite, governance and organisation, role and responsibilities of the constituent parts of the governance structure, and operational risk management processes and tools. In respect of the latter, among the main processes and tools applied by the Operational Risk Management Function for the identification, assessment, monitoring and reporting of operational risk are: (i) assessment and monitoring of profile of key operational risks, (ii) monitoring of key risk indicators, (iii) collection, analysis and reporting of operational risk events and losses, (iv) consolidated operational risk reporting to the EFG International Chief Risk Officer, Executive Committee and Audit Committee, (v) follow-up of actions taken to remedy key operational risk-related control issues and (vi) establishment of an operational risk awareness program.

EFG International and its local business entities design and implement internal controls and monitoring mechanisms in order to mitigate key operational risks that the Group inherently runs in conducting its business, in areas such as front-office activities, trading and treasury, IT security and data confidentiality, product approval and selling practices, cross-border business activities, asset management, transaction processing, accounting and financial reporting, and regulatory compliance activities (e.g. cross-border, anti-money laundering, product suitability, etc.). At EFG International level, legal and compliance/regulatory risks in particular are closely monitored by the Group's General Counsel and Global Head of Compliance respectively.

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

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

COMPLIANCE RISK

Regulatory and compliance risk is the risk of financial or reputational loss resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice.

The Compliance function is responsible for ensuring EFG International's observance of applicable rules and regulations. In line with the development of the regulatory environment of the industry, EFG International continuously invests in personnel and technical resources to ensure adequate compliance coverage. A comprehensive framework of policies and regular specialised training sessions ensure that staff receive appropriate ongoing education and training in this area. For example, EFG Bank AG defined a set of standards governing the cross-border services it offers, as well as drawing up country-specific manuals for the major markets it serves. A mandatory staff training and education concept is in place to ensure observance of the standards and compliance with the country manuals and anti-money laundering guidelines. They are complemented by a tax compliance framework, the purpose of which is to prevent the unlawful acceptance of untaxed monies. 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 nearly all of EFG International's booking centre subsidiaries around the world.

LEGAL RISK

The Legal department ensures that the legal risks are adequately managed and controlled and supervises outside counsel on a variety of legal matters.

Any change in the legal environment can constitute a challenge for the Group in its relations with the competent authorities, clients and counterparties both at Swiss and international level. The legal department is responsible for implementing internal rules and processes in order to control the Group's legal risks; for providing legal advice to the Group's management, front and back officers; and for managing litigations in which the Group is involved, as well as handling client complaints and assisting federal and local authorities in their criminal and administrative investigations.

REPUTATION RISK

EFG International considers its reputation to be among its most important assets and is committed to protecting it. Reputation risk for EFG International inherently arises from:

- potential non-compliance with increasingly complex regulatory requirements.
- its dealings with politically exposed persons or other clients with prominent public profiles.
- its involvement in transactions executed on behalf of clients other than standard investment products.
- potential major incidents in the area of IT security and data confidentiality.
- potential malfeasance by its employees.

EFG International manages these potential reputation risks through the establishment and monitoring of the risk appetite of the Board of Directors, its transaction reputation risk policy and established policies, control procedures and monitoring mechanisms in areas such as know-your-customer and anti-money laundering, IT security and data confidentiality, and staff selection and recruitment.

PARENT COMPANIES

PARENT COMPANIES

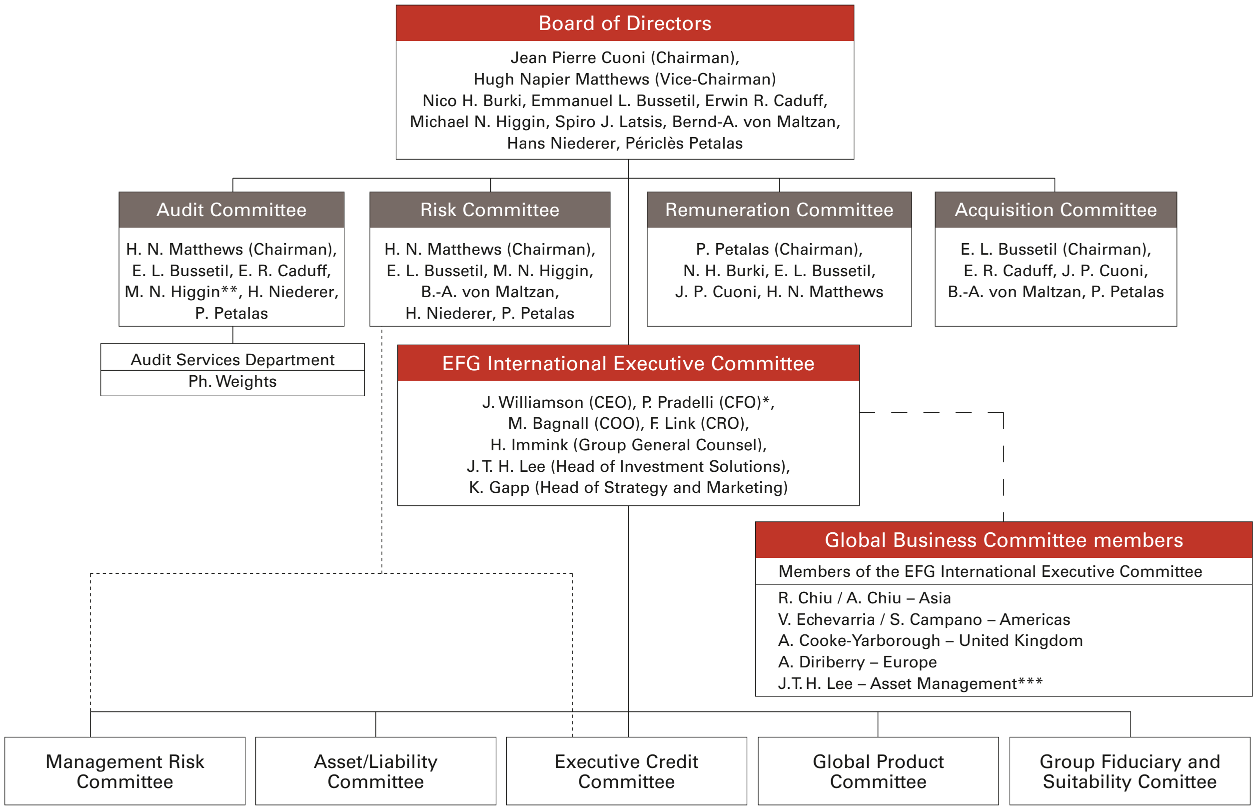
EFG International's largest shareholder is EFG Bank European Financial Group SA, the regulated parent company of the EFG Group based in Geneva, with 56%.

Details for EFG Group can be found at
www.efggroup.com

EFG Bank European Financial Group SA
24 Quai du Seujet
1211 Geneva 2
Switzerland

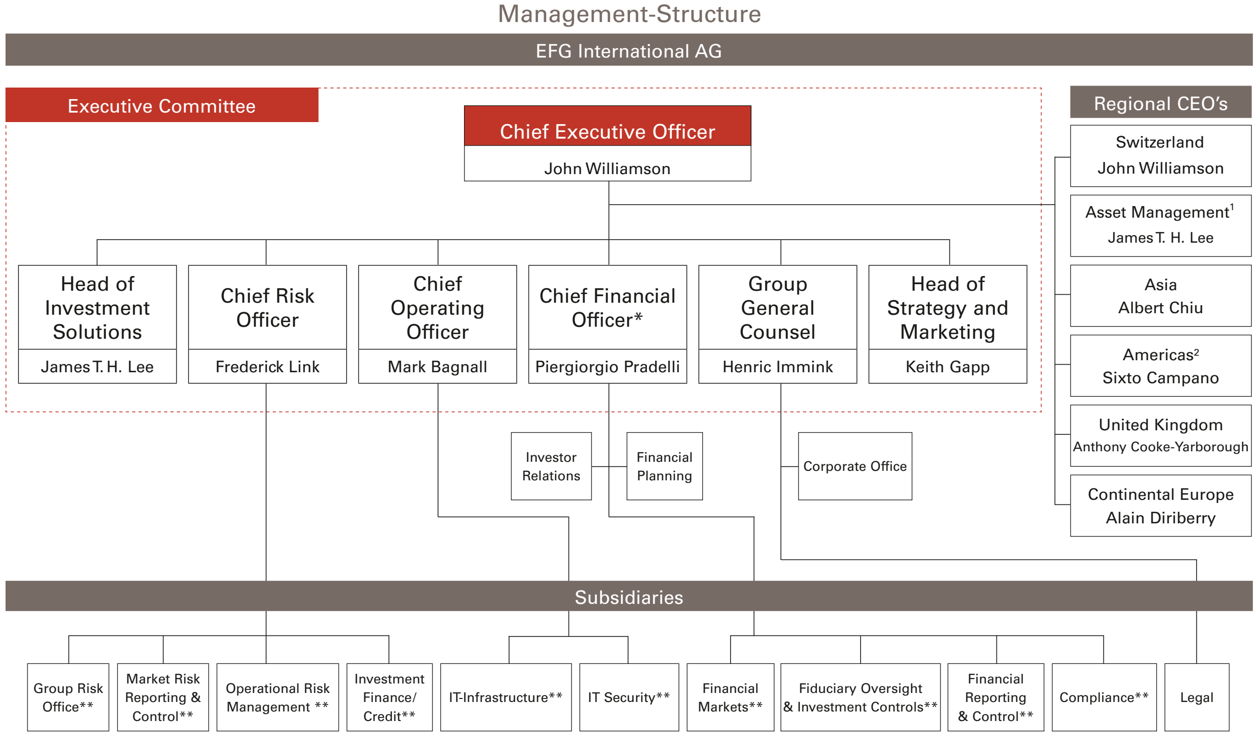
CORPORATE GOVERNANCE

EFG International Board and Committees



– – Advisory function
---- Reporting line to risk committee due to Risk Limits approvals above a certain threshold
* Effective as of 1 January 2014, also assuming the role of Deputy CEO
** Mr. Higgin was appointed Chairman of the audit committee effective 1 January 2014
*** As of 1 January 2014 new business segment: Investment & Wealth Solutions

Management-Structure



1 As of 1 January 2014 new business segment: Investment & Wealth Solutions
2 Americas: including Caribbean region
* Effective as of 1 January 2014 also assuming the role of Deputy CEO. Subsequently the reporting lines of CRO, COO and Group General Counsel to be transferred from the CEO to the Deputy CEO
** Located at EFG Bank, reporting to EFG International

Good Corporate Governance is about ensuring that a company is managed efficiently and effectively in the interests of the shareholders. This part of the annual report provides key information with regard to Corporate Governance practices within EFG International.

As a publicly listed Swiss company, EFG International AG (EFG International) is subject to the Directive on Information relating to Corporate Governance (Corporate Governance Directive) and its Annex and Commentary, issued by SIX Swiss Exchange AG. The information provided in this section adheres to the Corporate Governance Directive that entered into force on 1 July 2002 and was revised on 1 July 2009, with the guidelines and recommendations of the "Swiss Code of Best Practice for Corporate Governance" of the Swiss Business Federation "economiesuisse" dated 25 March 2002 as well as with this Best Practice Code's Appendix 1, "Recommendation on compensation for board of directors and executive board", dated 6 September 2007, which takes into account the articles 663b^{bis} and 663c, paragraph 3, of the Swiss Code of Obligations, and which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Committee.

The following information corresponds to the situation as at 31 December 2013, unless indicated otherwise.

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

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International

EFG International, a Zurich domiciled holding company, manages a global private banking and asset management group operating in around 30 locations worldwide. The EFG International Group (EFG International and its subsidiaries) is organized into six business segments: Americas, Asia, United Kingdom, Continental Europe, Switzerland and Asset Management. Further information can be found in note 50 to the consolidated financial statements.

The structure of the central management of EFG International is outlined on the previous page.

1.2 Group entities

The main consolidated entities are listed on page 144. Within EFG International Group only EFG International is a listed company:

- EFG International's registered shares are traded on the main standard of the SIX Swiss Exchange AG in Zurich (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalization was CHF 1,885,432,260 on 31 December 2013.

On 12 March 2013 EFG International announced the sale of its remaining participation in the listed company EFG Financial Products Holding AG (EFG International held 20.25% EFG Financial Products Holding AG at the date of the sale; for more details see note 16 of the financial statements). EFG International holds since then no shares in this company.

1.3 Significant shareholders

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

As of 31 December 2013	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA*	82,545,117	55.82%
Cuoni Family Interests	7,218,779	4.88%
Lawrence D. Howell and children**	7,151,558	4.84%
Other Shareholders	50,961,586	34.46%
Total***	147,877,040	100.00%

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies.
** On 17 February 2014 Lawrence D. Howell reported that due to sales of EFG International shares his total holdings have fallen bellow 3%.
*** The total number of registered shares increased by 1,207,040 until 31 December 2013 due to the use of conditional capital (see section 2.2.2 below).

For notifications received by EFG International in 2013 according to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) see the published reports on the Disclosure Office's publication platform of the SIX Swiss Exchange AG (see http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=14226).

1.4 Lock-up agreements

Currently there are no lock-up agreements in place.

1.5 Cross-shareholdings

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

2. CAPITAL STRUCTURE

2.1 Capital

2.1.1 Share capital

The outstanding share capital amounts to CHF 73,938,520 consisting of 147,877,040 registered shares with a face value of CHF 0.50 each; the shares are fully paid-in.

In context of its Employee Incentive Plan (EIP) EFG International Group has started issuing in 2013 its conditional share capital to provide registered shares for exercised restricted stock units (RSUs) to employees.

The authorized capital amounts to CHF 25,000,000 and the remaining conditional share capital amounts to CHF 11,678,980 at 31 December 2013 (more information can be found in section 2.2.2 below).

Further information on the share capital can be found in note 46 to the consolidated financial statements.

2.1.2 Participation capital

The outstanding participation capital of the company amounts to CHF 200,730 consisting of 13,382 non-voting preference Class B Bons de Participation with a nominal value of CHF 15 each. These Bons de Participation have been issued to Banque de Luxembourg as fiduciary in connection with the initial issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005 (for details about the reduction of EFG International's participation capital in 2012 and 2013 see below section 2.3. Changes in capital structure).

The EFG Fiduciary Certificates are listed at the Luxembourg Stock Exchange (ISIN: XS0204324890). The preference rights attached to the Class B Bons de Participation consist of preferential dividend and liquidation rights, as mainly set out in article 13 of the Articles of Association (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting.

2.2 Authorized and conditional capital in particular

2.2.1 Authorized capital

The Board of Directors is authorized, at any time until 27 April 2014, to increase the share capital by no more than CHF 25,000,000 by issuing no more than 50,000,000 fully paid-up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free reserves are permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

In addition, the Board of Directors is authorized 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.

2.2.2 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 (including existing or future RSUs) granted to officers and employees at all levels of EFG International Group. The preferential subscription rights of the shareholders and the participants are excluded in favor of the holders of the option rights. The conditions for the allocation and the exercise of the option rights are set by the Board of Directors. The shares may be issued at a price below the market price.

In 2013 EFG International issued a total of 1,207,040 registered shares with a face value CHF 0.50 at a total amount of CHF 603,520 for option rights exercised by officers and employees of EFG International Group. Therefore the remaining amount of approved conditional capital for option rights (including RSUs) to employees amounts to 3,357,960 shares with a face value of CHF 0.50 (CHF 1,678,980).

In addition, the share capital may be increased by no more than CHF 10,000,000 by issuing no more than 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures, debentures with option rights or other financing instruments by the company or one of its group companies.

The preferential subscription rights of the shareholders and the participants are excluded in favor of the holders of the conversion and/or option rights.

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

(a) an issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue; or

(b) financing instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the company.

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

(a) Conversion rights may be exercised only for up to 7 years; and option rights only for up to 4 years from the date of the respective issuance.

(b) The respective financing instruments must be issued at the relevant market conditions.

2.3 Changes in capital structure

Until 2012, there have been no changes in the capital structure of EFG International since the IPO which took place in October 2005. For changes in the participation capital in 2012 and 2013 please see sections 2.3.1. and 2.3.2. below. In 2013 EFG International used its conditional capital and issued a total of 1,207,040 registered shares with a face value CHF 0.50 at a total amount of CHF 603,520 for option rights exercised by officers and employees of EFG International and its group companies.

2.3.1 Basel III compliant Tier 2 Bond/Reduction of participation capital EFG International

On 30 November 2011 EFG International (Guernsey) Ltd, a wholly owned subsidiary of EFG International, offered to the holders of EUR 400,000,000 in principal amount of EFG Fiduciary Certificates (listed at the Luxembourg Stock Exchange; ISIN: XS0204324890) the option of exchanging the EFG Fiduciary Certificates for Basel III compliant Tier 2 Notes issued by EFG International (Guernsey) Ltd. A total of 135,219 EFG Fiduciary Certificates, representing approximately 33.8% of the outstanding principal amount of EFG Fiduciary Certificates, were validly tendered and accepted for exchange by EFG International (Guernsey) Ltd. In exchange, EFG International (Guernsey) Ltd has issued EUR 67,604,000 in principal amount of Basel III compliant Tier 2 bonds on settlement of the exchange offer on 13 January 2012. The bonds have a maturity of 10 years and for the first 5 years pay an annual interest of 8%. The Tier 2 Bond is listed at the Luxembourg Stock Exchange (ISIN: XS0732522023).

The acquired 135,219 EFG Fiduciary Certificates have been cancelled and, consequently, the outstanding number of EFG Fiduciary Certificates has been reduced from 400,000 to 264,781 representing a total nominal amount of approximately EUR 265 million. Further to the cancellation of the above EFG Fiduciary Certificates, EFG International bought back 135,219 registered participation certificates of class B Bons de Participation with a face value of CHF 15 per certificate and at the 2012 Annual General Meeting of shareholders a corresponding reduction of the participation capital through cancellation of the bought-back registered participation certificates of class B was approved.

2.3.2 Cash tender offer EFG Fiduciary Certificates/Reduction of participation capital EFG International

On 12 December 2012 EFG Funding (Guernsey) Limited, a wholly owned subsidiary of EFG International, offered to the holders of the outstanding EUR 400,000,000 EFG Fiduciary Certificates of which EUR 264,781,000 in principal amount were outstanding, issued on a fiduciary basis by Banque de Luxembourg, to buy any and all of the EFG Fiduciary Certificates for cash and to approve by Extra-ordinary Resolutions, inter alia, the proposed amendments to the Conditions of the EFG Fiduciary Certificates. A total of 251,399 EFG Fiduciary Certificates, or EUR 251,399,000 of the principal amount of the outstanding EFG Fiduciary Certificates – representing 94.95% – were validly tendered and accepted by EFG Funding (Guernsey) Ltd. EFG Funding (Guernsey) Ltd’s offer was conditional on the successful issuance of CHF Notes (in January 2013) qualifying as Tier 2 capital under Basel III and with the benefit of a subordinated guarantee from EFG International and on approval by Extraordinary Resolutions, inter alia, the proposed amendments to the Conditions of the EFG Fiduciary Certificates by the holders of the EFG Fiduciary Certificates.

With the successful issuance of the CHF Notes on 31 January 2013 (the Tier 2 Note is listed on the SIX Swiss Exchange AG in Zurich; ISIN: CH0204819301) the 251,399 EFG Fiduciary Certificates have been acquired and cancelled. Consequently, the outstanding number of EFG Fiduciary Certificates has been reduced from 264,781 to 13,382 representing a total nominal amount of approximately EUR 13.4 million. Further to the cancellation of the above EFG Fiduciary Certificates, EFG International bought-back 251,399 registered participation certificates of class B Bons de Participation with a face value of CHF 15 per certificate and at the 2013 Annual General Meeting of shareholders a corresponding reduction of the participation capital through cancellation of the bought-back registered participation certificates of Class B was approved.

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2013:

Registered shares of CHF 0.50 par value	147,877,040

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 2013:

Preference Class B Bons de Participation of CHF 15 par value	13,382

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see sections 2.1.2, 2.3.1 and 2.3.2 above). They do not confer voting rights.

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

EFG International's shares are freely transferable, without any limitation, provided that the buyers expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act.

Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is affected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder and notification of such assignment to the company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any shareholders' meeting but may still receive dividends and other rights with financial value. The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the company needs to be notified. According to the Articles of Association, a person having acquired shares will be recorded in the company's share register as a shareholder with voting rights upon request.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to evade the entry restriction are considered as one shareholder or nominee. The Board of Directors is authorized to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

EFG International, acting through its subsidiary EFG International Finance (Guernsey) Ltd, has issued warrants and structured notes (Express Certificate on EFG International; ISIN: CH0115890904) which reference EFG International registered shares. The issue size was EUR 1,000,000 with an issue price of 100% and EUR 1,000 denomination. The conversion ratio will be determined on the final fixing date of 17 August 2015. These instruments are generally classified as cash-settled derivatives and are held for trading. To hedge the economic exposure, EFG International Finance (Guernsey) Ltd can hold a limited number of shares in EFG International.

In addition to the amounts disclosed in Note 55 to the consolidated financial statements EFG International has issued options and RSUs in relation to its employee equity incentive plan and has outstanding an amount of 21,000 options with a strike price of CHF 49.25 per share, 207,544 options with a strike price of CHF 24.00 per share and 14,739 restricted stock units with a zero exercise price as of 31 December 2013. Each option and restricted stock unit entitles to the purchase of one EFG International restricted share. Further details can be found under section 5.1 below.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

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

No member of the Board has held a management position in EFG International or any of its group companies over the last three years. No director (neither as individual nor as representative of a third party) has any significant business connection with EFG International or any of its subsidiaries. The law firm Niederer Kraft & Frey AG of which Dr. Hans Niederer is Of Counsel has provided legal services to EFG International in connection with a number of matters.

Jean Pierre Cuoni is a Swiss citizen and was born in 1937. He is co-founder of EFG Bank. He has been Chairman of the Board of Directors of EFG Bank since 1997 and was appointed Chairman of EFG International in 2005 at the time of the listing of the latter on the SIX Swiss Exchange AG. He has been a member of the Board of Directors of EFG Bank European Financial Group SA since 1995. Prior to these positions, Mr. Cuoni was Chief Executive Officer of Coutts and Co International (1990–1994) and Chief Executive Officer of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988–1990). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva and Zurich. He was Citibank's Regional Head of Private Banking for Europe and Middle East/Africa and Senior Officer (Country Corporate Officer) for Citicorp and Citibank in Switzerland. Mr. Cuoni was Senior Vice President of Citibank N.A. from 1981 to 1988 and Chairman of Citibank (Switzerland) S.A. from 1982 to 1988.

Mr. Cuoni received his Federal Commercial Banking Diploma in 1957 and attended the Executive Development Programme at IMD in Lausanne in 1974. Mr. Cuoni was a member of the Board of the Swiss Bankers Association (1982–1993) and a member of its Executive Committee (1985–1993). He was Chairman of the Association of Foreign Banks in Switzerland (1986–1993) and member of the Board of the Association of Swiss Exchanges (1988–1992), as well as member of the Board of the Zurich Chamber of Commerce (1988–1996). From 1998 until 2004 he was vice President of the British Swiss Chamber of Commerce. From 1985 until 2009, Mr. Cuoni was also a member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva. He is presently a member of the Board of Right to Play International in Toronto, a charitable organization, and a non-executive vice Chairman of Right to Play Switzerland in Zurich.

Mr. Cuoni is currently member of EFG International's Board-delegated remuneration and acquisition committees.

Hugh Napier Matthews is a Swiss and British citizen and was born in 1943. He was appointed a member of the Board of Directors of EFG International effective 8 September 2005 and Vice-Chairman since April 2012. He has been a member of the Board of Directors of EFG Bank since 2003. Mr. Matthews has also been a member of the Board of Directors of EFG Bank European Financial Group SA since 2001. He is Chairman of its risk committee. Before that, Mr. Matthews worked for Coutts Bank (Switzerland) (1996–2000), ultimately in the position of Chief Executive Officer, and for Coutts Group, London (1994–1996), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960–1969), Brussels, Los Angeles and New York (1969–1971) and Zurich (1971–1994).

Mr. Matthews was educated at The Leys School in Cambridge, before joining Peat Marwick Mitchell in 1960, qualifying as a chartered accountant in 1966.

Mr. Matthews is currently Chairman of EFG International's Board-delegated risk committee and member of the Board-delegated remuneration committee. He is also member of the audit committee, of which he was the Chairman until 31 December 2013.

Niccolò H. Burki is a Swiss citizen and was born in 1950. He was appointed a member of the Board of Directors of EFG International AG effective 26 April 2013. Before establishing Burki Attorneys-at-Law in 1997, Mr. Burki was an attorney at Bär & Karrer in Zurich (1985-1997) where he became a partner as of 1989. Previously he was a tax lawyer with Arthur Andersen in Zurich (1980-1985). He holds various memberships including the Swiss Bar Association, International Bar Association and International Fiscal Association.

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

Mr. Burki joined EFG International's Board-delegated remuneration committee as a member, effective 9 October 2013.

Emmanuel Leonard Bussetil is a British citizen and was born in 1951. He was appointed a member of the Board of Directors of EFG International effective 8 September 2005 and has been a member of the Board of Directors of EFG Bank since 2001. He is a member of the Board of European Financial Group EFG (Luxembourg) SA. He is also a member of the Board of Lamda Developments Limited, a property company listed at the Athens 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 Pricewaterhouse, in the UK, where he was employed from 1976 to 1982.

Mr. Bussetil received his GCSE A-Levels in Mathematics and Physics in 1970. He attended the Thames Polytechnic London, England and obtained his Higher National Diploma in Mathematics, Statistics & Computing in 1972. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972–1973) and at Morland and Partners, Liverpool (1974–1976). He is a fellow of the Institute of Chartered Accountants of England and Wales.

Mr. Bussetil is currently member of EFG International's Board-delegated audit, risk and remuneration committees and Chairman of the acquisition committee.

Erwin Richard Caduff is a Swiss citizen and was born in 1950. Mr. Caduff was educated in Switzerland (commercial school and bank apprenticeship). He was appointed a member of the Board of Directors of EFG International effective 29 April 2009.

Mr. Caduff is the owner of E.R.C. Consultants & Partners Pte Ltd in Singapore, a company specialized in executive search for wealth management and management consulting. From 1998 to 2007 he worked for Deutsche Bank AG in Singapore and was a managing director and Regional Head of Private Wealth Management Asia Pacific. Prior to that, he worked for Banque Paribas in Singapore as Head of Private Banking for South East Asia (1997–1998) and for Banque Paribas (Suisse) S.A. as the Head of the Zurich Branch (1993–1997). Between 1990 and 1993 he was Chief Representative for Coutts & Co in Singapore after having spent 5 years with Citibank in Zurich and Singapore. The first 10 years of his professional career (1976–1986) he worked for Swiss Volksbank in Zurich and in Singapore.

Mr. Caduff is currently member of EFG International's Board-delegated acquisition committee and joined the audit committee as a member, effective 9 October 2013.

Michael Norland Higgin is a British Citizen and was born in 1949. He was appointed a member of the Board of Directors of EFG International effective 27 April 2012. Mr. Higgin joined Coopers & Lybrand from university in 1972, qualifying as a chartered accountant in 1975. He worked as a partner and head of business unit (banking audit/assurance) with Coopers & Lybrand – subsequently PricewaterhouseCoopers – in Switzerland and London until his retirement in December 2009.

Mr. Higgin holds a Cambridge Bachelor of Arts (BA) degree and attended the senior executive programme at Stanford University (CA) in 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Higgin is trustee and hon treasurer of the British School at Rome since 2006 and an independent member of DCMS' audit and risk committee from 1 August 2010.

Mr. Higgin is currently member of EFG International's Board-delegated audit and risk committees and was appointed as Chairman of the audit committee, effective 1 January 2014.

Spiro J. Latsis is a Greek citizen born in 1946. He was appointed a member of the Board of Directors of EFG International effective 8 September 2005. He has been a non-executive member of the Board of Directors of EFG Bank since 1997. Mr. Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chairman since 1997. In addition, he is a non-executive director and Chairman of European Financial Group EFG (Luxembourg) SA since 2009. Mr. Latsis is a member of the Board of SETE SA, Geneva, and Chairman of Paneuropean Oil and Industrial Holdings SA, Luxembourg and a non-executive Director of Consolidated Lamda Holdings SA Luxembourg.

Mr. Latsis obtained his bachelor degree in Economics in 1968, a master degree in Logic and Scientific Method in 1970 and a doctorate in Philosophy in 1974, all from the London School of Economics. He is an honorary fellow and a member of the Court of Governors of the London School of Economics. He is also a member of the Board of Trustees of the Institute for Advanced Study at Princeton.

Freiherr Bernd-A. von Maltzan is a German citizen and was born in 1949. He was appointed a member of the Board of Directors of EFG International effective 26 April 2013. Throughout his career with Deutsche Bank he held a variety of senior positions, including Global Head Trading & Sales DB Group in Frankfurt (1993-1995), Divisional Board Member and Global Head Private Banking in Frankfurt (1996-2002), followed by Divisional Board Member and Vice Chairman Private Wealth Management in Frankfurt, from where he retired in 2012. Mr. von Maltzan is member of the Advisory Board of WÜRTH-Group in Künzelsau, Germany; Advisory Board of MANN-Group in Karlsruhe, Germany; Supervisory Board of Sal. Oppenheim jr.&Cie, AG&Co KGaA, a 100% subsidiary of Deutsche Bank in Cologne, Germany; Finance Committee of Fritz-Thyssen Stiftung (Foundation) in Cologne, Germany and member of the Finance Committee of G.u.I. Leifheit Stiftung (Foundation) in Nassau, Germany.

Mr. von Maltzan studied economics at the universities in Munich and Bonn and obtained a Doctorate in Business Administration (1978) from the University of Bonn.

Mr. von Maltzan joined EFG International's Board-delegated risk and acquisition committees, effective 9 October 2013.

Hans Niederer is a Swiss and Paraguayan citizen and was born in 1941. He was appointed a member of the Board of Directors of EFG International effective 5 October 2005. Mr. Niederer is Of Counsel 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 Frankfurter Bankgesellschaft (Schweiz) AG as well as a member of the Boards of Algerian Foreign Commerce Bank Ltd., Sberbank (Schweiz) AG and LB (Swiss) Investment AG.

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

Mr. Niederer is currently member of EFG International's Board-delegated audit and risk committees.

Périclès Petalas is a Swiss citizen and was born in 1943. He was appointed a member of the Board of Directors of EFG International effective 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 1997 and of EFG Private Bank Ltd, London since 2001. Since 1997, Mr. Petalas is the Chief Executive Officer of EFG Bank European Financial Group SA which is EFG International's parent company. He is also a non-executive director of European Financial Group EFG (Luxembourg) SA. Prior to his position at EFG Bank European Financial Group SA, Mr. Petalas was Senior Vice President and General Secretary of Banque de Dépôts, Geneva. Previously, he worked for Union Bank of Switzerland in Zurich (1978–1980) and Petrola International, Athens (1977–1978).

Mr. Petalas obtained a diploma (1968) and a doctorate (1971) in Theoretical Physics, both at the Swiss Federal Institute of Technology in Zurich. He also received a post-graduate degree in Industrial and Management Engineering from the same institute in 1977.

Mr. Petalas is currently member of EFG International's Board-delegated audit, risk and acquisition committees and Chairman of the remuneration committee.

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 above.

3.3 Elections and terms of office

According to the Articles of Association, the Board of Directors consists of three or more members, who are individually elected by the Annual General Meeting of shareholders for one-year terms with a possibility of being re-elected. Furthermore there is no limit to the numbers of terms and the term of office ends on the day of the Annual General Meeting. Please reference the CVs of the members of the Board of Directors in section 3.1 above for each initial date of election.

The tenure of all the current members of the Board of Directors will expire at the 2014 Annual General Meeting, at which time the directors will be subject to re-election by the shareholders.

3.4 Internal organisational structure

The internal organizational structure is laid down in the Organizational and Management Regulations of EFG International (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board meeting. In order to make a binding decision, a simple majority of the Board of Directors must be present. The Board of Directors takes decisions on the basis of an absolute majority of present members. In the event of a tie, the Chairman does not have a casting vote. The composition of the Board and its committees is disclosed in the organigram on page 45 (EFG International Board and Committees).

The Board of Directors met seven times in 2013. Meetings typically last half a day; see the details in the table below:

#	Date	J. P. Cuoni (Chairman)	H. N. Matthews (Vice-Chairman)	E. L. Bussetil	E. R. Caduff	S. J. Latsis	H. Niederer	P. Petalas	M. N. Higgin	B.-A. von Maltzan*	N. H. Burki*
1	26.02.2013	X	X	X	X	X	E	X	X		
2	26.04.2013	X	X	X	X	X	E	X	X		
3	23.07.2013	X	X	E	X	X	X	X	X	X	X
4	23.10.2013	X	X	X	X	X	E	X	X	X	X
5	03.12.2013	X	X	X	X	X	X	X	X	X	X
6	09.12.2013	X	X	X	X	X	E	X	X	X	X
7	20.12.2013	X	X	X	X	X	X	X	X	E	X

"X" – present, "E" – excused.
* Mr. von Maltzan and Mr. Burki were elected to the Board of Directors at the Annual General Meeting on 26 April 2013.

The Board of Directors has established an audit committee, a risk committee, a remuneration committee and an acquisition committee in-line with the Organizational and Management Regulations:

Audit committee

The audit committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities of the EFG International Group with regard to the monitoring of:

(i) the financial (including tax matters) and business reporting processes,
(ii) compliance with laws, regulations and the internal Code of Conduct,
(iii) operational risk,
(iv) the internal control system, and
(v) the internal and external audit processes.

The role of the audit committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role.

The audit committee comprises at least three Board members and its composition in 2013 was as follows: Messrs. H. N. Matthews (Chairman), E. L. Bussetil, M. N. Higgin, H. Niederer, P. Petalas and as of 9 October 2013 Mr. E. R. Caduff. Mr M. N. Higgin has been appointed as Chairman of the audit committee as of 1 January 2014.

The audit committee meets at least four times a year and as often as businesses requires, as well as for the review of the financial statements and related reports before these are approved by the Board of Directors. Meetings typically last three to four hours and are also attended by members of the executive management responsible for areas supervised by the audit committee. During 2013, the audit committee met six times, as shown in the table below:

#	Date	H. N. Matthews (Chairman)	E. L. Bussetil	M. N. Higgin	H. Niederer	P. Petalas	E. R. Caduff*
1	14.02.2013	E	X	X	E	X	
2	25.02.2013	X	X	X	E	X	
3	04.06.2013	X	X	X	X	X	
4	22.07.2013	X	E	X	X	X	
5	10.09.2013	X	X	X	X	X	
6	12.11.2013	X	E	X	X	X	X

"X" – present, "E" – excused.
* Mr. Caduff was appointed as member of the audit committee on 9 October 2013.

Minutes of the audit committee are reviewed by the Board of Directors at its meetings. In addition, the Chairman of the audit committee provides an oral report to the Board of Directors at each of its meetings.

Risk committee

The role of the risk committee is to monitor, in the name and on behalf of the Board, risks throughout the EFG International Group, in particular credit (clients, counterparties, bond investment portfolios, countries, large exposures), market and liquidity risks within the policy, framework, rules and limits set by the Board or by itself, with the exception of operational risks and matters relating to compliance, financial statements and tax, all of which are within the scope of the audit committee's mandate. It approves risk policies and limits in all areas over which the relevant internal directives have granted authority to the risk committee. It examines any situations or circumstances giving rise to a substantial credit, market or liquidity risk for the EFG International Group and has the authority to require the reduction of any position which it considers excessive.

The risk committee comprises at least three Board members and its composition in 2013 was as follows: Messrs. H.N. Matthews (Chairman), E.L. Bussetil, M.N. Higgin, H. Niederer, P. Petalas and as of 9 October 2013 Mr. B.-A. von Maltzan.

The risk committee meets as often as business requires but at least four times a year. Meetings typically last three to four hours and are attended by members of the executive management responsible for risk management. During 2013, the risk committee met four times. See the details in the table below:

#	Date	H.N. Matthews (Chairman)	E.L. Bussetil	M. N. Higgin	H. Niederer	P. Petalas	B.-A. von Maltzan*
1	14.02.2013	E	X	X	E	X	
2	04.06.2013	X	X	X	X	X	
3	10.09.2013	X	E	X	X	X	
4	12.11.2013	X	E	X	X	X	X

"X" – present, "E" – excused.

* Mr. von Maltzan was appointed as member of the risk committee on 9 October 2013.

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

Remuneration committee

The remuneration committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its governance responsibilities by reviewing and ensuring the implementation of:

(i) The general remuneration policy of EFG International Group.
(ii) The fixing of the remuneration of members of the Board of Directors of EFG International, its key executives and key executives of subsidiaries.
(iii) The annual remuneration review process of EFG International.
(iv) An approval process for credit requests pertaining to members of the Board of Directors of EFG International and key executives of EFG International Group as well as to related parties.
(v) Any other tasks conferred on it by the Board of Directors from time to time.

For more details about competences and responsibilities of the remuneration committee see also section 5.1 below.

The remuneration committee comprises of at least three Board members and its composition in 2013 was as follows: Messrs. P. Petalas (Chairman), J.P. Cuoni, E.L. Bussetil, H.N. Matthews and as of 9 October 2013 Mr. N.H. Burki. From the 2014 Annual General Meeting of shareholders onwards, the members of the remuneration committee will be elected individually for a onwards term with the possibility of being re-elected.

The remuneration committee meets annually in the first quarter to review salary and bonus decisions as well as when necessary. Meetings typically last two to three hours and are attended by the Chief Executive Officer (CEO) and the EFG International Group Human Resources officer. During 2013, the remuneration committee met four times. See the details in the table below:

#	Date	P. Petalas (Chairman)	J.P. Cuoni	H. N. Matthews	E.L. Bussetil	N.H. Burki***	I.R. Cookson*	CEO EFG International**	Group HR officer**
1	02.02.2013	X	X	X	X		X	X	X
2	04.06.2013	X	X	X	X		E	X	X
3	10.09.2013	X	X	X	X		X	X	X
4	04.12.2013	X	X	X	X	X	X	X	X

"X" – present, "E" – excused.
* Secretary of the remuneration committee
** Attendee of the remuneration committee
*** Mr. Burki was appointed member of the remuneration committee on 9 October 2013.

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

Acquisition committee

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

The acquisition committee comprises at least three Board members and its composition in 2013 was as follows: Messrs. E.L. Bussetil (Chairman), P. Petalas, J.P. Cuoni, E.R. Caduff and as of 9 October 2013 Mr. B.-A. von Maltzan.

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

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

The acquisition committee met once during 2013. The meeting took place on 4 June 2013. All members of the acquisition committee were present (with the exception of Mr. E.R. Caduff) and several members of the management were attending the meeting. Additionally, the acquisition committee has reviewed several transactions during the year including the sale of the remaining stake in EFG Financial Products Holding AG.

3.5 Definition of areas of responsibility

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

Details of the powers and responsibilities of the Board of Directors can be found in the Organizational and Management Regulations of EFG International, which is available at www.efginternational.com/auditors-regulations.

The Board of Directors has delegated the operational management and that of its subsidiaries to the CEO and the Executive Committee. Members of the Executive Committee are appointed by the Board of Directors upon recommendation of the CEO. The executive officers, under the responsibility of the CEO and the control of the Board of Directors, manage the operations of the company pursuant to applicable internal regulations and report thereon to the Board of Directors on a regular basis.

EFG International Executive Committee

The EFG International Group is organized as a single structure, reporting to the CEO. Various support, service or control units report either directly to the CEO or to a member of the Executive Committee.

Effective 1 April 2013, the Executive Committees of EFG International and of its principal Swiss subsidiary, EFG Bank, has been aligned and comprise the following members: CEO (John Williamson), CFO (Piergiorgio Pradelli), CRO (Frederick Link), COO (Mark Bagnall), Group General Counsel (Henric Immink), Head of Investment Solutions (James T. H. Lee), Head of Strategy and Marketing (Keith Gapp), and, until September 2013, Head of Private Banking, Switzerland (Ludovic Chechin-Laurans).

The main objective of these management changes was to simplify the group's structure and to make the executive decision and communication process more efficient by aligning management's responsibilities to the group's functional organization.

These organizational changes of the management were approved by the Board of Directors of both EFG International and EFG Bank at their respective meetings held 26 February 2013.

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

Chief Executive Officer

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

Chief Financial Officer

The CFO has overall responsibility for the financial management of the EFG International Group. He is responsible for EFG International accounting policies as well as for the preparation of the group's financial statements and management accounts. The CFO is also responsible for regulatory reporting, financial, liquidity and capital management as well as investor relations. He is the designated Executive Committee member responsible for Compliance and is in charge of regulatory relations on a global basis.

Chief Operating Officer

The Chief Operating Officer (COO) is responsible for the management, co-ordination, supervision, planning and control of the Operations and Technology activities of the EFG International Group. In addition, he is responsible for the evaluation and management of operational risks.

Chief Risk Officer

The Chief Risk Officer (CRO) monitors and assesses risk throughout the whole EFG International organization, encompassing market, counterparty, country, client credit, liquidity and other risks. In this function, he also reports to the EFG International risk committee, and provides an independent oversight over operational risks, although the primary responsibility for managing operational risk lies with the COO.

Group General Counsel

The Group General Counsel provides legal advice to the EFG International Group. In addition, he is responsible for corporate governance throughout the EFG International Group.

Head of Investment Solutions and CEO Asset Management

The Head of Investment Solutions is responsible for the EFG International Group's investment solutions activities (covering investment activities, discretionary, advisory and funds) integral to the private banking business. As CEO Asset Management he is responsible for EFG International Group's asset management activities and services. Since January 2014, he assumes in addition responsibility for Wealth Solutions (covering Private Client Trust services and Institutional Fund Administration services) which is reflected in his new title as Head of Investment & Wealth Solutions.

Head of Strategy and Marketing

The Head of Strategy and Marketing is responsible for the group's corporate strategy, marketing, branding and communication.

Head of Private Banking Switzerland (April – September 2013)

The Head of Private Banking Switzerland was responsible for the Private Banking Business in Switzerland and in charge of strengthening management and client relationship teams. After the stepping down of Mr. Ludovic Chechin-Laurans as Head of Private Banking Switzerland in September 2013 and the decision of EFG International not to replace this function, the responsibilities of the Head of Private Banking Switzerland were transferred to the CEO.

Other changes in the organization of the Executive Committee, effective January 2014

Effective January 2014, Piergiorgio Pradelli, the CFO additionally assumes the role of Deputy CEO. In his expanded role, Mr. Pradelli focuses on the EFG International's operational and risk platform allowing John Williamson to devote more of his time to the development of the five regional private banking businesses as well as investment and wealth management solutions. As part of this change, the reporting lines of the COO, the CRO and the Group General Counsel have been transferred from the CEO to the Deputy CEO.

EFG International Global Business Committee

The EFG International Executive Committee has created in October 2011 the EFG International Global Business Committee (GBC), with an advisory role in assessing and validating business strategy, key business aspects and priorities as well as in debating industry trends and issues. The GBC consists of the members of the EFG International Executive Committee, the Regional CEOs and selected senior managers (see the organigram "EFG International Board and Committees" on page 45).

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.

The CEO and CFO (and other members of the Executive Committee depending on the issues under review) attend each of the Board meetings during the year and are available to answer questions from the Board. The CEO provides a written report to the Board of Directors at each regular meeting summarizing developments in the business. The CEO is also readily available to answer questions from the Board. In addition, the CFO reports on the financial results to the Board of Directors at each regular meeting. Additional reporting to the Board includes financial reporting, business reporting, business proposals/approvals, staff matters, credit approvals, reports from the various Board delegated committees, a report on claims and litigations and any other business matters.

Members of management responsible for the finance and accounting function, including the CFO, attend audit committee meetings and are available to answer questions from the committee relating to the financial statements. Also, the Group Chief Compliance Officer attends audit committee meetings and is available to answer questions relating to compliance issues. The CRO provides oversight of all major areas of risk within EFG International. The CRO also provides an update on the overall key risk aspects of EFG International at each regular meeting of the board delegated risk committee and provides an annual written risk assessment to the audit committee.

The members of management responsible for credit, market and bank and country risk management attend the risk management committee meetings. See also the information about risk management in the section commencing page 32.

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

4. EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

John Williamson is the CEO of EFG International, effective June 2011. Since April 2013 he is also CEO of EFG International's wholly owned subsidiary EFG Bank, Zurich. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank Ltd, London, EFG Asset Management Holding AG, Zurich and Asesores y Gestores Financieros SA, Madrid. He was formerly the CEO of EFG Private Bank Ltd., EFG International's UK and Channel Islands business, from 2002–2011. During this time he transformed the business into one of the most significant contributors to EFG International performance, and oversaw the merger of EFG Private Bank Ltd with EFG International ahead of the latter going public.

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

Mr. Williamson is a British national, was born in 1962, and has an MA in modern languages from St. Catharine's College, Cambridge.

Mr. Williamson was also a member of the Board of Directors of EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG in Zurich until the sale of EFG International's participation in EFG Financial Products Holding AG, effective 23 April 2013.

Piergiorgio Pradelli was appointed CFO of EFG International in June 2012. Since April 2013 he is also CFO of EFG International's wholly owned subsidiary EFG Bank, Zurich. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank Ltd, London and EFG Asset Management Holding AG, Zurich. He joined EFG International from Eurobank EFG, where he was Head of International Activities and a member of the Executive Committee (between 2006 and 2012). Between 2003–2006, he was Deputy Chief Financial Officer of EFG Bank European Financial Group SA, the largest shareholder of EFG International. Prior to this, he undertook a variety of senior roles at Deutsche Bank, where he started his career in 1991, including Head of Private & Business Banking in Italy; Head of Business Development for the Private Clients and Asset Management Group in Frankfurt; and

Head of Business Development for Personal Banking in Frankfurt.
Mr. Pradelli is an Italian citizen and was born in 1967. He holds a degree in Economics and Business Administration from the University of Turin.

Mr. Pradelli was also a member of the Board of Directors of EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG in Zurich until the sale of EFG International's participation in EFG Financial Products Holding AG, effective 23 April 2013.

Frederick Link served as Group General Counsel of EFG International from March 2006 until 31 December 2010. He was appointed as CRO in July 2008 and continues in that role. Since April 2013 he is also CRO of EFG International's wholly owned subsidiary EFG Bank AG, Zurich. As CRO he is responsible for risk assessment, management and controlling throughout the EFG International Group. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products.

Mr. Link is a US citizen and was born in 1975. He 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.

Mr. Link was also a member of the Board of Directors of EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG in Zurich until the sale of EFG International's participation in EFG Financial Products Holding AG, effective 23 April 2013.

Henric Immink was appointed Group General Counsel and member of the Executive Committee of EFG International as of 1 January 2011. He joined EFG International in July 2010 as Senior General Legal Counsel. Since April 2013 he is also Group General Counsel of EFG International's wholly owned subsidiary EFG Bank, Zurich. Prior to joining EFG International, he was a partner at Python & Peter Attorneys-at-Law (2002–2010) in Geneva, a partner at Suter Attorneys-at-Law (1998–2001) in Geneva and a legal and tax advisor at PricewaterhouseCoopers (1995–1997) in Zurich.

He is a Swiss citizen and was born in 1965. He holds a Master of Law from the University of Geneva and he was admitted to the Geneva bar in 2004.

Mark Bagnall was appointed COO of EFG International and of its wholly owned subsidiary EFG Bank AG, Zurich, effective 1 January 2011. He joined EFG International in December 2008 as Global Chief Technology Officer. Prior to this, he worked from 2004 to 2008 at Merrill Lynch in London and Geneva, where he was Head of International Private Client & Wealth Management Technology, having previously held IT management roles in Capital Markets & Investment Banking in London & New York from 1998 to 2003. He started his career on the IT graduate program with British Petroleum in 1989, before moving to JP Morgan in 1994.

Mr. Bagnall was born in 1967 and is a UK citizen. He holds a BSc in Mathematics & Computer Science from Liverpool University.

James T. H. Lee was appointed Head of Investment Solutions of EFG International and of its wholly owned subsidiary EFG Bank, Zurich, effective April 2013. He is also CEO Asset Management (having been appointed in June 2009). Previously, he was the Deputy CEO of EFG International and EFG Bank (2003–2009). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee and a member of the management in January 2002. 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 UK citizen and was born in 1948. He obtained a Bachelors of Science (Honours) degree in Electrical Engineering in 1970 and a Master degree in Management Science and Operational Research, both from Imperial College, University of London.

Keith Gapp joined EFG International in July 2007 as Head of Strategic Marketing & Communications. He was appointed Head of Strategy and Marketing of EFG International and of its wholly owned subsidiary EFG Bank, Zurich, effective April 2013. Previously (1999–2007), he 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, and Head of Finance, Planning & Compliance, Barclays Offshore Services.

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

Member who stepped down during the reporting period:
Ludovic Chechin-Laurans stepped down from the Executive Committee effective 30 September 2013.

Ludovic Chechin-Laurans was appointed Head of Private Banking Switzerland and member of the Executive Committee of EFG Bank in September 2012 and appointed member of the Executive Committee of EFG International in April 2013. He joined EFG in 2005 initially as managing director of EFG Bank (Luxembourg) SA in Luxembourg and subsequently as managing director of EFG Bank & Trust (Bahamas) Ltd in Nassau. Mr. Chechin-Laurans started his career in 1997 at BNP Paribas Group and served as Inspection Générale, as Territory Compliance Officer in Bahamas and ultimately as Head of Private Banking at UEB Luxembourg (a subsidiary of BNP Paribas Group).

Mr. Chechin-Laurans is a French citizen and was born in 1973. He holds a Master in Management of the Toulouse Business School.

4.2 Other activities and vested interests

There are no other activities and vested interests of any members of the Executive Committee other than mentioned in the CVs above (see section 4.1 above).

4.3 Management contracts

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Methodology applied to the determination of compensation and the share-ownership Programs

General

The EFG International Group has implemented the principles of the FINMA Circular 2010/1 since 2011 defining minimum standards for remuneration schemes applicable to financial institutions. These standards have been transposed into a comprehensive internal group policy and include:

Categorization of employees and governing bodies in accordance with their risk profile; defined categories are:

(a) Members of the Board of Directors of EFG International and of its subsidiaries;
(b) CEO and other members of the Executive Committee;
(c) members of the Global Business Committee (senior executives, Region Heads);
(d) local Business Heads;
(e) client Relationship Officers;
(f) employees in control functions;
(g) other executives and other staff members.

– Remuneration of each category aligned with business strategy and risk profile;
– performance-related remuneration based on a combination of the performance of the individual concerned, the performance of his or her business and, where applicable, the overall results of the organization;
– transparent remuneration scheme for Client Relationship Officers designed in a way that any negative contributions directly result in a reduction of the variable remuneration elements;
– share-based deferred payment mechanisms for the Executive Committee, senior and key executives as well as other identified "higher risk" job categories over a minimum period.

Compensation of the Board of Directors, the CEO and other member of the Executive Committee, as well as other senior and key executives, is set by the Board of Directors' remuneration committee. The remuneration committee convenes at least once a year to set compensation levels for members of the Board of Directors and members of the Executive Committee within guidelines established by the full Board of Directors.

In addition, special meetings may be convened to approve the remuneration of any new members of the Executive Committee and as required.

The current responsibilities and competencies of the remuneration committee are defined as follows:

- It ensures that management of EFG International Group maintains and observes an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed.
- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interest or FINMA Circular 2010/1.
- It decides on the contractual arrangements of the Members and the Chairman of the Board of Directors, the CEO of EFG International and other key executives, including those of the company's subsidiaries, as appropriate.
- It approves all salary increases to non-key executives, with the exception of those resulting from existing contractual conditions, in cases where the increase places the person into the "key executive" group.
- It sets the rules for staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the remuneration committee for approval.
- It decides on the granting of loans to members of the Board of Directors and key executives as well as to related parties.
- It decides on EFG International's contribution to pension and social institutions for the Swiss entities and their branches.
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of EFG International and its subsidiaries.
- It is informed of decisions regarding the waiving the cancellation of rights on EFG International's options or RSUs held by staff, who leave for illness or other justifiable cause made by the chairman of the committee.
- It reports annually to the Board of Directors with a formal remuneration report.

Fixed Compensation

Fixed remuneration to non-key executives and other staff members is defined in line with the level of education, the degree of seniority, the level of expertise and skills required the constraints and job experience and the relevant business sector and region. In Switzerland, and certain other countries where credible data is available, fixed remuneration is also linked to a professional annual remuneration survey conducted in the banking sector.

EFG International uses the performance reviews and market benchmarks on an individual basis to review whether a salary increase is necessary or strongly advised for talent retention. There are countries in which legislation imposes a general minimum salary increase (e.g. legal indexation of salaries), whereby any extra increases would still then follow group wide procedures. Whilst salary surveys are used to help establish the appropriate remuneration for most members of staff they are rarely used at the highest level of management since an insufficient number of organizations with the same level of international complexity render comparison difficult.

EFG International reviews salaries on a yearly basis from manager level, through local HR, local CEO, Region CEO, and International CEO until remuneration committee approval. Exceptional increases may occur during the year; above a certain minima they need remuneration committee approval before commitment.

Variable Compensation

The remuneration committee considers a number of quantitative and qualitative elements such as the performance, both in profitability and stock price evolution, of EFG International through the year, the relation between variable compensation and key performance indicators, and the risk profile of the institution and the individual performance of senior management members.

Variable remuneration to non-key executives and other staff members is discretionary and is determined by her or his individual performance (annual assessment), the performance of her or his business line and the performance of the organization. The relative importance of each level of the performance criteria is determined beforehand and balanced to take into account the position or responsibilities held by the staff member, defined by job category. The proportion of the variable remuneration that may be deferred will depend on the impact the job category can have on the risk profile of the organization and the responsibilities and tasks performed. The minimum deferral period for "higher risk" job categories is three years.

Determination of the overall annual variable remuneration pool for non-key executives and other staff members is a combination of bottom up (starting at single staff level following the annual individual assessment) and top down (evaluating performance of local or region business) approach. A framework is in place to ensure critical appraisal of proposals by Regional Business Heads, the CEO and the remuneration committee. The fixed and variable compensation review is carried out annually. Whilst there is a strong emphasis on the Personal Contribution when determining the discretionary variable compensation for staff with a modest income, this becomes a strong emphasis on Corporate Performance, in particular profitability, with a corresponding diminution of the impact of Personal Contribution, at the senior management level.

Poor performance of the group can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives. Staff contravening internal regulations or regulatory or legal requirements in particular and/or significantly raising the organization's risk exposure shall have their variable compensation reduced or eliminated.

Exceptional variable awards may occur during the year; above a certain minima they need remuneration committee approval before commitment.

Variable Compensation Instruments

Variable compensation can be awarded in the form of cash, deferred cash or deferred equity. The group policy imposes equity deferral obligations on certain staff including Executive Committee, Global Business Committee, local Boards, local business heads and any other functions defined with a risk profile justifying deferral. The remuneration committee and management can also increase the deferral on all staff at their discretion.

Equity Incentive Plan

The EFG International Group has adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Employee Equity Incentive Plan") in order to strengthen the group's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan has been reviewed and amended in 2011 and covers any options granted during the financial years 2005 to 2013 and which last up to the point in time that all options and restricted stock units granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

The CEO identifies and recommends each year all persons who are eligible to participate in the Employee Equity Incentive Plan to the remuneration committee, which then considers the recommendation and, at its absolute discretion, determines the level of equity incentives to be granted to each eligible person.

Details of the options granted under the Employee Equity Incentive Plan can be found in Note 55 to consolidated financial statements of the EFG International Group included in this annual report.

Until vested the options are subject to claw-back or forfeiture. Claw-back in the event of proven fraudulent behavior or if decisions or actions taken in the reference year of the variable award subsequently cause the organization to be impacted by losses. This is reflected in the employment contract or other documentation enacted with the employee at the time of the variable compensation award. The options are also subject to forfeiture for the resignation of the employee or termination for cause.

The remuneration committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure.

Other Variable Compensation

Sign-on payments, guaranteed compensation, severance payments or any other special remuneration packages are subject to clearly established rules (as a principle EFG International does not grant sign-on or severance payments) and above a certain minima such proposals must be submitted to the remuneration committee for approval before commitment.

Members of the Board of Directors

The compensation of those members of the Board of Directors who receive compensation is determined by the remuneration committee and does not include any cash bonus or other variable component. No employment contracts with Board Members have a severance, or other exceptional, payment foreseen.

Details of the compensations paid to the members of the Board of Directors in 2013 and 2012 can be found in Note 21 to the parent company financial statements included in this annual report.

Executive Committee and other Members of the Senior 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 the Executive Committee and senior management:

- Base salary in cash;
- variable compensation defined annually;
- other cash compensations (expenses allowances, etc.);
- EFG International Employee Equity Incentive Plan;
- pension fund.

Variable compensation for members of the Executive Committee and senior management other than the CEO is determined entirely within the discretion of the remuneration committee based upon recommendations of the CEO (except in relation to his own variable compensation). The remuneration committee has defined a minimum of 60% of the variable remuneration of the members of the Executive Committee (50% for senior management) to be taken under the form of restricted stock units and deferred over a period of a minimum three years with progressive vesting. On an exceptional basis the remuneration committee may approve modifications of this rule for specific individual events. Variable compensation is based on several factors discussed by the remuneration committee, including personal performance, subordinates' performance, sound management, budget control, and the realization of defined objectives, realization of last minute projects/objectives and any other contributions to the benefit of EFG International.

The variable component of pay to members of the executive committee amounted from 0 to 68% of the fixed component, averaging at 54%.

The average variable component to total compensation is 32%, of which average deferral for a Committee member is 61%.

There is one member of the Executive Committee who benefits from the date of hiring until 31st March 2014 automatic vesting of RSUs.

Another member of the Executive Committee has the right to 12 months' notice in his employment contract in the event of a change of control until 2014, as opposed to an otherwise 6 months' notice.

EFG International paid a severance package to a former Executive Committee member in cash in September 2013. This payment was made on a performance basis for the period of 2013 for which he was present.

The remuneration committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure.

Details of the compensations paid to the members of the Executive Committee in 2013 and 2012 can be found in Note 21 to the parent company financial statements included in this annual report.

Client Relationship Officers

The EFG International Group generally only hires experienced bankers as Client Relationship Officers with previous and business development experience in this role. Fixed remuneration of Client Relationship Officers is defined at hiring in line with their historic remuneration package and may be reviewed from time to time to ensure correlation with market practices.

Variable compensation is contractual and formulaic (percentage of the business booked by the Client Relationship Officer). Booked business reflects the true net financial contribution of each Client Relationship Officer and does not "prepay" any future expected revenues. It includes all revenues and related costs attributable to her or him. Bona fide operating errors leading to losses are debited from the Client Relationship Officer's booked business and impact her/his variable remuneration. Losses arising from repetitive operating errors, serious mistakes, non-respect of internal and external Regulations or law directly reduce her or his variable remuneration. Client Relationship Officers are encouraged to take a portion of their variable remuneration under the form of a deferred instrument.

Employees in control functions

The remuneration level of employees in control functions is deemed to allow employing qualified and experienced personnel. The mix of fixed and variable remuneration for control function personnel is weighted in favor of fixed remuneration; variable part is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

External advice

EFG International uses local market surveys where available and an independent consultant (a former member of the EFG International Executive Committee) with a high level of expertise and knowledge of the business and operations including Risk, Human Resources and Compliance. Other than the above mentioned no other mandates have been undertaken.

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

Persons who acquired registered shares will, upon application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act (for details please refer to section 2.6 above).There are no voting right restrictions, no statutory group clauses and hence no rules on making exceptions. In line with the legal provisions in force until 31 December 2013, any shareholder with a voting right could have his/her shares represented at any general meeting by another person authorized in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives need not be shareholders.

With the entering into force of the Ordinance against excessive compensation per 1 January 2014, any shareholder with a voting right may have his/her shares represented at any general meeting by another person authorized in writing or by the independent proxy. Such representatives need not be shareholders.

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

The statutory rules on the convocation of the general meeting of shareholders correspond with legal provisions. Accordingly, the general meeting of shareholders is summoned at least 20 days before the date of the meeting by notice published in the Swiss Official Gazette of Commerce and by letter sent to the addresses of the shareholders entered in the register of shares.

6.4 Agenda

The Board of Directors announces the agenda. Shareholders representing shares with a nominal value of at least CHF one million may request that an item of business be placed on the agenda until 40 days at the latest before the date of the meeting. Such request must be in writing and must state the relevant motions.

6.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the general meeting. However, for organizational 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 defense 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 33⅓% 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 Stock Exchange Act.

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers SA (PwC), Geneva, were appointed as statutory auditors and group auditors of EFG International on 8 September 2005, when EFG International was incorporated. The shareholders must confirm the appointment of the auditors on an annual basis at the general meeting.

Mr. Alex Astolfi took up office as lead auditor on 29 April 2008.

8.2 Auditing fees

PwC received fees totaling CHF 4.1 million for the 2013 audits of EFG International and its subsidiaries.

8.3 Additional fees

For additional audit-related services covering topics such as accounting, control reporting as well as tax and project analysis, the EFG International Group paid PwC fees totalling CHF 0.6 million during the 2013 financial year.

For additional consulting-related services comprising legal, IT, compliance and other project-related counseling, the EFG International Group paid PwC fees totaling CHF 0.4 million during the 2013 financial year.

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

The audit committee, on behalf of the Board of Directors, monitors the qualification, independence and performance of the EFG International Group auditors and their lead partners. The audit committee confers with the EFG International Group auditors about the effectiveness of the internal control systems in view of the risk profile of the EFG International Group.

The audit committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to the EFG International Group auditors for additional audit, audit-related and permitted non audit work are subject to preapproval by the audit committee.

The external auditors provide timely reports to the audit committee on critical accounting policies and practices used, on alternative treatments of financial information discussed with management, and other material written communication between external auditors and management.

The audit committee regularly meets with the lead partners of the external auditors, and at least four times per year. It also regularly meets with the Head of Group Internal Audit.

At least once per year, the chairman of the audit committee discusses with the lead partners of PwC the audit work performed, the main findings and critical issues that arose during the audit.

The chairman of the audit committee reports back to the Board of Directors about their contacts and discussions with the external auditors.

The external auditors have direct access to the audit committee at all times.

9. INFORMATION POLICY

EFG International informs its shareholders and the public each year by means of the annual and semi-annual reports, remuneration 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 (on request).

Contact address can be found on the back cover.

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

More corporate information can be found at
www.efginternational.com/context

Financial calendar
The calendar of upcoming events (Annual General Meetings, publication of full-year and half-year results) can be found on our investor relations homepage at
www.efginternational.com/investors

The company's notices are published in the Swiss Official Gazette of Commerce.

www.efginternational.com

Investor Relations
Jens Brückner, Head Investor Relations
Telephone +41 (0)44 212 7377
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EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Interest and discount income		417.2	439.4
Interest expense		(204.0)	(215.3)
Net interest income	5	**213.2**	224.1
Banking fee and commission income		429.3	435.4
Banking fee and commission expense		(86.0)	(89.8)
Net banking fee and commission income	6	**343.3**	345.6
Dividend income	7	3.5	1.3
Net trading income	8	74.5	70.2
Net gain from financial instruments measured at fair value	9	7.8	29.2
Gains less losses on disposal of available for sale investment securities	10	10.6	(2.3)
Other operating income		13.1	29.0
Net other income		**109.5**	127.4
Operating income		**666.0**	697.1
Operating expenses	12	(547.2)	(554.3)
Other provisions	42	(33.7)	
Impairment on loans and advances to customers	11	(1.4)	(4.4)
Gain/(loss) on disposal of subsidiaries	15	0.5	(1.7)
Impairment of intangible assets and goodwill	14		(1.4)
Provision for restructuring costs	42		(11.7)
Currency translation losses transferred from the Statement of Comprehensive Income			(3.3)
Profit before tax		**84.2**	120.3
Income tax expense	17	(8.2)	(18.6)
Net profit for the year from continuing operations		**76.0**	101.7
Discontinued operations			
Profit for the year from discontinued operations	16	46.7	22.2
Profit for the year		**122.7**	123.9
Net profit for the year attributable to:			
Net profit attributable to owners of the Group		111.8	111.2
Net profit attributable to non-controlling interests		0.6	1.0
Net profit attributable to non-controlling interests from discontinued operations		10.3	11.7
		122.7	123.9

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Earnings per ordinary share		Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Basic			
From continuing operations		0.50	0.66
From discontinued operations		0.25	0.07
	52.1	**0.75**	0.73
Diluted			
From continuing operations		0.49	0.64
From discontinued operations		0.24	0.07
	52.2	**0.73**	0.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Net profit for the year		**122.7**	123.9
Comprehensive income			
Items that may be reclassified subsequently to the Income Statement:			
Net (loss) on hedge of net investments in foreign operations, with no tax effect		(3.3)	(0.4)
Currency translation differences, before tax, with no tax effect		3.1	3.3
Fair value gains on available-for-sale investment securities, before tax	31	0.1	49.0
Tax effect on changes in fair value of available-for-sale investment securities	31	0.8	(9.9)
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax, with no tax effect	31	(10.6)	1.9
Currency translation losses transferred to the Income Statement with no tax effect			3.3
Items that will not be reclassified to the Income Statement:			
Defined benefit gains/(costs)	45	18.2	(1.0)
Comprehensive income for the year, net of tax		**8.3**	46.2
Total comprehensive income for the year		**131.0**	170.1
Total comprehensive income for the year attributable to:			
Owners of the Group		119.7	157.6
Non-controlling interests		11.3	12.5
		131.0	170.1

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

	Note	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions	Restated 1 January 2012 CHF millions
Assets				
Cash and balances with central banks	20	848.9	1,364.4	1,079.3
Treasury bills and other eligible bills	22	631.2	816.8	823.9
Due from other banks	23	2,200.2	3,393.3	2,206.9
Loans and advances to customers	24	11,561.8	10,434.1	9,548.2
Derivative financial instruments	27	560.4	563.2	537.5
Financial assets at fair value:				
Trading assets	28	113.3	1,340.0	813.9
Designated at inception	29	349.8	381.4	367.2
Investment securities :				
Available-for-sale	30	3,844.5	3,297.8	3,984.3
Held-to-maturity	32	1,107.1	1,093.6	1,098.3
Intangible assets	34	266.9	294.6	300.6
Property, plant and equipment	35	22.5	33.0	38.2
Deferred income tax assets	18	36.3	32.1	48.6
Other assets	36	155.7	560.7	179.1
Total assets		**21,698.6**	23,605.0	21,026.0
Liabilities				
Due to other banks	37	290.1	885.3	779.0
Due to customers	38	16,443.8	16,084.0	14,398.4
Subordinated loans	39	245.1	57.0	–
Derivative financial instruments	27	544.9	728.6	603.3
Financial liabilities designated at fair value	40	310.7	1,131.3	490.7
Other financial liabilities	41	2,421.5	2,938.1	3,356.5
Current income tax liabilities		5.0	2.1	11.4
Deferred income tax liabilities	18	34.6	35.0	36.4
Provisions	42	26.8	11.5	37.3
Other liabilities	43	269.6	455.8	340.8
Total liabilities		**20,592.1**	22,328.7	20,053.8
Equity				
Share capital	46.1	74.0	77.2	73.1
Share premium	46.2	1,238.4	1,239.0	1,154.3
Other reserves	47	(49.1)	119.9	77.8
Retained earnings		(161.6)	(260.1)	(353.6)
		1,101.7	1,176.0	951.6
Non-controlling interests		4.8	100.3	20.6
Total shareholders' equity		**1,106.5**	1,276.3	972.2
Total equity and liabilities		**21,698.6**	23,605.0	21,026.0

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

		Attributable to owners of the group						
							Non	
		Share	Share	Other	Retained		controlling	Total
		capital	premium	reserves	earnings	Total	Interests	Equity
	Note	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Balance at 1 January 2012		73.1	1,154.3	77.8	(318.3)	986.9	24.6	1,011.5
Restatement for adoption of IAS 19 Revised					(35.3)	(35.3)	(4.0)	(39.3)
Balance at 1 January 2012 restated		73.1	1,154.3	77.8	(353.6)	951.6	20.6	972.2
Net profit for the period – restated					111.2	111.2	12.7	123.9
Currency translation differences, net of tax				3.0		3.0	(0.1)	2.9
Currency translation loss transferred from the Statement of Other Comprehensive Income				3.3		3.3		3.3
Fair value gains / (losses) on available-for-sale investment securities, net of tax				41.1		41.1	(0.1)	41.0
Defined benefit costs				(1.0)		(1.0)		(1.0)
Total Comprehensive Income for the year		**–**	**–**	**46.4**	**111.2**	**157.6**	**12.5**	**170.1**
Dividend paid on ordinary shares	53				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	53				(9.4)	(9.4)		(9.4)
Ordinary shares sold	46	5.1	71.0			76.1		76.1
Employee equity incentive plans amortisation	55			12.0		12.0		12.0
Employee equity incentive plans exercised		1.0	14.4	(20.5)	5.1			
Repurchase of Bons de Participation	46	(2.0)	(0.7)	(49.2)		(51.9)		(51.9)
Partial disposal of subsidiary				53.4		53.4	67.2	120.6
Balance at 31 December 2012 restated		**77.2**	**1,239.0**	**119.9**	**(260.1)**	**1,176.0**	**100.3**	**1,276.3**

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 CONTINUED

	Note	Attributable to owners of the group Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2013 restated		77.2	1,239.0	119.9	(260.1)	1,176.0	100.3	1,276.3
Net profit for the period					111.8	111.8	10.9	122.7
Currency translation differences, net of tax				(0.1)		(0.1)	(0.1)	(0.2)
Fair value losses on available-for-sale investment securities, net of tax				(9.7)		(9.7)		(9.7)
Defined benefit gains				17.7		17.7	0.5	18.2
Total Comprehensive Income for the year		**–**	**–**	**7.9**	**111.8**	**119.7**	**11.3**	**131.0**
Dividend paid on ordinary shares	53				(14.7)	(14.7)		(14.7)
Dividend paid on Bons de Participation	53				(1.9)	(1.9)		(1.9)
Reduction in non-controlling interests						–	(1.9)	(1.9)
Ordinary shares sold	46		0.8			0.8		0.8
Ordinary shares repurchased	46		(0.2)			(0.2)		(0.2)
Employee equity incentive plans amortisation	55			12.0		12.0		12.0
Employee equity incentive plans exercised		0.6		(0.9)	3.3	3.0		3.0
Repurchase of Bons de Participation	46	(3.8)	(1.2)	(183.4)		(188.4)		(188.4)
Disposal of subsidiary	16			(4.6)		(4.6)	(104.9)	(109.5)
Balance at 31 December 2013		**74.0**	**1,238.4**	**(49.1)**	**(161.6)**	**1,101.7**	**4.8**	**1,106.5**

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

	Note	Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Cash flows from operating activities			
Interest received		363.1	410.8
Interest paid		(187.6)	(196.1)
Banking fee and commission received		442.7	599.8
Banking fee and commission paid		(83.1)	(134.7)
Dividend received	7	3.5	24.2
Net trading income		79.2	75.5
Other operating receipts		12.4	4.9
Staff costs paid		(346.2)	(489.4)
Other operating expenses paid		(144.2)	(178.6)
Income tax paid		(13.5)	(8.7)
Cash flows from operating activities before changes in operating assets and liabilities		**126.3**	107.7
Changes in operating assets and liabilities			
Net decrease in treasury bills		488.0	122.1
Net (increase) in due from other banks		(633.5)	(55.5)
Net (increase)/decrease in derivative financial instruments		(24.1)	95.8
Net (increase) in loans and advances to customers		(1,191.1)	(865.2)
Net (increase) in other assets		(20.5)	(361.1)
Net increase in due to other banks		451.3	99.7
Net increase in due to customers		447.0	1,716.0
Net increase in other liabilities		95.9	95.8
Net cash flows from operating activities		**(260.7)**	955.3
Cash flows from investing activities			
Proceeds from disposal of business, net of cash disposed		(43.1)	0.7
Purchase of securities		(6,508.8)	(9,785.3)
Proceeds from sale of securities		4,970.2	9,966.9
Purchase of property, plant and equipment	35	(8.6)	(7.5)
Purchase of intangible assets	34	(5.4)	(15.3)
Proceeds from sale of property, plant and equipment		2.0	0.3
Net cash flows used in investing activities		**(1,593.7)**	159.8
Cash flows from financing activities			
Dividend paid on Bons de Participation	53	(1.9)	(9.4)
Dividend paid on ordinary shares	53	(14.7)	(13.4)
Ordinary shares repurchased	46	(0.2)	
Ordinary shares sold	46	0.8	76.1
Repurchase of Bons de Participation		(188.9)	
Issuance of subordinated debt		178.0	
Partial disposal of subsidiary			128.7
Issuance of structured products		8,514.6	10,077.1
Redemption of structured products		(8,012.7)	(9,802.6)
Net cash flows from financing activities		**475.0**	456.5
Effect of exchange rate changes on cash and cash equivalents		99.6	(40.6)
Net change in cash and cash equivalents		**(1,279.8)**	1,531.0
Cash and cash equivalents at beginning of period	21	4,346.6	2,815.6
Net change in cash and cash equivalents		(1,279.8)	1,531.0
Cash and cash equivalents	21	**3,066.8**	4,346.6

The notes on pages 84 to 177 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in Bahamas, Cayman, Channel Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2013 was 1,989 (31 December 2012: 2,260).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange with its registered office at Bleicherweg 8, 8022 Zurich. For details of significant shareholders, refer to note 12 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 25 February 2014.

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 2013. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective or issued and early adopted which are applicable for the year ended 31 December 2013. These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates and judgements are presented in note 3.

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

The consolidated financial statements are also available in French and German, however the English version prevails.

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on 1 January 2013. These are as follows:

New and amended standards adopted by the Group:
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements.

These include IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 19 (Revised 2011) 'Employee Benefits', IFRS 12 'Disclosure of Interest in Other Entities', IFRS 13 'Fair Value Measurement' and amendments to IAS 1 'Presentation of Financial Statements'. Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group except as noted below.

The nature and the impact of each new standard/amendment are described below:

– IAS 19 'Employee Benefits' (Revised 2011) (IAS 19R)
  IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in the Statement of Comprehensive Income (SCI) and permanently excluded from Income Statement; expected returns on plan assets that are no longer recognised in Income Statement, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in Income Statement, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in Income Statement at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The application of the standard recognition resulted for 2012 comparatives in the reversal of other assets of CHF (20.9) million , a recognition of other liabilities of CHF (24.5) million for the net defined benefit obligation, the reversal of a deferred tax liability of CHF 5.3 million, a decrease of retained earnings of CHF (39.3) million and decrease of expenses for the year of CHF 0.2 million in the Income Statement and CHF 1.0 million of defined benefit costs recognized in the Statement of Comprehensive Income. The effect of the adoption of IAS 19R is further explained in note 45.
– IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Further to management assessment there is no impact resulting from the application of this standard on the financial statements. Comparative information does not contain therefore any restatement with respect to IFRS10.
– IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. There is no impact resulting from the application of this standard on the financial statements.
– IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. See note 33.
– IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Also, IFRS 13 includes extensive disclosure requirements. Apart from the additional disclosures provided in note 4, the application of IFRS 13 has not had any impact on the amounts recognised in the consolidated financial statements.
– IAS 1 'Presentation of Items of Other Comprehensive Income – Amendments to IAS 1'
  The amendments to IAS 1 introduce a grouping of items presented in the Statement of Comprehensive Income (SCI). Items that could be reclassified (or recycled) to profit or loss (Income Statement) at a future point in time (e.g., net gain

on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

– IAS 1 'Clarification of the requirement for comparative information (Amendment)'
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening balance sheet (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the balance sheet at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.
– IAS 32 'Tax effects of distributions to holders of equity instruments (Amendment)'
The amendment to IAS 32 'Financial Instruments: Presentation' clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 'Income Taxes'. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements, as there is no tax consequences attached to cash or non-cash distribution.
– IAS 34 'Interim financial reporting and segment information for total assets and liabilities (Amendment)'
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 'Operating Segments'. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group does not provide this disclosure, as total segment assets or total segment liabilities are not reported to the CODM. As a result of this amendment, the Group now excludes disclosure of total segment assets and liabilities as these are not reported to the CODM.
– IFRS 7 'Financial instruments: Disclosures (Amendment)', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

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

– IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in the Statement of Comprehensive Income rather than in the Income Statement, unless this creates an accounting mismatch. The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.

In November 2013, IASB published an amendment to IFRS 9 'Financial Instruments' incorporating its new general hedge accounting model. By this new phase of the project, the standard becomes more principle based, insures increased eligibility of hedging instruments and hedged items, amends the qualifying criteria for applying hedge accounting and requires increased disclosures.

On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2017 at the earliest. The Group is monitoring the developments in order to assess the impact on its financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities (including structured entities) over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 Group applies the acquisition method of accounting to account for the business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition including those resulting from contingent consideration arrangements. Costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the 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 33.

(ii) Non-controlling interests

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

(iii) Disposal of subsidiaries

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

(iv) Put options over non-controlling interests

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

(v) 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the Statement of Comprehensive Income is reclassified to the Income Statement where appropriate.

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's presentation currency, as the functional currency of the parent Company and of its major operating subsidiary, EFG Bank AG. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and 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 investment 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:

	2013 Closing rate	2013 Average rate	2012 Closing rate	2012 Average rate
USD	0.891	0.927	0.915	0.938
GBP	1.471	1.449	1.481	1.486
EUR	1.227	1.231	1.208	1.205

(ii) Transactions and balances

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

(d) Derivative financial instruments and hedging

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

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

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the 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), or
3) Hedges of a net investment in a foreign operation (net investment hedge)

Hedge accounting is used for derivatives designated as such, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group will discontinue hedge accounting in the following scenarios:
– when the Group determines that a hedging instrument is not, or has ceased to be, highly effective as a hedge,
– when the derivative expires or is sold, terminated or exercised,
– when the hedged item matures, is sold or repaid; or
– when forecast transactions are no longer deemed highly probable.

Hedge ineffectiveness represents the amount by which:
– the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk, or
– the changes in the present value of future cash flows of the hedging instrument exceed changes (or expected changes) in the present value of future cash flows of the hedged item.

Such ineffectiveness is recorded in current period earnings in net gain/(loss) from financial instruments measured at fair value. Interest income and expense on derivatives designated as hedging instruments in effective hedge relationships is included in net interest income.

(i) Fair value hedge

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the Statement of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in the Statement of Comprehensive Income 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 the Statement of Comprehensive Income; the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains and losses accumulated in the Statement of Comprehensive Income 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 27.

(e) Offsetting financial instruments

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

(f) 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 amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts.

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) Banking 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 and the fee can be reliably measured.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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: 5–20 years
– Computer hardware: 3–5 years
– Furniture, equipment and motor vehicles: 3–10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the 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 at least annually. Where evidence of impairment exists, the carrying amount of goodwill is re-assessed and written down to recoverable amount (where recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use).

Goodwill is allocated to cash generating units for the purpose of impairment testing (note 34.3). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets – Client Relationships

They are stated at estimated costs less accumulated amortisation calculated on a 4 to 13 year basis. The remaining life is reviewed periodically for reasonableness.

(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 agreements

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

(v) Other intangible assets – Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. It is 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 and loans, which are entered in the balance sheet on their respective value dates.

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

Available-for-sale financial assets and financial assets at fair value are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value are included in the 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 the Statement of Comprehensive Income, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in the Statement of Comprehensive Income is recognised in the Income Statement. 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 is based on current bid prices. If there is no active market for financial assets, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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

Life insurance policies that are classified as held-to-maturity generate a return based on an effective Internal Rate of Return, included in Interest income and which increases the carrying value on the balance sheet. For policies transferred from available-for-sale, any available-for-sale equity reserve at the date of transfer is amortised into the Income Statement over the estimated remaining life of the life insurance policies. Any excess of death benefit compared to the carrying amount of an individual matured policy is amortised into the Income Statement over the estimated remaining life of the outstanding life insurance policies.

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

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

(i) Financial assets at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

(iv) Held-to-maturity

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) 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 portfolio 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 portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the portfolio, including:
   – adverse changes in the payment status of borrowers in the portfolio; or
   – national or local economic conditions that correlate with defaults on the assets in the portfolio.

(i) Available-for-sale assets

The Group determines that available-for-sale investments are potentially impaired for:

– Equity investments when there has been a significant or prolonged decline in the fair value of the investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.
– Debt investments when indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement – is removed from the Statement of Comprehensive Income and recognised in the Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in 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 the Income Statement, 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 ocurred, 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 life of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in gains less losses from other securities.

(l) Leases

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

(m) Deferred income tax

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

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of available-for-sale investments, which is taken directly to the Statement of Comprehensive Income, is charged or credited directly to the Statement of Comprehensive Income and is subsequently recognised in the Income Statement together with the deferred gain or loss. Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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

(n) Employee benefits

(i) Defined benefit obligations

The Group operates various pension schemes which are either defined contribution or defined benefit plans, depending on prevailing practice in each country. For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. This applies to most of the locations where the Group operates except for Switzerland.

A defined benefit plan is a pension plan that is not a defined contribution plan. The Switzerland pension plan in place is classified as a defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

In Switzerland, the Group maintains a pension plan according to Swiss pension law. The Group’s legal obligation, in respect of this plan, is merely to pay contributions at defined rates (defined contribution). However, this plan incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, this plan has been reported as a defined benefit pension plan for IFRS purposes.

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

(ii) Short-term employee benefits

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

(iii) Share-based compensation

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

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

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

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Share Capital
Ordinary shares and non-voting Bons de Participation issued are classified as equity.

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

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

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

(r) Fiduciary activities
Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets and income arising on fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements. See note 49.

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

(t) Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Upon retrospective application of IAS 19 revised, comparatives have been restated and restated opening balances as at 1 January 2012 have been added as a 'third balance sheet' to the consolidated balance sheet statement.

Comparatives have also been adjusted to conform to the presentation of discontinued operation.

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 may affect the reported amounts of assets and liabilities recognised in the financial statements in future periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of intangible assets

The Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs of disposal which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash-flow calculation based on the estimated future operating cash-flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 34.

(b) Fair value of financial instruments

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

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

The Group follows the guidance of IFRS13 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.1 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (11.4) million through the Income Statement (2012: loss of CHF (29.4) million), and a 3 month increase in actual life expectancies would result in a loss of CHF (17.0) million (2012: loss of CHF (9.7) million).

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

The Group follows the guidance of IFRS13 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.1 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (1.2) million through the Statement of Comprehensive Income (2012: loss of CHF (0.8) million), and a 3 month increase in actual life expectancies would result in a loss of CHF (2.0) million (2012: loss of CHF (1.2) million).

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

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

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

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

- Non-derivative financial asset: Life insurance policies are not treated as derivatives and are akin to fixed income instruments. A derivative typically involves only a percentage of the notional exposure being paid for and a leverage effect. However, the full value of the life insurance policies was paid when they were acquired and no leverage effect exists.
- Fixed or determinable payments: Cash flows relating to life insurance policies are the premium payments required to keep the policies in force and the death benefits receivable. The cash flow timing is determined by mortality assumptions derived from the standard mortality tables.
- Fixed maturity: No financial assets with indefinite lives can be classified as held-to-maturity. The life insurance policies have a prefixed event that determines the maturity of the instrument (i.e. the death of the insured which is estimated based on actuarial data).
- Intention and ability to hold to maturity: the Group concluded on recognition in 2010 that it had, and continues to have the intention and the ability to hold these life insurance policies until maturity.

(g) Held-to-maturity investments – Others

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

(h) Income taxes

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

(i) Legal provisions

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

The Group is taking part in the US Department of Justice's Program for non-prosecution agreements or non-target letters for Swiss banks as a Category 2 bank. The Group's management, with advice from external legal advisers, are required to make judgments as to the levels of uncertainty prevailing and provisions required. Further information is presented in note 42.

(j) Retirement benefit scheme

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 45.

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk. Most credit risk is limited to interbank placements with rated financial institutions and sovereign bodies, mortgages, lombard loans and other secured loans as well as credit risk associated with its holding of life insurance policies. Market risk is largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group. Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which has delegated certain functions to its Risk Committee, which sets policies and risk appetite. Implementation of the Group's policies and compliance with procedures is the responsibility of the Executive Committee and its sub-committees for market risk and credit risk.

In compliance with the art. 663b of Swiss Code of Obligation, the Board delegated to the Risk Committee the responsibility to analyse the main risks the Group may be exposed to. These main risks are the credit, market and operational risk as detailed below. Its monitoring of the credit risk is based on the ratings diversification and evolution; the one for the market risk is based on the average positions of last year and on the calculation of VaR (including stress scenario analysis); the one for the operational risk on its inventory of the identified risks with an indication of their probability of occurrence and the potential financial impacts estimated. In addition, the Group has taken into account in its analysis the risk mitigation measures and the internal control framework (including the internal procedures). The Board has also focused its attention to the guarantee of a constant monitoring and evaluation of these risks, 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 its primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions.

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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

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

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

(b) Debt securities and other bills

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

4.1.2 Risk limit control and mitigation policies

To qualify as collateral for a margin loan, a client's securities portfolio must generally be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Close to 80% of mortgages are originated by the UK subsidiary, EFG Private Bank Ltd and these mortgages are related predominantly to residential properties in prime London locations.

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

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

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

(b) Derivatives

The Group maintains a strict monitoring of credit risk exposure induced by over-the-counter derivatives transactions vs. dedicated limits granted. Credit risk exposure considers the current credit risk exposure through the mark-to-market of the transactions and the potential future exposure through dedicated add-on factors applied to the notional of the transactions. The Group has signed mitigating agreements with its most important financial institutional counterparties, where there is collateral paid or received that can be taken into consideration. The effect of such agreements is not taken into account in the computation of credit risk.

(c) Credit related commitments

Credit related commitments include the following:

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

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2013 and 2012, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2013 CHF millions	2012 CHF millions	2013 CHF millions	2012 CHF millions
Cash and balances with central banks	848.9	1,364.4	848.9	1,364.4
Treasury bills and other eligible bills	631.2	816.8	631.2	816.8
Due from other banks	2,200.2	3,393.3	1,492.3	1,966.8
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	8,529.4	7,651.3	89.5	78.8
Mortgages	3,032.4	2,782.8		
Derivative financial instruments	560.4	563.2	107.9	463.2
Financial assets at fair value:				
Trading Assets – Debt securities	113.3	283.8	113.3	283.8
Designated at inception – Debt securities	349.4	381.0	79.5	87.0
Investment securities – Debt securities	4,925.1	4,363.6	4,925.1	4,363.6
Other assets	155.7	560.7	155.7	560.7
On-balance sheet assets	**21,346.0**	22,160.9	**8,443.4**	9,985.1
Financial guarantees	270.6	285.9	0.9	6.8
Loan commitments, and other credit related guarantees	170.6	219.8	43.4	38.1
Off-balance sheet items	**441.2**	505.7	44.3	44.9
Total	**21,787.2**	22,666.6	**8,487.7**	10,030.0

See note 26 Collateral for loans and advances to customers which shows that collateralised loans comprised 99.0% (2012: 99.0%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2013 based on Moody's ratings:

	Aaa–Aa CHF millions	A CHF millions	Baa–Ba CHF millions	B–C CHF millions	Unrated CHF millions	Total CHF millions
Cash and balances with central banks	848.9					848.9
Treasury bills and other eligible bills	631.2					631.2
Due from other banks	269.1	924.8	18.7	0.1	279.6	1,492.3
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans			87.7	1.8		89.5
Mortgages						–
Derivative financial instruments	6.7	61.5	3.0		36.7	107.9
Financial assets at fair value:						
Trading Assets – Debt securities		101.6	11.7			113.3
Designated at inception – Debt securities	29.3	23.0	27.2			79.5
Investment securities – Debt securities	3,697.9	1,002.6	146.4		78.2	4,925.1
Other assets					155.7	155.7
Total on-balance sheet assets 2013	**5,483.1**	**2,113.5**	**294.7**	**1.9**	**550.2**	**8,443.4**
Total on-balance sheet assets 2012	6,345.7	2,026.4	427.0	2.3	1,183.7	9,985.1
Financial guarantees					0.9	0.9
Loan commitments, and other credit related guarantees					43.4	43.4
Total off-balance sheet items 2013	**–**	**–**	**–**	**–**	**44.3**	**44.3**
Total off-balance sheet items 2012	–	–	–	–	44.9	44.9

Selected European credit risk exposures

As at 31 December the Group had credit exposure, based on balance sheet carrying values, to the following European countries:

	Sovereign CHF millions	Financial Institutions CHF millions	Total CHF millions
31 December 2013			
Spain	61.6	38.7	100.3
Greece			–
Portugal			–
Italy	12.5	0.8	13.3
Total	**74.1**	**39.5**	**113.6**
31 December 2012			
Spain	64.7	39.5	104.2
Greece		0.2	0.2
Portugal		20.0	20.0
Italy	12.5	1.2	13.7
Total	77.2	60.9	138.1

The basis for the presentation of the country exposure, based on balance sheet carrying values, from banking counterparties or investment securities companies is the country of domicile of the legal entity that is the contractual counterparty.
A debt security issued by a company domiciled in country A would be shown against country A, independent of the location of its primary business activity or the exchange on which the security is registered.

Concentration of risks of financial assets with credit risk exposure

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

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		31 December 2013		31 December 2012	
		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)	11,491.0	2,200.2	10,379.7	3,393.3
Past due but not impaired	b)	70.8		54.4	
Impaired		9.6		10.3	
Gross		11,571.4	2,200.2	10,444.4	3,393.3
Less: allowance for impairment		(9.6)		(10.3)	
Net		**11,561.8**	**2,200.2**	10,434.1	3,393.3

The total impairment provision for loans and advances of CHF 9.6 million (2012: CHF 10.3 million) comprises specific provisions against individual loans. Note 25 relates to the impairment allowance for loans and advances to customers.

(a) Loans and advances neither past due nor impaired

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

	Loans and advances to customers		
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2013			
Grade 1–2	5,734.5	293.8	6,028.3
Grade 3	2,668.7	2,240.4	4,909.1
Grade 4–5	114.4	434.5	548.9
Grade 6–7	2.5		2.5
Grade 8			–
Grade 9–10	0.2	2.0	2.2
	8,520.3	**2,970.7**	**11,491.0**
31 December 2012			
Grade 1–2	5,629.6	279.0	5,908.6
Grade 3	1,828.7	2,063.7	3,892.4
Grade 4–5	190.2	386.0	576.2
Grade 6–7	1.0		1.0
Grade 8			–
Grade 9–10	1.5		1.5
	7,651.0	2,728.7	10,379.7

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

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

	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2013			
Greater than 180 days, past due	8.5	53.6	62.1
Less than 180 days, past due	0.6	8.1	8.7
Total	**9.1**	**61.7**	**70.8**
Fair value of collateral	17.8	74.4	92.2
31 December 2012			
Greater than 180 days, past due	0.3	50.5	50.8
Less than 180 days, past due		3.6	3.6
Total	0.3	54.1	54.4
Fair value of collateral	1.9	80.2	82.1

4.1.5 Impairment and provisioning policies

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

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

Grade descriptions	2013 Loans and advances %	2013 Impairment provision %	2012 Loans and advances %	2012 Impairment provision %
Grade 1–2	52.1%		56.4%	
Grade 3	42.4%		37.2%	
Grade 4–5	4.9%		5.9%	
Grade 6–7	0.5%		0.4%	
Grade 8	0.0%		0.0%	
Grade 9–10	0.1%	100.0%	0.1%	100.0%
	100.0%	**100.0%**	100.0%	100.0%

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

4.1.6 Debt securities, treasury bills, other eligible bills and investment securities

The table below presents an analysis of debt securities, treasury bills, other eligible bills and investment securities subject to credit risk, by rating agency designation at 31 December 2013, based on internal ratings:

	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
31 December 2013						
Grade 1–2	631.2		134.3	3,248.2	449.7	4,463.4
Grade 3		101.6	174.8	448.2	554.4	1,279.0
Grade 4–5		11.7	37.2	45.9	100.5	195.3
Unrated			3.1	75.7	2.5	81.3
Total	**631.2**	**113.3**	**349.4**	**3,818.0**	**1,107.1**	**6,019.0**
31 December 2012						
Grade 1–2	816.8	145.1	146.1	2,823.6	444.1	4,375.7
Grade 3		34.1	193.8	323.8	550.3	1,102.0
Grade 4-5		104.6	39.8	113.0	96.7	354.1
Unrated			1.3	9.6	2.5	13.4
Total	816.8	283.8	381.0	3,270.0	1,093.6	5,845.2

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, structured products, currencies, precious metals and commodities on behalf of its clients. This business is conducted primarily out of dealing rooms in Hong Kong, Geneva, London, Cayman and Miami.

The Group does not engage in proprietary trading in securities other than its holding of fixed income securities and life insurance policies in its banking book. The Group maintains small proprietary positions in foreign exchange instruments.

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 subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

	31 December 2013				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		107.6		107.6	
Interest rate derivatives	0.8	101.6		102.4	
Equity derivatives		298.0		298.0	
Other derivatives	0.1	4.2	1.5	5.8	
Life insurance related			46.6	46.6	
Total derivatives assets					**560.4**
Financial assets at fair value:					
Equity	0.1			0.1	
Debt	113.2			113.2	
Total trading assets					**113.3**
Designated at inception:					
Equity	0.4			0.4	
Debt	50.8			50.8	
Life Insurance related			298.6	298.6	
Total financial assets designated at inception					**349.8**
Investment securities: Available-for-sale					
Equity	0.9		25.6	26.5	
Debt	3,248.8	530.0		3,778.8	
Life Insurance related			39.2	39.2	
Total investment securities available-for-sale					**3,844.5**
Total assets measured at fair value	**3,415.1**	**1,041.4**	**411.5**	**4,868.0**	**4,868.0**
Derivative financial instruments (liabilities):					
Currency derivatives		130.2		130.2	
Interest rate derivatives		110.0		110.0	
Equity derivatives		300.4		300.4	
Other derivatives	0.8	3.5		4.3	
Total derivatives liabilities					**544.9**
Financial liabilities designated at fair value:					
Equity			18.2*	18.2	
Life Insurance related			292.5	292.5	
Total financial liabilities designated at fair value					**310.7**
Total liabilities measured at fair value	**0.8**	**544.1**	**310.7**	**855.6**	**855.6**
Assets less liabilities measured at fair value	**3,414.3**	**497.3**	**100.8**	**4,012.4**	**4,012.4**

* *Level 3 equity related financial liabilities designated at fair value of CHF 18.2 million comprises put options held by non-controlling interests with valuations based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.*

	31 December 2012 Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	33.6	65.9		99.5	
Interest rate derivatives	0.4	74.6		75.0	
Other derivatives		330.5	4.6	335.1	
Life insurance related			53.6	53.6	
Total derivatives assets					**563.2**
Financial assets at fair value:					
Equity	1,056.2			1,056.2	
Debt	283.8			283.8	
Total trading assets					**1,340.0**
Designated at inception:					
Equity	0.4			0.4	
Debt	51.1			51.1	
Life Insurance related			329.9	329.9	
Total financial assets designated at inception					**381.4**
Investment securities: Available-for-sale					
Equity	1.2		26.6	27.8	
Debt	2,896.2	329.0		3,225.2	
Life Insurance related			44.8	44.8	
Total investment securities available-for-sale					**3,297.8**
Total assets measured at fair value	**4,322.9**	**800.0**	**459.5**	**5,582.4**	**5,582.4**
Derivative financial instruments (liabilities):					
Currency derivatives	15.6	75.1		90.7	
Interest rate derivatives		124.0		124.0	
Other derivatives	0.9	506.0	7.0	513.9	
Total derivatives liabilities					**728.6**
Financial liabilities designated at fair value:					
Equity	30.8		17.9	48.7	
Debt	2.9			2.9	
Hybrid		26.0		26.0	
Life Insurance related			311.5	311.5	
Structured products		742.2		742.2	
Total financial liabilities designated at fair value					**1,131.3**
Total liabilities measured at fair value	**50.2**	**1,473.3**	**336.4**	**1,859.9**	**1,859.9**
Assets less liabilities measured at fair value	**4,272.7**	**(673.3)**	**123.1**	**3,722.5**	**3,722.5**

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of quoted bonds and equity.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(b) Movements of Level 3 instruments

	Assets in Level 3			
	Derivative financial instruments CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2013	58.2	329.9	71.4	459.5
Total gains or losses				
in the Income Statement – Interest and discount income		53.4	4.0	57.4
in the Income Statement – Net trading income	(1.1)			(1.1)
in the Income Statement – Net gain from financial instruments designated at fair value		(98.9)		(98.9)
in the Statement of Comprehensive Income			(11.7)	(11.7)
Purchases/Premiums paid	1.6	36.2	4.9	42.7
Disposals/Premiums received	(6.4)	(14.2)	(2.8)	(23.4)
Effect of disposal of subsidiary	(3.0)			(3.0)
Exchange differences	(1.2)	(7.8)	(1.0)	(10.0)
At 31 December 2013	**48.1**	**298.6**	**64.8**	**411.5**
Total gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	(1.1)	(45.5)	4.0	(42.6)

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilities in Level 3 CHF millions
At 1 January 2013	7.0	329.4	336.4
Total gains or losses			
in the Income Statement – Interest and discount income		52.5	52.5
in the Income Statement – Net trading income	0.1		0.1
in the Income Statement – Net gain from financial instruments designated at fair value		(86.8)	(86.8)
Purchases/Premiums paid		32.1	32.1
Disposals/Premiums received		(9.0)	(9.0)
Effect of disposal of subsidiary	(7.1)		(7.1)
Exchange differences		(7.5)	(7.5)
At 31 December 2013	**–**	**310.7**	**310.7**
Total gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	0.1	(34.3)	(34.2)

	Assets in Level 3			
	Derivative financial instruments CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2012	55.1	314.5	73.1	442.7
Total gains or losses				
in the Income Statement – Interest and discount income		48.7	6.2	54.9
in the Income Statement – Net trading income	4.0			4.0
in the Income Statement – Net gain from financial instruments designated at fair value		(34.9)		(34.9)
in the Statement of Other Comprehensive Income			(7.4)	(7.4)
Purchases/Premiums paid	1.5	33.6	4.9	40.0
Disposals/Premiums received	(1.0)	(24.0)	(4.3)	(29.3)
Exchange differences	(1.4)	(8.0)	(1.1)	(10.5)
At 31 December 2012	**58.2**	**329.9**	**71.4**	**459.5**
Total gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	4.0	13.8	6.2	24.0

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilities in Level 3 CHF millions
At 1 January 2012	7.7	297.3	305.0
Total gains or losses			
in the Income Statement – Interest and discount income		45.3	45.3
in the Income Statement – Net trading income	(0.7)		(0.7)
in the Income Statement – Net gain from financial instruments designated at fair value		(29.2)	(29.2)
Purchases/Premiums paid		30.8	30.8
Disposals/Premiums received		(7.6)	(7.6)
Exchange differences		(7.2)	(7.2)
At 31 December 2012	**7.0**	**329.4**	**336.4**
Total gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	(0.7)	16.1	15.4

No significant transfer between level 1, level 2 and level 3 instruments occurred during the year.

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

Valuation governance

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

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

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

Valuation techniques

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

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

Valuation technique		31 December 2013 CHF millions	31 December 2012 CHF millions
Discounted cash flow analysis	**Products**		
Derivatives	Credit default swaps	1.5	(2.4)
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	25.6	26.6
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(18.2)	(17.9)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	46.6	53.6
Financial assets at fair value	Physical life settlement policies	29.6	35.9
Financial assets at fair value	Physical life settlement policies*	269.0	294.0
Available-for-sale	Physical life settlement policies	39.2	44.8
Financial liabilities designated at fair value	Synthetic life settlement policies*	(292.5)	(311.5)
Total		**100.8**	123.1

** Assets valued at CHF 269.0 million (2012: CHF 294.0 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.*

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

(i) Life settlement policies

The Group uses a discounted cash flow valuation technique using non-market observable inputs for the valuation of physical and synthetic life settlement policies and related financial instruments. These incorporate:

– actuarially based assumptions on life expectancy, 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),
– premium estimates and
– market yield / discount factors – Internal rate of return ("IRR").

The assumptions on life expectancy are based on the Valuation Basic Table ("VBT") published by the Society of Actuaries and adjusted by external life settlement providers and actuaries to reflect the individual characteristics of a life settlement policy. Premium estimates are based on cost of insurance estimates, which are provided by independent parties specialised and experienced in the field of premium calculations for life settlement policies. The Group conducts a regular indepth review of such providers to ensure high quality standards and reliability of the forecasts. The IRR reflects the expected return an investor in a life settlement policy would expect to receive by buying a life settlement policy on the market and holding it until maturity. The market for life settlement policies is currently very illiquid and hence this IRR is unobservable in the current market, and as a result, assumptions are made in determining the relevant IRR.

The sensitivity to the Group's valuation of physical and synthetic life settlement policies and related financial instruments is included below:

		IRR		Life Expectancy		Premium Estimates	
		–1% CHF millions	+1% CHF millions	–3 months CHF millions	+3 months CHF millions	–5% CHF millions	+5% CHF millions
Life settlements sensitivity							
Derivatives	Synthetic policies	**3.2**	(2.9)	(0.3)	0.2		
Financial assets at fair value	Physical policies	**12.3**	(11.4)	17.4	(17.0)	8.6	(8.6)
Available-for-sale	Physical policies	**1.3**	(1.2)	2.0	(2.0)	1.2	(1.2)
Financial liabilities designated at fair value	Synthetic policies	**(12.9)**	12.0	(14.9)	14.7	(7.4)	7.4

(ii) Equity in stock exchanges and clearing houses

The participation in SIX Group is based on a valuation using the expected net asset value of SIX Group at the end of December 2013 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group has not yet published its December financial statements at the time of preparing these consolidated financial statements, the Group has made an estimate of the net asset value using unobservable data, being the estimated SIX Group year-end net profit as of December 2013. The sensitivity to this valuation is that the gain/loss taken through Comprehensive Income for a 30% higher and 30% lower 12 month 2013 estimated profit would be CHF 0.5 million gain or CHF (0.5) million loss on this position classified as available-for-sale.

(iii) Credit default swaps ("CDS")

The Group has entered into long/short CDS transactions. Each transaction is composed of two CDS, one where the Group is the protection buyer and will, in the event of a default, deliver the reference bond while receiving par, and one where the Group is the protection seller and will in case of default, receive the cheapest bond in the market from a basket of pari passu deliverable bonds while paying par. These positions are valued using non-observable inputs, primarily the recovery rates that are not observable from the market and under the ISDA assumption that the recovery rates are constant during the CDS life. The sensitivity to this valuation is that the recovery rates may be higher or lower resulting in a gain/loss taken through the Income Statement. For a 10% higher recovery rate, the estimated profit would be CHF 0.1 million lower.

(iv) Put option over non-controlling interests – liability to purchase non-controlling interest

The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of CHF 18.2 million that corresponds to the estimated discounted repurchase amount, which was deducted from shareholders' equity when the put options were created. The put options valuation methodology has been contractually agreed upon with the minority shareholders and is based on unobservable but objective accounting information (the Continuing Valuation Methodology – "CVM"). This valuation methodology takes into account three relevant accounting measures: EBITDA, Net revenues and Normalised Net Assets. The CVM shall contractually never be lower than a fixed amount, which sets the minimum price of the put options at EUR 14.8 million. The actual CVM calculated as per end of December is below the contractual CVM and thus the current sensitivity of the put options is considered to be zero, hence no sensitivity to this currently exists.

Put options held by non-controlling interests have valuations based on contractual terms and therefore are not dependent on internal assumptions on inputs. However, they are classified as Level 3 due to the absence of quoted prices or observable inputs.

(d) Offsetting

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

As at 31 December 2013	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements	Related amounts not set off in balance sheet: Cash collateral received	Net exposure
Derivatives	611.4	(51.0)	560.4	(274.5)	(10.1)	275.8
Life insurance policies – Designated at fair value at inception	269.0	–	269.0	(292.5)	–	–
Total financial assets	**880.4**	**(51.0)**	**829.4**	**(567.0)**	**(10.1)**	**275.8**

As at 31 December 2013	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	Related amounts not set off in balance sheet: Financial assets subject to netting agreements balance sheet	Related amounts not set off in balance sheet: Cash collateral paid	Net exposure
Derivatives	595.9	(51.0)	544.9	(295.5)	(118.2)	131.2
Life insurance policies - Designated at fair value at inception	292.5	–	292.5	(269.0)	(100.0)	–
Total financial liabilities	**888.4**	**(51.0)**	**837.4**	**(564.5)**	**(218.2)**	**131.2**

As at 31 December 2012	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements	Related amounts not set off in balance sheet: Cash collateral received	Net exposure
Derivatives	648.4	(85.2)	563.2	(395.9)	(20.9)	146.4
Life insurance policies - Designated at fair value at inception	294.0		294.0	(311.5)	–	–
Total financial assets	**942.4**	**(85.2)**	**857.2**	**(707.4)**	**(20.9)**	**146.4**

As at 31 December 2012	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	Related amounts not set off in balance sheet: Financial assets subject to netting agreements balance sheet	Related amounts not set off in balance sheet: Cash collateral paid	Net amount
Derivatives	813.8	(85.2)	728.6	(352.7)	(65.5)	310.4
Life insurance policies - Designated at fair value at inception	311.5		311.5	(294.0)	(101.0)	–
Total financial liabilities	**1,125.3**	**(85.2)**	**1,040.1**	**(646.7)**	**(166.5)**	**310.4**

The Group is netting down legs of identified CDS where the counterparty, the maturities and the currency are matched and where the Group has a legal enforceable right to settle net with the counterparty, and where operationally the settlement is made on a net basis. At the end of December 2013 derivative financial instruments valued at CHF 52.5 million have been netted with derivative financial instruments with a negative value CHF 51.0 million for a net presentation of derivative financial instruments as an asset with a value of CHF 1.5 million.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

4.2.2 Assets and liabilities not measured at fair value

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

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2013				
Financial Assets				
Due from other banks	(i)	2,200.2	2,204.7	4.5
Loans and advances to customers	(ii)	11,561.8	11,633.9	72.1
Investment securities – Held-to-maturity – Life insurance related	(iii)	689.2	482.3	(206.9)
Investment securities – Held-to-maturity – Debt	(iv)	417.9	371.9	(46.0)
		14,869.1	**14,692.8**	**(176.3)**
Financial Liabilities				
Due to other banks	(v)	290.1	287.1	3.0
Due to customers	(vi)	16,443.8	16,450.3	(6.5)
Subordinated loans	(vii)	245.1	258.7	(13.6)
Other financial liabilities	(viii)	2,421.5	2,432.4	(10.9)
		19,400.5	**19,428.5**	**(28.0)**
Net financial instruments not measured at fair value		**(4,531.4)**	**(4,735.7)**	**(204.3)**
31 December 2012				
Financial Assets				
Due from other banks		3,393.3	3,396.6	3.3
Loans and advances to customers		10,434.1	10,500.5	66.4
Investment securities – Held-to-maturity – Life insurance related		682.4	476.8	(205.6)
Investment securities – Held-to-maturity – Debt		411.2	363.9	(47.3)
		14,921.0	14,737.8	(183.2)
Financial Liabilities				
Due to other banks		885.3	882.1	3.2
Due to customers		16,084.0	16,083.0	1.0
Other financial liabilities		2,938.1	2,964.2	(26.1)
		19,907.4	19,929.3	(21.9)
Net financial instruments not measured at fair value		(4,986.4)	(5,191.5)	(205.1)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows, which have been adjusted downwards to reflect actual versus expected mortality experience in the life settlement industry.

These adjusted cash flows have been discounted at an Internal Rate of Return ("IRR") of 12.3%. This IRR is equivalent to an IRR of 16% using unadjusted cash flows (2012: 16.0%). The carrying value is derived from an acquisition value (based on an IRR at acquisition of 10.7%) and an accrual on an effective interest rate using a basis of 4.1% (2012: 4.8%) on life insurance policies outstanding at year end. The fair values are within level 3 of the fair value hierarchy. The methodology to determine the fair value of the life insurance portfolio is as described at note 4.2.1 c).

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

Fair value for held-to-maturity assets is calculated using expected cash flows discounted at current market rates, based on estimates using quoted market prices for securities with similar credit, maturity and yield characteristics.
Determined fair values are within level 2 of the fair value hierarchy.

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

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

(vii) Subordinated loans

The estimated fair value of the subordinated loans is based on the quoted market prices for these listed securities.

(viii) Other financial liabilities

The value of structured products sold to clients is reflected on an accrual basis for the debt host (and on a fair value for the embedded derivative). The fair value of the debt host is based on the discounted amount of estimated future cash flows expected to be paid up to the date of maturity of the instrument. Expected cash flows are discounted at current market rates to determine fair value. The fair values are within level 3 of the fair value hierarchy.

4.2.3 Deferred day-1 profit or loss

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

	31 December 2013 CHF millions	31 December 2012 CHF millions
At 1 January	1.5	1.7
Recognised in the Income Statement		(0.2)
At 31 December	1.5	1.5

4.2.4 Market risk measurement techniques

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks. It is used internally only, for control and management purposes. As part of the management of market risk, the Group may from time to time, undertake various hedging strategies (note 27). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets as well as fixed rate liabilities.

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

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed statistically to estimate the maximum potential periodic loss from adverse movements in interest rates (excluding credit spreads), foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The Group VaR methodology is based on a full revaluation historical VaR approach. The Group produces its VaR figures with an In-house tool using a 10-day holding period with a 201-day observation period. While the rest of the Group produces its VaR figures with an In-house tool using a 10-day holding period with a 201-day observation period.

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

Daily risk reports review compliance with market risk 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
2013				
Interest rate risk	5.0	3.4	10.3	1.4
Currency risk	0.3	0.2	0.8	0.0
Equity price risk	0.2	0.3	0.9	0.2
VaR	**5.5**	**3.9**	**12.0**	**1.6**
2012				
Interest rate risk	1.9	4.1	5.6	1.9
Currency risk	0.5	0.5	1.0	0.4
Equity price risk	3.8	4.4	5.4	3.7
VaR	6.2	9.0	12.0	6.0

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

(b) Alternative sensitivity analysis

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

i) Trading assets and designated at fair value through profit or loss, which includes life insurance policies, structured products and unquoted equities
ii) Available-for-sale – life insurance policies
iii) Financial liabilities – life insurance policies and liabilities to purchase non-controlling interests.

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

The following risks exist for positions at 31 December 2013 for which i) VaR is not calculated above or ii) Sensitivity analysis is not presented in note 4.2.1 (c).

			Price Risk		
Category	Product	Impact from	Market value CHF millions	Income Statement CHF millions	Statement of Comprehensive Income CHF millions
Available-for-sale	Unquoted equities	30% lower profits	25.6		(0.5)
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(18.2)		

(c) Stress tests

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

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

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

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

(d) Earnings at risk

In line with the FINMA circular 08/6 related to interest rate income, Net Interest Income sensitivity (NII) and Interest Earnings at Risk (IEAR) measurements have been implemented and outcomes are regularly reviewed against defined stress scenario limits.

4.2.5 Interest rate risk

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

31 December 2013	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
Assets						
Cash and balances with central banks					848.9	848.9
Treasury bills	622.4	8.8				631.2
Due from other banks	2,074.4	7.1	86.9	26.9	4.9	2,200.2
Loans and advances to customers	9,248.1	1,237.7	1,022.0	9.5	44.5	11,561.8
Derivative financial instruments	166.8			3.2	390.4	560.4
Financial assets at fair value:						
Trading Assets		3.7	109.2	0.4		113.3
Designated at inception	13.0	38.2		296.0	2.6	349.8
Investment securities:						
Available-for-sale	573.6	390.8	1,216.2	1,634.9	29.0	3,844.5
Held-to-maturity		417.9		689.2		1,107.1
Other assets					155.7	155.7
Total financial assets	**12,698.3**	**2,104.2**	**2,434.3**	**2,660.1**	**1,476.0**	**21,372.9**
Liabilities						
Due to other banks	190.2	49.1			50.8	290.1
Due to customers	14,558.3	782.0	66.3		1,037.2	16,443.8
Subordinated loans			230.6		14.5	245.1
Derivative financial instruments	124.4	1.7		4.7	414.1	544.9
Financial liabilities designated at fair value				292.5	18.2	310.7
Other financial liabilities	613.6	436.2	1,154.2	210.7	6.8	2,421.5
Provisions	18.2				8.6	26.8
Other liabilities					269.6	269.6
Total financial liabilities	**15,504.7**	**1,269.0**	**1,451.1**	**507.9**	**1,819.8**	**20,552.5**
On-balance-sheet interest repricing gap	(2,806.4)	835.2	983.2	2,152.2	(343.8)	820.4
Off-balance-sheet interest repricing gap	2,312.9	99.5	(1,229.3)	(1,183.1)		–
31 December 2012						
Total financial assets	14,164.2	1,945.7	2,289.8	1,184.4	3,661.2	23,245.3
Total financial liabilities	16,440.7	2,283.8	2,080.5	292.0	1,194.6	22,291.6
On-balance-sheet interest repricing gap	(2,276.5)	(338.1)	209.3	892.4	2,466.6	953.7
Off-balance-sheet interest repricing gap	751.4	(19.6)	(704.5)	(27.3)		

Fair value interest rate risk hedges

The Group interest rate risk arises from long-term exposures to bonds. Holdings in bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has acquired fixed rate bonds. Interest rate swaps used for hedging purposes are disclosed in note 27.1.

4.2.6 Foreign exchange risk

The Group carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, in foreign operations. The overall net nominal positions per currency are monitored against overnight limits. In addition, VaR and stress test daily 10 sliding days stop loss limits are in place. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions.

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG Bank AG use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

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

4.3 Liquidity risk

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

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

4.3.1 Liquidity risk management process

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

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

The Group's liquidity risk management process is carried out by the Financial Markets department 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 (repaid or sold) as protection against any unforeseen interruption to cash flow
– Monitoring balance sheet liquidity ratios against internal and regulatory requirements
– Managing the concentration and profile of debt maturities.

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

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

4.3.2 Funding approach

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

4.3.3 Financial liabilities cash flows

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

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2013						
Liabilities						
Due to other banks	110.1	86.7	93.7			290.5
Due to customers	13,479.3	1,993.0	878.9	101.1		16,452.3
Subordinated loans					245.1	245.1
Derivative financial instruments	10,028.7	2,414.6	1,484.1	131.4	18.1	14,076.9
Financial liabilities designated at fair value	18.2				292.5	310.7
Other financial liabilities	439.8	140.2	438.0	1,159.0	255.8	2,432.8
Provisions	23.9	0.7	2.2			26.8
Other liabilities	191.0	48.1	30.4	0.1		269.6
Total financial liabilities	**24,291.0**	**4,683.3**	**2,927.3**	**1,391.6**	**811.5**	**34,104.7**
Total off balance-sheet	**11.4**	**16.4**	**267.2**	**74.0**	**72.2**	**441.2**
31 December 2012						
Liabilities						
Due to other banks	745.5	47.2	45.8	48.3		886.8
Due to customers	12,644.6	1,187.2	621.5	1,639.1		16,092.4
Derivative financial instruments	6,528.0	2,487.9	1,251.1	247.5	24.9	10,539.4
Financial liabilities designated at fair value	44.3	21.3	307.6	322.0	436.0	1,131.2
Other financial liabilities	316.2	197.6	753.5	1,456.9	240.1	2,964.3
Provisions	2.9	0.9	2.8	4.9		11.5
Other liabilities	364.0	8.1	48.1	4.3	6.8	431.3
Total financial liabilities	20,645.5	3,950.2	3,030.4	3,723.0	707.8	32,056.9
Total off balance-sheet	32.9	18.9	164.1	226.5	63.3	505.7

4.3.4 Summary of Liquidity

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

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

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

4.4 Capital Management

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

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

The Group's eligible capital comprises two tiers:

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2013 and 2012. 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.

	Basel III Fully applied 31 December 2013 Unaudited CHF millions	Basel II 31 December 2012 Unaudited CHF millions restated
Tier 1 capital		
Share capital	74.0	77.2
Share premium	1,238.4	1'239.0
Other reserves	(49.1)	119.9
Retained earnings	(161.6)	(260.1)
Non-controlling interests	4.8	100.3
IFRS: Total shareholders' equity	**1,106.5**	1,276.3
Less: Proposed dividend on Ordinary Shares (note 53)	(29.5)	(14.6)
Less: Accrual for estimated expected future dividend on Bons de Participation	(0.1)	(1.3)
Less: Available-for-sale investment securities revaluation reserve	(16.7)	(17.6)
Less: Loans to employees		(0.5)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(235.5)	(245.3)
Less: Bons de Participation	(16.4)	
Less: Other Basel III deductions	(42.6)	
Common Equity Tier 1 (CET1)	**765.7**	
Additional Tier 1 (AT1): Bons de Participation	16.4	
Total qualifying Tier 1 capital	**782.1**	997.0
Tier 2 capital		
Subordinated loans	230.6	50.7
Available-for-sale investment securities revaluation reserve (45% weighted)	7.5	7.9
Total regulatory capital	**1,020.2**	1,055.6
Risk-weighted assets		
Credit risk including Settlement risk	4,120.5	3,977.5
Non-counterparty related risk	44.3	55.7
Market risk*	223.8	620.7
Operational risk*	1,272.2	1,392.3
Total risk-weighted assets	**5,660.8**	6,046.2

	31 December 2013 %	31 December 2012 %
Basel II – BIS Total Ratio (after deducting proposed dividend on Ordinary Shares)		**17.5**
Basel III – BIS CET1 Ratio (after deducting proposed dividend on Ordinary Shares)	**13.5**	
Basel III – BIS Total Ratio (after deducting proposed dividend on Ordinary Shares)	**18.0**	

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

5. NET INTEREST INCOME

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Interest and discount income		
Banks and customers	287.1	283.8
Available-for-sale securities	42.0	63.5
Financial assets at fair value	55.5	51.9
Held-to-maturity*	31.7	37.7
Treasury bills and other eligible bills	0.9	2.5
Total interest and discount income	**417.2**	439.4
Interest expense		
Banks and customers	(155.9)	(196.5)
Financial liabilities	(31.6)	(11.1)
Subordinated loans	(16.5)	(7.7)
Total interest expense	**(204.0)**	(215.3)
Net interest income	**213.2**	224.1

* Net of amortisation of available-for-sale equity reserve, relating to the life insurance policies transferred from available-for-sale, of CHF (10.4) million (2012: CHF (10.5) million).

Interest income accrued on impaired financial assets is CHF nil (2012: CHF 0.2 million).

6. NET BANKING FEE AND COMMISSION INCOME

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Banking fee and commission income		
Commission income	429.3	435.4
Commission expense	(86.0)	(89.8)
Net banking fee and commission income	**343.3**	345.6

7. DIVIDEND INCOME

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Trading assets		0.1
Available-for-sale investment securities	3.5	1.2
Dividend income	**3.5**	1.3

8. NET TRADING INCOME

	31 December 2013 CHF millions	31 December 2012 CHF millions
Foreign exchange	74.5	70.2
Net trading income	**74.5**	70.2

9. NET GAIN FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31 December 2013 CHF millions	31 December 2012 CHF millions
Financial instruments measured at fair value		
Equity securities	(0.3)	(1.6)
Debt securities	4.1	6.3
Derivatives instruments	5.9	10.1
Life insurance securities	(1.9)	0.5
Inefficiency on fair value hedges		
Disposal of MBAM revenue share		13.9
Net gain from financial instruments measured at fair value	**7.8**	29.2

	31 December 2013 CHF millions	31 December 2012 CHF millions
Inefficiency on fair value hedges		
Net gains/(losses) on hedging instruments	61.1	(40.8)
Net gains/(losses) on hedged items attributable to the hedged risk	(61.1)	40.8
Net gains/(losses) representing ineffective portions of fair value hedges	**–**	–

10. GAINS LESS LOSSES ON DISPOSAL OF AVAILABLE FOR SALE INVESTMENT SECURITIES

	31 December 2013 CHF millions	31 December 2012 CHF millions
Transfer from the Statement of Comprehensive Income		
Debt securities	13.1	(0.7)
Life insurance securities	(2.5)	(1.6)
Gains less losses on disposal of available for sale investment securities	**10.6**	(2.3)

11. IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Impairments on amounts due from customers	(2.4)	(4.7)
Reversal of impairments on amounts due from customers	1.0	0.3
Impairment on loans and advances to customers (note 25)	**(1.4)**	(4.4)

12. OPERATING EXPENSES

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Staff costs (note 13)	(396.2)	(406.5)
Professional services	(19.2)	(13.4)
Advertising and marketing	(9.4)	(8.9)
Administrative expenses	(49.2)	(55.9)
Operating lease rentals	(27.1)	(28.4)
Depreciation of property, plant and equipment (note 35)	(7.8)	(8.8)
Amortisation of intangible assets		
Computer software and licences (note 34)	(3.3)	(4.0)
Other intangible assets (note 34)	(4.5)	(4.9)
Legal and litigation expenses	(7.2)	(5.5)
Provision for litigation risks (note 42)		9.9
Other	(23.3)	(27.9)
Operating expenses	**(547.2)**	(554.3)

13. STAFF COSTS

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Wages, salaries and staff bonuses	(325.9)	(332.1)
Social security costs	(22.1)	(26.7)
Pension costs		
Defined benefits (note 45)	(9.8)	(8.8)
Other net pension costs	(6.6)	(7.8)
Employee Equity Incentive Plans (note 55)	(12.0)	(12.0)
Other	(19.8)	(19.1)
Staff costs	**(396.2)**	(406.5)

As at 31 December 2013 the number of employees of the Group was 1,989 and the average for the year was 1,992 (31 December 2012: 2,260 and average for the year 2,357).

14. IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

	31 December 2013 CHF millions	31 December 2012 CHF millions
Impairment of goodwill		(1.4)
Impairment of intangible assets and goodwill	**–**	(1.4)

Further details are presented under note 34.1.

15. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

	31 December 2013 CHF millions	31 December 2012 CHF millions
Gain/(loss) on disposal of subsidiaries	0.5	(1.7)
Total	**0.5**	(1.7)

On 19 February 2013, the Group disposed of its subsidiary On Finance SA for its net asset value (no gain on disposal realised).

16. DISCONTINUED OPERATIONS

The Group realised a net gain of CHF 33.8 million on the disposal of Leonteq AG (previously EFG Financial Products). On 23 April 2013, the Group sold its remaining stake of 20.25% in Leonteq AG for an amount of CHF 70.2 million, Leonteq AG has been deconsolidated from that date. On disposal of Leonteq AG, non-controlling interests of CHF 104.9 million were derecognised from the shareholder's equity and CHF 4.3 billion of Assets under Management deconsolidated.

The results of the discontinued operation included in the income statement for the year and related cash flows and other information are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year due to their disposal.

	31 December 2013 CHF millions	31 December 2012 CHF millions
Profit for the year from discontinued operations		
Net interest (expense)/income	(0.8)	0.8
Net banking fee and commission income	53.7	146.1
Net other (expense)/income	(1.4)	6.6
	51.5	153.5
Operating expenses	(35.3)	(129.8)
Profit before tax	16.2	23.7
Attributable income tax expense	(3.3)	(1.5)
	12.9	22.2
Gain on disposal	33.8	
Profit for the year from discontinued operations (attributable to owners of the Group)	46.7	22.2
Net profit attributable to owners of the Group	36.4	10.5
Net profit attributable to non-controlling interests from discontinued operations	10.3	11.7
	46.7	22.2

The gain on disposal included above in the profit for the year comprises:

Gain on disposal of discontinued operations	CHF millions
Consideration received	70.2
Transaction costs	(1.1)
Net assets disposed of	(140.2)
Non-controlling interests	104.9
Gain on disposal	**33.8**

Analysis of assets and liabilities over which control was lost	
Assets	
Cash and cash equivalents	112.2
Due from other banks	335.0
Trading assets	2,263.4
Derivative financial instruments	715.2
Intangible assets	20.4
Property, plant and equipment	8.5
Other assets	414.4
Liabilities	
Due to other banks	(1,146.3)
Derivative financial instruments	(880.8)
Financial liabilities designated at fair value	(1,414.0)
Other liabilities	(287.8)
Net assets disposed of	140.2

Net cash out flow on disposal of subsidiary, discontinued operation	
Consideration received in cash and cash equivalents	70.2
Less: transaction costs	(1.1)
Less: cash and cash equivalents balances disposed of	(112.2)
Total net consideration	(43.1)

Cash flows from discontinued operations	31 December 2013 CHF millions	31 December 2012 CHF millions
Net cash flows from operating activities	**96.7**	(275.5)
Net cash flows from investing activities	**(53.6)**	(556.2)
Net cash flows from financing activities	**522.2**	862.9
Net cash flows	**565.3**	31.2

17. INCOME TAX EXPENSE

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Current tax expense	(11.5)	(11.2)
Deferred tax gain/(expense) (note 18)	3.3	(7.4)
Total income tax expense	**(8.2)**	(18.6)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average rates of the Group, as follows:

Operating profit before tax	84.2	120.3
Tax at the weighted average applicable rate of 16% (2012: 15%)	(13.5)	(18.0)
Tax effect of:		
Impairment of deferred tax assets		(4.8)
Income not subject to tax	7.2	8.3
Different tax rates in different countries	(6.1)	(5.3)
Current year losses not recognised		(3.0)
Future years profits recognised	2.0	2.8
Release of prior years tax over-provisions	2.7	2.2
Prior years losses recognised	1.6	
Other differences	(2.1)	(0.8)
Total income tax expense	**(8.2)**	(18.6)

The weighted average tax rate of 16% is based on the operating entities local tax rates relative to the taxable income in these jurisdictions.

18. DEFERRED INCOME TAXES

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

Deferred income tax assets and liabilities comprise the following:

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions	Restated 1 January 2012 CHF millions
Deferred income tax assets	36.3	32.1	48.6
Deferred income tax liabilities	(34.6)	(35.0)	(36.4)
Net deferred income tax assets/(liabilities)	**1.7**	(2.9)	12.2

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

At 1 January	(2.9)	12.2
Restatement (IAS19 revised)		4.1
Charge for the period in the Income Statement – continuing businesses	3.3	(7.4)
Charge for the period in the Income Statement – discontinuing businesses		(1.3)
Available-for-sale adjustment through Comprehensive Income	0.8	(9.9)
Decrease on sale of subsidiary	1.5	(0.5)
Exchange differences	(1.0)	(0.1)
At 31 December	**1.7**	(2.9)

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

Tax losses carried forward	31.7	30.9
Temporary differences – income under IFRS not recognised in taxable income	4.6	1.2
Deferred income tax assets	**36.3**	32.1
Arising from acquisition of intangible assets	(26.8)	(26.8)
Temporary differences – expenses under IFRS not recognised in taxable income	(7.8)	(8.2)
Deferred income tax liabilities	**(34.6)**	(35.0)
Net deferred income tax assets/(liabilities)	**1.7**	(2.9)

The deferred income tax gain/(expense) in the Statement of Comprehensive Income comprises the following temporary differences:

Utilisation of tax losses carried forward	(0.8)	(1.5)
Creation of deferred tax assets	2.9	2.8
Impairment of deferred tax assets		(4.8)
Deferred tax liabilities related to intangibles impaired		
Deferred tax liabilities related to intangibles amortised		0.8
Other temporary differences	1.2	(4.7)
Deferred tax gain/(expense)	**3.3**	(7.4)

Temporary differences resulting in deferred tax assets of CHF 4.6 million (2012: CHF 1.2 million) relate to differences between local tax rules and accounting standards of CHF 3.8 million and CHF 0.8 million relate to valuation adjustments made to financial assets and liabilities only reflected in local tax accounts.

Temporary differences resulting in deferred tax liabilities of CHF 7.8 million (2012: CHF 8.2 million as restated) relate to valuation of financial assets not reflected in local tax accounts of CHF 6.5 million (2012: CHF 6.7 million), pension assets recognised for IFRS but not for local tax purposes of CHF 0 million (2012: CHF 0 million as restated, however prior to adoption of IAS19 revised a temporary difference of CHF 5.3 million was reflected in the 2012 financial statements) and CHF 1.3 million (2012: CHF 1.5 million) relate to sundry other differences between local tax rules and accounting standards.

The Group has deferred tax assets related to tax losses carried forward of CHF 31.7 million as a result of subsidiaries with tax losses of CHF 206.5 million (2012: CHF 178.7 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 40.5 million will expire in less than 3 years, CHF 165.9 million will expire in more than 3 but less than 7 years and CHF 0.1 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2013			
Interest and discount income	124.6	292.6	417.2
Interest expense	(46.1)	(157.9)	(204.0)
Net interest income	**78.5**	**134.7**	**213.2**
Banking fee and commission income	95.9	333.4	429.3
Banking fee and commission expense	(21.6)	(64.4)	(86.0)
Net banking fee and commission income	**74.3**	**269.0**	**343.3**
Dividend income	3.5		3.5
Net trading income		74.5	74.5
Net gain/(loss) from financial instruments measured at fair value	23.4	(15.6)	7.8
Gains less losses from investment securities	(1.1)	11.7	10.6
Other operating income/(loss)	58.8	(45.7)	13.1
Net other income	**84.6**	**24.9**	**109.5**
Operating income	**237.4**	**428.6**	**666.0**
Operating expenses	(230.4)	(316.8)	(547.2)
Other provisions	(14.5)	(19.2)	(33.7)
Gain on disposal of subsidiary		0.5	0.5
Impairment on loans and advances to customers	(0.5)	(0.9)	(1.4)
Profit before tax	**(8.0)**	**92.2**	**84.2**
Income tax expense	2.7	(10.9)	(8.2)
Net profit for the period from continuing operations	**(5.3)**	**81.3**	**76.0**
Discontinued operations			
Profit for the year from discontinued operations	46.7		46.7
Profit for the year	**41.4**	**81.3**	**122.7**
Net profit for the period attributable to:			
Net profit attributable to owners of the Group	31.1	80.7	111.8
Net profit attributable to non-controlling interests		0.6	0.6
Net profit attributable to non-controlling interests from discontinued operations	10.3		10.3
	41.4	**81.3**	**122.7**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2012 – restated			
Interest and discount income	152.0	287.4	439.4
Interest expense	(90.5)	(124.8)	(215.3)
Net interest income	61.5	162.6	224.1
Banking fee and commission income	122.8	312.6	435.4
Banking fee and commission expense	(30.0)	(59.8)	(89.8)
Net banking fee and commission income	92.8	252.8	345.6
Dividend income	1.1	0.2	1.3
Net trading income	(24.7)	94.9	70.2
Net gain/(loss) from financial instruments measured at fair value	50.5	(21.3)	29.2
Gains less losses from investment securities		(2.3)	(2.3)
Other operating income/(loss)	44.6	(15.6)	29.0
Net other income	71.5	55.9	127.4
Operating income	225.8	471.3	697.1
Operating expenses	(207.0)	(347.3)	(554.3)
Impairment of intangible assets and goodwill	(0.7)	(0.7)	(1.4)
Provision for restructuring costs		(11.7)	(11.7)
Currency translation loss transferred from the Statement of Comprehensive Income		(3.3)	(3.3)
Loss on disposal of subsidiary		(1.7)	(1.7)
Impairment on loans and advances to customers	(2.7)	(1.7)	(4.4)
Profit before tax	15.4	104.9	120.3
Income tax expense	(3.3)	(15.3)	(18.6)
Net profit for the period from continuing operations	12.1	89.6	101.7
Discontinued operations			
Profit for the year from discontinued operations	22.2		22.2
Profit for the year	34.3	89.6	123.9
Net profit for the period attributable to:			
Net profit attributable to owners of the Group	22.6	88.6	111.2
Net profit attributable to non-controlling interests		1.0	1.0
Net profit attributable to non-controlling interests from discontinued operations	11.7		11.7
	34.3	89.6	123.9

20. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Cash in hand	6.8	9.8
Balances with central banks	842.1	1,354.6
Cash and balances with central banks	**848.9**	1,364.4

21. CASH AND CASH EQUIVALENTS

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

	31 December 2013 CHF millions	31 December 2012 CHF millions
Cash and balances with central banks	848.9	1,364.4
Treasury bills and other eligible bills	486.5	184.1
Due from other banks – At sight	859.7	1,103.1
Due from other banks – At term	871.7	1,695.0
Cash and cash equivalents with less than 90 days maturity	**3,066.8**	4,346.6

22. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Treasury bills	388.1	738.1
Other eligible bills	243.1	78.7
Treasury bills and other eligible bills	**631.2**	816.8
Pledged treasury bills with central banks and clearing system companies.	–	–

23. DUE FROM OTHER BANKS

	31 December 2013 CHF millions	31 December 2012 CHF millions
At sight	859.7	1,103.1
At term – with maturity of less than 90 days	871.7	1,695.0
At term – with maturity of more than 90 days	468.8	595.2
Due from other banks	**2,200.2**	3,393.3
Pledged due from other banks	*256.9*	*353.1*

24. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Due from customers	8,536.9	7,660.4
Mortgages	3,034.5	2,784.0
Gross loans and advances	**11,571.4**	10,444.4
Less: Provision for impairment losses (note 25)	(9.6)	(10.3)
Loans and advances to customers	**11,561.8**	10,434.1

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

	31 December 2013		31 December 2012	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	3,126.3	27.0	2,977.1	28.6
Asia and Oceania	2,757.1	23.8	2,462.6	23.6
Europe (other)	2,331.1	20.2	1,902.0	18.2
United Kingdom	1,475.4	12.8	1,440.2	13.8
Luxembourg	814.4	7.0	671.9	6.4
Africa and Middle East	426.2	3.7	416.3	4.0
United States and Canada	400.2	3.5	349.4	3.3
Switzerland	231.1	2.0	214.6	2.1
Total	**11,561.8**	**100.0**	10,434.1	100.0

This analysis is based on the client's place of residence and not necessarily on the domicile of the credit risk.

25. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2013 CHF millions	31 December 2012 CHF millions
At 1 January	10.3	8.4
Impairment on loans and advances to customers (note 11)	1.4	4.4
Utilisation of provision	(2.0)	(2.4)
Exchange differences	(0.1)	(0.1)
At 31 December	**9.6**	10.3

26. COLLATERAL FOR LOANS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Loans and advances to customers		
Mortgages	3,032.4	2,782.8
Secured by other collateral	8,439.9	7,572.5
Unsecured	89.5	78.8
Total loans and advances to customers	**11,561.8**	10,434.1
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	396.9	460.8
Contingent liabilities unsecured	44.3	44.9
Total off-balance sheet commitments	**441.2**	505.7

The unsecured loans include CHF 28.0 million (2012: 30.0 million) of loans made with no collateral and CHF 61.5 million (2012: CHF 48.8 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured", however they are within the approved unsecured lending limits for the customers.

See note 4.1 for further details on collateral.

27. DERIVATIVE FINANCIAL INSTRUMENTS

27.1 Derivatives

The Group's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.

The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out in the following table:

	31 December 2013			31 December 2012		
	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	4,137.8	41.0	38.3	5,275.3	45.8	36.4
Currency swaps	9,829.0	44.2	69.6	5,064.9	33.9	33.2
OTC currency options	1,825.3	22.4	22.3	1,935.0	19.7	21.1
Futures				1.5	0.1	
		107.6	**130.2**		99.5	90.7
Interest rate derivatives						
Interest rate swaps	1,551.3	12.8	13.5	5,425.4	64.7	45.4
OTC interest rate options	347.8	51.4	51.4	191.2	7.7	0.3
Interest rate futures	0.4	0.8		895.6	0.5	0.3
		65.0	**64.9**		72.9	46.0
Other derivatives						
Equity options and index futures	3,107.8	298.0	300.4	6,848.0	328.3	505.9
Credit default swaps	171.5	4.9	3.4	300.8	4.6	7.1
Total return swaps	120.3	46.6		123.6	53.6	
Commodity options and futures	70.4	0.9	0.9	33.9	2.2	0.9
		350.4	**304.7**		388.7	513.9
Total derivative assets/liabilities held for trading		**523.0**	**499.8**		561.1	650.6
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	2,218.9	37.4	45.1	905.5	2.1	78.0
Total derivative assets/liabilities held for hedging		**37.4**	**45.1**		2.1	78.0
Total derivative assets/liabilities		**560.4**	**544.9**		563.2	728.6

27.2 Hedging activities

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

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2013 was negative CHF 7.7 million (2012: negative CHF 75.9 million).

28. FINANCIAL ASSETS AT FAIR VALUE – TRADING ASSETS

		31 December 2013 CHF millions	31 December 2012 CHF millions
Issued by public issuers:	Government		123.5
Issued by non public issuers:	Banks	106.7	145.3
Issued by non public issuers:	Other	6.6	1,071.2
Total		**113.3**	1,340.0

The movement in the account is as follows:

At 1 January	**1,340.0**	813.9
Disposal of subsidiary	(2,263.4)	
Additions	3,820.9	8,027.2
Disposals (sale and redemption)	(2,784.7)	(7,483.4)
Accrued interest	0.8	2.9
Losses from changes in fair value	(0.3)	(20.6)
At 31 December	**113.3**	1,340.0

29. FINANCIAL ASSETS AT FAIR VALUE – DESIGNATED AT INCEPTION

		31 December 2013 CHF millions	31 December 2012 CHF millions
Issued by public issuers:	Government	50.8	51.1
Issued by non public issuers:	Others	0.4	0.4
Issued by other issuers:	US life insurance companies*	269.0	294.0
Issued by other issuers:	US life insurance companies	29.6	35.9
Total		**349.8**	381.4

Equity securities	Unlisted but quoted	0.4	0.4
Debt securities	Listed	50.8	51.1
Life insurance policies securities	Unquoted – Discounted cash flow analysis*	269.0	294.0
Life insurance policies securities	Unquoted – Discounted cash flow analysis	29.6	35.9
Total		**349.8**	381.4

The movement in the account is as follows:

At 1 January	**381.4**	367.2
Additions	21.3	33.8
Disposals (sale and redemption)	(14.1)	(25.3)
Accrued interests	53.4	48.6
Lossses from changes in fair value	(84.4)	(34.8)
Exchange differences	(7.8)	(8.1)
At 31 December	**349.8**	381.4

* See note 40 Financial liabilities designated at fair value.

30. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

		31 December 2013 CHF millions	31 December 2012 CHF millions
Issued by public bodies:	Government	2,007.5	1,796.8
Issued by public bodies:	Other public sector	206.7	381.2
Issued by other issuers:	Banks	1,347.0	1,047.6
Issued by other issuers:	US life insurance companies	39.2	44.8
Issued by other issuers:	Other	244.1	27.4
Total		**3,844.5**	3,297.8
Debt securities:	Listed/Quoted	3,248.8	2,858.7
Debt securities:	Unlisted	189.1	37.5
Debt securities:	Unquoted – Discounted cash flow analysis	340.9	329.0
Equity securities:	Listed/Quoted	0.9	1.0
Equity securities:	Unquoted – Other valuation Models	25.6	26.8
Life insurance related:	Unquoted – Discounted cash flow analysis	39.2	44.8
Total		**3,844.5**	3,297.8
Pledged securities with central banks, clearing system companies or third party banks		*1,053.2*	*2,590.2*

The movement in the account is as follows:

At 1 January	**3,297.8**	3,984.3
Exchange differences	(69.2)	(21.9)
Additions	2,801.3	1,680.0
Disposals (sale and redemption)	(2,194.7)	(2,392.9)
Gains from changes in fair value	0.1	49.1
Accrued interest	9.2	(0.8)
At 31 December	**3,844.5**	3,297.8

The Group has pledged Financial Investment Securities as collateral for CHF 842.5 million (2012: CHF 2,383.7 million). This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.

31. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE EQUITY RESERVE

Statement of Comprehensive Income – revaluation of available-for-sale investment securities:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities are recognised in a revaluation reserve for available-for-sale financial assets in the Statement of Comprehensive Income (note 47).

The movement of the reserve is as follows:

	31 December 2013 CHF millions	31 December 2012 CHF millions
At 1 January	(76.7)	(117.8)
Fair value gains on available-for-sale investment securities, before tax net of non-controlling interests	0.1	49.1
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(10.6)	1.9
Tax effect on changes in fair value of available-for-sale investment securities	0.8	(9.9)
At 31 December	**(86.4)**	(76.7)

32. INVESTMENT SECURITIES – HELD-TO-MATURITY

		31 December 2013 CHF millions	31 December 2012 CHF millions
Issued by public bodies:	Government	122.9	108.8
Issued by public bodies:	Other public sector	295.0	302.4
Issued by other issuers:	US Life insurance companies	692.0	685.2
Gross investment securities – Held-to-maturity		**1,109.9**	1,096.4
Impairment on financial assets held-to-maturity		(2.8)	(2.8)
Total		**1,107.1**	1,093.6

The movement in the account is as follows:

	31 December 2013 CHF millions	31 December 2012 CHF millions
At 1 January	**1,093.6**	1,098.3
Exchange differences	(12.4)	(20.8)
Additions/premiums paid	54.2	44.3
Redemptions	(66.7)	(65.3)
Accrued interest	38.4	37.1
At 31 December	**1,107.1**	1,093.6
Pledged securities with central banks and clearing system companies.	–	–

33. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2013:

Name	Line of business	Country of incorporation	% Ownership*	% Non controlling interest		Share Capital (000s)
Main Subsidiaries						
EFG Bank AG, Zurich	Bank	Switzerland	100	0	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	100	0	EUR	26,944
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	100	0	USD	32,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	100	0	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	100	0	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	100	0	GBP	1,596
EFG Investment Services (Cayman) Ltd (formerly PRS Investment Services (Cayman) Ltd), George Town	Investment Advisory & Fund Administration	Cayman Islands	100	0	USD	–
EFG Investment Services Inc (formerly PRS International Consulting Inc), Miami	Investment Advisory & Fund Administration	USA	100	0	USD	–
EFG Capital International Corp, Miami	Broker dealer	USA	100	0	USD	12,200
EFG Investment II (UK) Ltd	Holding	England & Wales	90	10	USD	132,205
EFG Finance (Guernsey) Ltd, Guernsey	Finance Company	Guernsey	100	0	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	100	0	CHF	3
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	100	0	EUR	579,803
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	100	0	CHF	600
Asesores Y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	72	28	EUR	92
LFS Investment VII AB, Stockholm	Investment Company	Sweden	10.7	89.3	SEK	100

* *All the subsidiaries above have the same ownership and voting rights, with the exception of LFS Investment VII AB (10.7% and control).*

LFS Investment VII AB is a subsidiary of the Group with only 10.7% ownership and voting rights. The Directors have assessed that the Group has control over this entity as it has power to make investment decisions. In addition, the entity's funding is dependent on the Group and therefore the Group is exposed to variable returns from the facilities granted.

The Group uses other unconsolidated entities to manage assets on behalf of its customers. These entities are special purpose vehicles subject to an investment management agreement in which the Group acts as administrator only and is remunerated via a fixed fee. In some of these entities the Group is participating in the funding by providing loan facilities granted which are secured by way of fund assets. The Directors have assessed that the Group has no effective power over these entities and their operations, as it is not their asset manager, and also it is not exposed materially to a variability of returns from these entities. Transactions made with these entities are done at arm's length and returns on facilities granted are subject to normal credit risk exposure.

EFG Financial Products Holding AG which was consolidated in past periods because of the effective control held by the Group has been disposed of during the year. Please refer to details at note 16.

The total non-controlling interest for the period is CHF 4.8 million of which CHF 3.8 million is in respect of 28% interest in Asesores Y Gestores Financieros S.A., Madrid, CHF Nil in respect of 89.3% interest in LFS Investment VII AB and CHF 1.0 million in respect of 9.9% interest in EFG Investment 2 (UK) Ltd.

There are no significant restrictions on the parent company or its subsidiaries ability to access or use the assets and settle the liabilities of the Group, other than those that exist as a result of the subsidiaries being individually regulated banks.

34. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2012				
Cost	51.6	190.8	616.8	859.2
Accumulated amortisation and impairment	(33.9)	(149.8)	(374.9)	(558.6)
Net book value	17.7	41.0	241.9	300.6
Year ended 31 December 2012				
Opening net book amount	17.7	41.0	241.9	300.6
Acquisition of computer software and licences	15.3			15.3
Decrease in scope of consolidation	(6.4)			(6.4)
Amortisation charge for the year – Computer software and licences (note 12)	(4.0)			(4.0)
Amortisation charge for the year – Other intangible assets (note 12)		(4.9)		(4.9)
Impairment charge for the year (note 34.1)			(1.4)	(1.4)
Revaluation of earn out obligations (note 34.2)			3.5	3.5
Disposal of Goodwill			(8.1)	(8.1)
Exchange differences		0.2	(0.2)	–
Closing net book value	22.6	36.3	235.7	294.6
At 31 December 2012				
Cost	66.9	190.8	611.7	869.4
Accumulated amortisation and impairment	(44.3)	(154.5)	(376.0)	(574.8)
Net book value	22.6	36.3	235.7	294.6
Year ended 31 December 2013				
Opening net book amount	22.6	36.3	235.7	294.6
Decrease in scope of consolidation	(16.0)			(16.0)
Acquisition of computer software and licences	3.9			3.9
Amortisation charge for the year – Computer software and licences (note 12)	(3.3)			(3.3)
Amortisation charge for the year – Other intangible assets (note 12)		(4.5)		(4.5)
Disposal of Goodwill			(6.9)	(6.9)
Exchange differences	(0.1)	(0.2)	(0.6)	(0.9)
Closing net book value	**7.1**	**31.6**	**228.2**	**266.9**
At 31 December 2013				
Cost	43.4	190.0	604.2	837.6
Accumulated amortisation and impairment	(36.3)	(158.4)	(376.0)	(570.7)
Net book value	**7.1**	**31.6**	**228.2**	**266.9**

The Group has acquired several legal entities and/or businesses since its inception. These business combinations have generally been made in order to achieve one or several of the following objectives: acquiring "client relationships", acquiring specific know-how or products, or setting up a permanent establishment in a given location. The accounting for these business combinations was dependent on the accounting standard in force at the time of the acquisition.

34.1 Impairment charge for the year

31 December 2013
No impairment charges were recorded for the year ended 31 December 2013.

31 December 2012	Goodwill CHF millions	Total CHF millions
EFG Bank (Gibraltar) Ltd, Gibraltar	(0.7)	(0.7)
Bruxinter, Switzerland	(0.7)	(0.7)
Total	**(1.4)**	**(1.4)**

34.2 Revaluation of earn out obligations

No revaluation of earn-out obligations were recorded in the period (2012: CHF 3.5 million). These liabilities are normally based on the levels of profit generated by subsidiaries post acquisition.

Earn out adjustments relate to acquisitions made prior to 2010, and therefore are accounted for as adjustments to goodwill.

34.3 Impairment tests

The Group's goodwill and intangible assets (together "Intangibles") acquired in business combinations are reviewed at least annually for impairment at 31 December by comparing the recoverable amount of each cash generating unit ("CGU") to which Intangibles have been allocated a carrying value.

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2013 balances of Intangibles allocated to all its cash generating units remain recoverable.

Where the carrying values have been compared to recoverable amounts using the "value in use" approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 4.6% to 4.9% (2012: 4% to 6.2%). A period of 5 years is used for all cash flow projections.

Where the carrying values have been compared to "fair value less costs to sell", the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles using comparable market transactions (1.5% to 2.5% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 11.0 and 12.7 for 2013 and 11.0 and 12.3 for 2012) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

The carrying amounts of goodwill and intangible assets at 31 December 2013 allocated to each cash generating unit are as follows:

Segment	Cash generating unit	Discount rate/ Growth rate	Period	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Value in use						
United Kingdom	Harris Allday	7.04% / 4.50%	5 years	18.4	35.9	54.3
Continental Europe	PRS Group	7.60% / 1.00%	5 years		33.0	33.0
Continental Europe	Asesores y Gestores Financieros SA	5.89% / 1.00%	5 years	1.9	22.6	24.5
Fair value less costs to sell		P/E	AuM multiple			
Continental Europe	Banque Edouard Constant	12.7	3.2%		76.3	76.3
Continental Europe	Banque Monégasque de Gestion	11.1	3.3%	4.4	23.7	28.1
Other						
Various	Other Cash Generating Units	Various*		6.9	36.7	43.6
Total carrying values				**31.6**	**228.2**	**259.8**

** Discount rates for Value in use approach are between 5.9% and 7.9% (2012: 4.6% and 5.8%). P/E are between 11 and 12.7 (2012: 11 and 12.3) based on earnings.*

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations, to determine whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangible assets and goodwill remained recoverable at 31 December 2013.

Earnings are estimated based on current and future business initiatives and forecast results derived therefrom.

The table below shows the sensitivity to permanent declines in assets under management, which would have an impact on forecasted future profits. For sensitivity purposes the impact of a 20% and a 50% decline in forecasted profit before tax are presented.

Cash generating unit	Impairment impact of 20% decline in forecast profit CHF millions	Impairment impact of 50% decline in forecast profit CHF millions	Impairment impact of 100 bp increase in discount rate CHF millions	Required decline in forecast profit to equal carrying value CHF millions
Banque Edouard Constant	–	25.5	–	25%
Harris Allday	–	–	–	61%
PRS Group	–	10.8	–	26%
Banque Monégasque de Gestion	–	8.4	–	28%
Asesores y Gestores Financieros SA	–	–	–	84%

35. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2012					
Cost	3.8	41.0	21.7	44.8	111.3
Accumulated depreciation	(0.6)	(25.3)	(13.7)	(33.5)	(73.1)
Net book value	3.2	15.7	8.0	11.3	38.2
Year ended December 2012					
Opening net book amount	3.2	15.7	8.0	11.3	38.2
Additions		1.3	1.0	5.2	7.5
Depreciation charge for the year (note 12)		(3.3)	(1.8)	(3.7)	(8.8)
Disposal of subsidiary		(0.6)	(0.8)	(1.9)	(3.3)
Disposal and write-offs		(0.3)	(0.3)	(0.1)	(0.7)
Exchange differences	0.1				0.1
Closing net book value	**3.3**	**12.8**	**6.1**	**10.8**	**33.0**
At 31 December 2012					
Cost	4.0	40.9	20.1	47.2	112.2
Accumulated depreciation	(0.7)	(28.1)	(14.0)	(36.4)	(79.2)
Net book value	3.3	12.8	6.1	10.8	33.0
Year ended December 2013					
Opening net book amount	3.3	12.8	6.1	10.8	33.0
Additions		3.0	2.2	3.4	8.6
Depreciation charge for the year (note 12)	(0.2)	(3.0)	(1.4)	(3.2)	(7.8)
Disposal of subsidiary		(2.6)	(1.4)	(5.3)	(9.3)
Disposal and write-offs		(0.3)	(1.3)	(0.3)	(1.9)
Exchange differences	(0.1)		(0.1)	0.1	(0.1)
Closing net book value	**3.0**	**9.9**	**4.1**	**5.5**	**22.5**
At 31 December 2013					
Cost	3.8	37.8	19.4	40.2	101.2
Accumulated depreciation	(0.8)	(27.9)	(15.3)	(34.7)	(78.7)
Net book value	**3.0**	**9.9**	**4.1**	**5.5**	**22.5**

36. OTHER ASSETS

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions	Restated 1 January 2012 CHF millions
Prepaid expenses and accrued income	32.8	98.4	65.4
Settlement balances	41.2	407.4	55.0
Current income tax assets	5.8	3.5	15.7
Other assets	75.9	51.4	43.0
Other assets	**155.7**	560.7	179.1

Settlement balances of CHF 41.2 million (2012: CHF 407.4 million) reflect trade date versus settlement date accounting principle, which was applied on the issuance of structured products and is dependent on transactions executed over the year-end period.

37. DUE TO OTHER BANKS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Due to other banks at sight	231.7	817.1
Due to other banks at term	58.4	68.2
Due to other banks	**290.1**	885.3

38. DUE TO CUSTOMERS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Non interest bearing	9,483.6	9,023.2
Interest bearing	6,960.2	7,060.8
Due to customers	**16,443.8**	16,084.0

39. SUBORDINATED LOANS

	Weighted average interest rate %	Due dates	31 December 2013 CHF millions	31 December 2012 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – EUR 66’425’000	8.00% p.a. for the first 5 years	13 January 2022	58.5	57.0
EFG Funding (Guernsey) Ltd – CHF 180’000’000	4.75% p.a. for the first 5 years	31 January 2023	186.6	
Total subordinated loans			**245.1**	57.0

Subordinated loans are presented net of unamortised discount on issuance of CHF 30.9 million.

40. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

		31 December 2013 CHF millions	31 December 2012 CHF millions
Synthetic life insurance	Unquoted - Discounted cash flow analysis	292.5	311.5
Equities securities (liabilities to purchase non-controlling interests)	Discounted cash flow analysis	18.2	17.9
Structured products	Unquoted - Recent arm's length transactions		742.2
Equities securities (short positions)	Listed / Quoted		30.8
Debt securities (short positions)	Listed / Quoted		2.9
Hybrid securities	Unquoted - Recent arm's length transactions		26.0
Total Financial Liabilities designated at fair value		**310.7**	1,131.3

Credit rating impact

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in market risk factors. The credit rating of the Group had no impact on the fair value changes of these liabilities.

Synthetic life insurance

The synthetic life insurance liability relates to a structured transaction which is economically hedged by a portfolio of life insurance policies classified as financial assets – life insurance related at fair value of CHF 269.0 million (2012: CHF 294.0 million, see note 29).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. In accordance with IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. As of 31 December 2013, the financial liability was valued at CHF 18.2 million (2012: CHF 17.9 million).

41. OTHER FINANCIAL LIABILITIES

	31 December 2013 CHF millions	31 December 2012 CHF millions
Structured products issued	2,421.5	2,938.1
Total other financial liabilities	**2,421.5**	2,938.1

42. PROVISIONS

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2012	26.0	7.5	3.8	37.3
Increase in provisions recognised in the Income Statement	1.2	12.0	0.8	14.0
Release of provisions recognised in the Income Statement	(11.1)	(0.3)	(0.3)	(11.7)
Provisions used during the year	(12.8)	(12.4)	(3.2)	(28.4)
Exchange differences	0.2	0.1		0.3
At 31 December 2012	**3.5**	**6.9**	**1.1**	**11.5**

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2013	3.5	6.9	1.1	11.5
Increase in provisions recognised in the Income Statement	0.5	0.7	33.7	34.9
Release of provisions recognised in the Income Statement	(0.4)	(0.7)		(1.1)
Provisions used during the year	(1.5)	(5.5)	(11.9)	(18.9)
Exchange differences	0.1	0.1	0.2	0.4
At 31 December 2013	**2.2**	**1.5**	**23.1**	**26.8**
Expected payment within 12 months	2.2	1.5	23.1	26.8
Expected payment thereafter				–
	2.2	**1.5**	**23.1**	**26.8**

Provision for litigation risks

The residual CHF 2.2 million of provision for litigation at the end of December 2013 is for numerous small provisions which are expected to be settled within a year.

Provision for restructuring

The Group made the decision to close the businesses in France and Sweden in previous years. These provisions relate to the closure costs of these entities which are part of the way through their closure programmes.

Other provisions

Other provisions of CHF 23.1 million comprise primarily the following:

(i) A provision of CHF 8.0 million for a potential amount payable related to the withholding tax treaty between Switzerland and the UK. As the amount of undeclared assets held by UK citizens in Swiss Banks and liable for the payment is substantially less than originally anticipated by the Swiss banking industry, the Swiss Banks made up the shortfall. The asset pool was reduced by a high proportion of resident non-domiciled clients of Swiss banks with limited UK tax obligations. This is expected to be settled within a year.

(ii) A provision of CHF 8.0 million has been made for potential UK client claims and litigation. This is expected to be settled within a year.

(iii) A provision of CHF 6.5 million for the estimated costs of outside counsel and other external advisers engaged by the Bank to assist and to advise on the DOJ Program.

The following issue that management is aware of is related to an obligation which may result in an outflow that could have a material effect, but which cannot be reliably estimated.

In December 2013 it was announced that EFG Bank AG (the "Bank") would take part in the US Department of Justice's ("DOJ") Program for Swiss banks ("DOJ Program ") as a Category 2 bank with the objective of negotiating a non-prosecution agreement with the DOJ. Participation in the DOJ Program is in keeping with the recommendations of the Swiss authorities. Banks seeking non-prosecution agreements must provide the DOJ with information on how the Bank's US business was structured, operated and supervised, and the total number of US related accounts open from 1 August 2008 and their highest dollar value. In addition, upon execution of the non-prosecution agreement, the Bank will be required to provide the DOJ with additional information on each US related account closed since 1 August 2008. The Bank must appoint an Independent Examiner to certify the information provided under the DOJ Program. The Bank may potentially have to pay penalties of up to 50% of the highest dollar value since 1 August 2008 of the assets managed by the Bank on behalf of US clients for whom the Bank fails to demonstrate that such assets are not undeclared or that another penalty reduction factors applies for example accounts disclosed through the IRS Offshore Voluntary Disclosure Program ("OVDP"). The Bank has engaged outside counsels based in the US and in Switzerland to assist and to advise the Bank in the context of the DOJ Program.

As noted above, the participation of the Bank in the Program may result in the payment of a penalty. However, at this time it is not possible to make a reliable estimate of the final penalty that may be payable. Substantial uncertainties currently exist including those relating to whether an account would qualify as not undeclared under the DOJ Program and to the number of current and former US clients entering into the OVDP over the course of 2014 and perhaps beyond. In addition the DOJ Program states that the factors specific to a particular bank - such as the level of institutional culpability and the circumstances surrounding the servicing of individual undeclared clients - will likely be taken into account in reaching a final resolution with the DOJ. For these reasons no provision for the penalty that the Bank may have to pay to the DOJ has been made in these financial statements. A provision has been made for the estimated costs of outside counsels and other external advisers engaged by the Bank to assist and to advise on the DOJ Program of CHF 6.5 million.

43. OTHER LIABILITIES

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions	Restated 1 January 2012 CHF millions
Deferred income and accrued expenses	**167.5**	194.5	198.9
Settlement balances	**42.3**	206.6	75.8
Short term compensated absences	**5.8**	6.1	7.2
Contingent acquisition obligations			3.8
Other liabilities	**54.0**	48.6	55.1
Total Other liabilities	**269.6**	455.8	340.8

44. CONTINGENT LIABILITIES

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

The following contingent liabilities that management is aware of are related to legal proceedings which could have a material effect on the Group. However, it is not expected that any of these contingent liabilities will result in material provisions or other liabilities.

The Group is engaged in certain litigation proceedings mentioned below and is vigorously defending the cases. The Group believes it has strong defences to the claims. The Group does not expect the ultimate resolution of any of the below mentioned proceedings to which the Group is party to, to have a significantly adverse effect on its financial position. Where these proceedings are fully provided see note 42 related to Provisions.

(i) The Group is engaged in litigation proceedings in Switzerland linked to fraudulently approved contracts where claims have been brought against the Group for a net exposure of approximately EUR 23 million plus accrued interest. While the evidentiary portion of the proceedings has been completed, the outcome remains uncertain. The Group continues to believe that it has good defences to this claim and continues to defend it vigorously.

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

(iii) The Trustee of Bernard L, Madoff Investment Securities LLC ("BLMIS") has filed a complaint in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments totalling USD 355 million allegedly received by certain Group entities on behalf of clients through Fairfield and Kingate feeder funds should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see previous paragraph). The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(iv) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital protected, that the agreed investment strategy has not been followed and that unauthorized transactions were performed. The amount claimed is approximately CHF 57 million plus interest at 5%. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(v) The Group is engaged in litigation proceedings initiated by a former employee. He claims on grounds of a series of agreements an amount of SEK 36 million and an amount of CHF 10.5 million. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(vi) Two Group entities are engaged in litigation proceedings initiated by the trustee of a trust for which a Group entity previously acted as trustee. The trustee bases its claim on various legal arguments, mainly breach of trust, gross negligence and dishonest assistance. The amount claimed amounts to GBP 7 million. The concerned Group entities are vigorously defending the case and believe they have strong defences to the claims.

45. RETIREMENT BENEFIT OBLIGATIONS

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland ("the Switzerland plan") for EFG Bank AG and in the Channel Islands ("the Channel Islands plan"). The Switzerland plan is considered as a defined benefit plans under IFRS due to a minimum guaranteed return in Swiss pension legislation, the Group having no obligation relative to these funds other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 4.4 million; the fair value of plan assets is CHF 4.6 million.

The Switzerland plan is a contribution based plans with guarantee, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Level of benefits is at minimum as required by the swiss law. Plan benefits are provided in case of retirement from service or on death or disability before retirement based on conversion rates established and reviewed regularly by the foundation. Pre-retirement death and disability benefits are covered by a Group insurance contract. When leaving the Group pre-retirement, the benefits vested according to the Swiss pension law will be transferred to the plan's participant's new pension scheme. Retirement benefits are based on the accumulation of defined contributions paid by employer and employees in individual accounts with interest. The plan provides limited guarantees of accumulated capital and interest.

The pension fund is organized as a registered Swiss employee welfare foundation, a separate legal entity and is administered by the board of the foundation and professional fund administrators appointed by the board of the foundation. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Group and the foundation or its board. According to Swiss pension law, the responsibility for governance of the plans – including investment decisions and contribution schedules – lies jointly with the fund administrators and the board of the pension foundation. The board of the pension foundation must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

The disclosures below relates to the Switzerland plan.

	31 December 2013 CHF millions	31 December 2012 CHF millions	1 January 2012 restated CHF millions
Net amount recognised in the Balance sheet			
Present value of funded obligation	185.6	214.0	208.4
Fair value of plan assets	183.0	189.5	178.2
Liability recognised in the Balance sheet	**2.5**	24.5	30.2
Net amount recognised in the Balance sheet at the beginning of year	24.5	30.2	
Net amount recognised in the income statement – continuing operations	9.8	8.8	
Net amount recognised in the income statement – non continuing operations	(2.5)		
Net amount recognised in the Statement of Other Comprehensive Income	(18.2)	1.0	
Company contribution paid in year	(11.1)	(15.5)	
Net amount recognised in the Balance sheet at the end of year	2.5	24.5	

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
1 January 2013 restated	**214.0**	**(189.5)**	**24.5**
Current service cost	7.1		7.1
Interest expense/(income)	3.7	(3.3)	0.4
Administrative costs and insurance premiums	2.3		2.3
Disposal of subsidiary	(27.2)	24.7	(2.5)
Net amount recognised in the income statement	**(14.1)**	**21.4**	**7.3**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)		(4.1)	(4.1)
Actuarial (gain)/loss on defined benefit obligation	(14.1)		(14.1)
Net recognised in the Statement of Other Comprehensive Income	**(14.1)**	**(4.1)**	**(18.2)**
Plan participants contributions	6.1	(6.1)	–
Company contributions		(11.1)	(11.1)
Administrative costs and insurance premiums	(2.3)	2.3	–
Benefit payments	(4.1)	4.1	–
Total transactions with fund	**(0.3)**	**(10.8)**	**(11.1)**
31 December 2013	**185.6**	**(183.0)**	**2.5**

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
1 January 2012 restated	**208.4**	**(178.2)**	**30.2**
Current service cost	6.8		6.8
Interest expense/(income)	5.4	(4.9)	0.5
Administrative costs	2.6		2.6
Past service cost resulting from plan changes	(1.1)		(1.1)
Net amount recognised in the income statement	**13.7**	**(4.9)**	**8.8**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)		(7.3)	(7.3)
Actuarial loss on defined benefit obligation	8.3		8.3
Net recognised in the Statement of Comprehensive Income	**8.3**	**(7.3)**	**1.0**
Plan participants contributions	7.3	(7.3)	-
Company contributions		(15.5)	(15.5)
Administrative costs	(2.6)	2.6	–
Benefit payments	(21.1)	21.1	–
Total transactions with fund	**(16.4)**	**0.9**	**(15.5)**
31 December 2012 restated	**214.0**	**(189.5)**	**24.5**

	31 December 2013	31 December 2012	31 December 2011
Significant actuarial assumptions			
Discount rate	2.50%	1.90%	2.75%
Salary growth rate	1.00%	1.00%	1.00%
Pension growth rate	0.00%	0.00%	0.00%

Assumptions regarding future mortality	Years	Years	Years
Longevity at age 65 for current pensioners:			
male	21.3	19.6	19.6
female	23.8	21.9	21.9
Longevity at age 65 for future pensioners (aged 50):			
male	22.7		
female	25.1		

	Change in assumption	Impact of an increase in assumption on present value of obligation CHF millions	Impact of a decrease in assumption on present value of obligation CHF millions
Sensitivity analysis			
Discount rate	0.10%	(2.6)	2.6
Salary growth rate	0.10%	0.4	(0.4)
Pension growth rate	0.10%	1.5	
Life expectancy	1 year	3.0	(3.0)

Actuarial assumptions of both financial and demographic nature are established as unbiased best estimates of future expectations. Assumptions are changed from time to time to reflect changes in the information available to use in formulating best estimates. There were no changes in the methodology used to determine assumptions used.

The assumptions regarding expected mortality rates are set based on advice, published statistics such as LPP2010 generational tables and experience. In particular in-service death and disability rates have been adjusted to correspond to recent EFG experience. The plan liability is calculated assuming that the pension conversion rate currently in effect will still be in effect for the next decade. Future changes to conversion rates, whereas probable, cannot be estimated and therefore are ignored.

Financial assumptions include the discount rate, the expected rate of salary growth and the expected rate of pensions increases.

The discount rate is set based on consideration of the yields of high quality corporate debt of duration similar to that of the pension liabilities. Where availability of such data is limited, the company considers yields available on government bonds and allowing for credit spreads available in other deeper and more liquid markets for high quality corporate debt.

The salary growth assumption is set based on the employer's expectation for inflation and market forces on salaries.

The actuarial gain for the year of CHF 14 million includes CHF 15.7 million positive effect of financial assumptions, and adverse effects from demographic assumptions and experience of CHF 1.0 million and CHF 0.7 million respectively.

The plan does not guarantee any pension increases although in the event that the plan developed a surplus according to Swiss pension law, then a discretionary pension adjustment could be possible. At the present time, projections for the plan development do not indicate any likelihood of surplus or a pension adjustment and so it is assumed that pensions are fixed.

The sensitivity of the valuation result to changes in assumptions is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change. This is separately illustrated for changes in the discount rate and the expected rate of future salary increases. In practice there may be some correlation in changes of assumptions, and for the purposes of the valuation the effect is ignored.

The operation of the pension plan involves exposure to a range of risks most significant being presented further below. The impact of these risks is shared between the Group and the plan participants in case of negative effects. In situations where the pension fund will accumulate surplus assets after providing the target benefits, the board of the foundation may consider a distribution of the surplus to participants. No part of the surplus may be attributed to the Group.

(i) Investment risk.

Plan assets are invested to achieve a target return. The actual returns earned each year are likely to vary with a result higher or lower than the target. There is a risk that the long term average return may be higher or lower than the target. If the long term return is lower than the target then the fund will not have sufficient assets for plan benefits. The year on year variation in the return will generally be reflected directly in the defined benefit remeasurements.

A component of the return earned each year is derived from investment in bonds, and these bond returns are reflected in changes in the discount rate used to measure the defined benefit obligation. As a result benefit remeasurements through the statement of comprehensive income resulting from asset volatility may be impacted by changes in the related obligation resulting from changes in the discount rate.

(ii) Longevity risk.

The plan provides an annuity option to individuals on retirement. The annuity option is calculated using a conversion rate which is established by the foundation and reviewed periodically.

The conversion rate is calculated with an assumption for the target rate of return and the life expectancy of the pensioner. Historic experience is that life expectancy improved faster than actuarial tables predicted and so longevity risk tended to be "loss generating."

For the end of 2013 valuation a new "generational" mortality table has been adopted which contains a built in forecast of future improvement in life expectancy. The risk of future "losses" from longevity risk is therefore considered reduced.

(iii) Interest volatility risk.

There is a substantial year-on-year liability volatility due to the volatility of the discount rate used in the model which is based on market yields on bonds of a specified type. The fund allocates a substantial proportion of assets to bonds, but the availability of bonds of duration and characteristics similar in nature to the discount rate is limited so that interest rate volatility risk cannot be eliminated. Interest rate volatility does not result in any effect on the Group performance but rather on the remeasurements recognised in Statement of Comprehensive Income.

(iv) Death and disability risk.

The number of cases of death and disability of active employees may fluctuate considerably from year to year. To mitigate the effect of this risk the foundation has contracted an insurance contract covering the cost of death and disability benefits arising in each year.

The foundation has established a written investment policy whereby the foundation periodically establishes an allocation strategy with target allocations and tactical ranges for the principal classes of investments (equity, fixed income, real estate and liquidity) which aims to maximize the returns on plan assets.

Plan assets are invested under mandates to a number of investment portfolio managers. Investment portfolio managers' performance is regularly evaluated against its established strategy.

The asset allocation is as follows:

	Quoted CHF millions	Unquoted CHF millions	2013 Total CHF millions	2013 in %	2012 Total CHF millions	2012 in %
Cash and cash equivalents	16.7		16.7	9.1	36.4	19.2
Equity Instruments	65.3		65.3	35.7	45.1	23.8
Debt instruments	78.8		78.8	43.1	105.9	55.9
Other		22.2	22.2	12.1	2.1	1.1
Total plan assets 31 December 2013	**160.8**	**22.2**	**183.0**	**100.0**	**189.5**	**100.0**

Plan assets of CHF 4.0 million (2012: CHF 3.7 million) have been pledged as collateral to third parties who have provided employees with mortgages for financing their main residence.

As a result of disposal of EFG Financial Products (see note 16), plan assets of CHF 24.7 million and related defined benefit obligations of CHF 27.2 million were deconsolidated during the year. The assets and liabilities correspond to 204 persons employed at the transfer date by the disposed subsidiary out of 708 persons covered by the plan at 30 April 2013.

The actual return on plan assets was CHF 7.4 million in 2013 (2012: CHF 12.2 million).

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 instruments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity instruments and other assets reflect long-term real rates of return experienced in the respective markets.

The plan assets do not include any shares of the EFGI Group or of any of its subsidiaries.

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2014 are CHF 10.3 million.

The weighted average duration of the defined benefit obligation is 14.8 years.

The expected maturity analysis of undiscounted pension benefits is as follows:

	CHF millions
Less than a year	12.3
Between 1–2 years	10.2
Between 2–5 years	23.4
Over 5 years	229.0
Total	274.9

46. 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 AG registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation (Preference shares) is CHF 15. All EFG International AG shares and Bons de Participation are fully paid.

46.1 Share capital

	Ordinary shares with voting rights CHF millions	Bons de Participation without voting rights CHF millions	Treasury shares Ordinary shares CHF millions	Treasury Shares Bons de Participation CHF millions	Net CHF millions
At 1 January 2012	73.3	6.0	(6.2)	–	73.1
Ordinary shares sold			5.1		5.1
Ordinary shares repurchased					–
Employee equity incentive plans exercised			1.0		1.0
Repurchase of Bons de Participation		(2.0)			(2.0)
At 31 December 2012	**73.3**	**4.0**	**(0.1)**	**–**	**77.2**
Ordinary shares sold					–
Ordinary shares repurchased					–
Employee equity incentive plans exercised	0.6				0.6
Repurchase and cancellation of Bons de Participation		(3.8)			(3.8)
At 31 December 2013	**73.9**	**0.2**	**(0.1)**	**–**	**74.0**

46.2 Share premium

	Ordinary shares with voting rights CHF millions	Bons de Participation without voting rights CHF millions	Treasury shares Ordinary shares CHF millions	Treasury Shares Bons de Participation CHF millions	Net CHF millions
At 1 January 2012	1,330.6	2.0	(178.3)		1,154.3
Ordinary shares sold			71.0		71.0
Employee equity incentive plans exercised			14.4		14.4
Repurchase of Bons de Participation		(0.7)			(0.7)
At 31 December 2012	**1,330.6**	**1.3**	**(92.9)**	**–**	**1,239.0**
Ordinary shares sold			0.8		0.8
Ordinary shares repurchased			(0.2)		(0.2)
Employee equity incentive plans exercised					–
Repurchase and cancellation of Bons de Participation		(1.2)			(1.2)
At 31 December 2013	**1,330.6**	**0.1**	**(92.3)**	**–**	**1,238.4**

46.3 Number of shares

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

	Ordinary shares with voting right	Bons de Participation without voting right	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation	Net
Nominal	CHF 0.50	CHF 15.–	CHF 0.50	CHF 15.–	
At 1 January 2012	146,670,000	400,000	(12,358,783)		
Ordinary shares sold			12,085,620		
Ordinary shares repurchased			(2,445)		
Repurchase of Bons de Participation		(135,219)			
At 31 December 2012	146,670,000	264,781	(275,608)	–	
Ordinary shares sold			81,758		
Ordinary shares repurchased			(16,637)		
Employee equity incentive plans exercised	1,207,040				
Repurchase and cancellation of Bons de Participation		(251,399)		(750)	
At 31 December 2013	**147,877,040**	**13,382**	**(210,487)**	**(750)**	
Net share capital (CHF millions)	**73.9**	**0.2**	**(0.1)**	**–**	**74.0**

All transactions in EFG International AG shares were traded at market prices.

The total number of treasury shares sold during 2013 is 81,758 (2012: 12,085,620) at an average price per share of CHF 9.64 (2012: CHF 7.58). The total number of treasury shares acquired during 2013 is 16,637 (2012: 2,445) and the average purchase price of these shares in the period was CHF 10.99 per share (2012: CHF 8.16).

At 31 December 2013 a total of 210,487 registered shares (2012: 275,608) and 750 (2012: nil) Bons de Participation were held by subsidiaries.

On 28 January 2013 the Group acquired 251,399 Bons de Participation for cash consideration, in conjunction with an issuance of CHF 180,000,000 of new subordinated Basel III compliant Tier 2 bonds by a wholly owned subsidiary at an annual coupon of 4.75% with an optional redemption call in 5 years and a final maturity of 10 years. On 26 April 2013 these Bons de Participation were cancelled.

On 30 April 2013 the Group acquired 750 Bons de Participation for cash consideration.

Conditional share capital

The share capital may be increased by a maximum of CHF 1,678,980 (2012: CHF 2,282,500) by issuing up to 3,357,960 (2012: 4,565,000) fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 27 April 2014, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increases by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

47. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2012	(117.8)	98.1	97.5	77.8
Employee equity incentive plans amortisation		12.0		12.0
Employee equity incentive plans exercised		(20.5)		(20.5)
Repurchase of Bons de Participation			(49.2)	(49.2)
Partial disposal of subsidiary			53.4	53.4
Fair value gains on available-for-sale investment securities, before tax, net of non-controlling interests	49.1			49.1
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	1.9			1.9
Tax effect on changes in fair value of available-for-sale investment securities	(9.9)			(9.9)
Defined benefit costs			(1.0)	(1.0)
Currency translation losses transferred to the Statement of Comprehensive Income			3.3	3.3
Currency translation differences			3.0	3.0
At 31 December 2012 restated	(76.7)	89.6	107.0	119.9
Balance at 1 January 2013 restated	(76.7)	89.6	107.0	119.9
Employee equity incentive plans amortisation		12.0		12.0
Employee equity incentive plans exercised		(0.9)		(0.9)
Repurchase of Bons de Participation			(183.4)	(183.4)
Disposal of subsidiary			(4.6)	(4.6)
Fair value gains on available-for-sale investment securities, before tax	0.1			0.1
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(10.6)			(10.6)
Tax effect on changes in fair value of available-for-sale investment securities	0.8			0.8
Defined benefit costs			17.7	17.7
Currency translation differences			(0.1)	(0.1)
At 31 December 2013	**(86.4)**	**100.7**	**(63.4)**	**(49.1)**

The Group realised a net gain of CHF 33.8 million on the disposal of Leonteq AG (previously EFG Financial Products). On 23 April 2013, the Group sold its remaining stake of 20.25% in Leonteq for an amount of CHF 70.2 million. Leonteq AG has been deconsolidated from that date.

On 19 February 2013, the Group announced that it had disposed of its subsidiary On Finance SA for its net asset value (no gain on disposal realised).

48. OFF-BALANCE SHEET ITEMS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Guarantees issued in favour of third parties	270.6	285.9
Irrevocable commitments	170.6	219.8
Operating lease commitments	103.3	110.7
Total	**544.5**	616.4

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

	Not later than 1 year CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2013				
Guarantees issued in favour of third parties	137.4	61.2	72.0	270.6
Irrevocable commitments	157.6	12.8	0.2	170.6
Operating lease commitments	25.9	48.8	28.6	103.3
Total	**320.9**	**122.8**	**100.8**	**544.5**
31 December 2012				
Guarantees issued in favour of third parties	150.7	77.2	58.0	285.9
Irrevocable commitments	65.2	149.3	5.3	219.8
Operating lease commitments	29.7	57.8	23.2	110.7
Total	**245.6**	**284.3**	**86.5**	**616.4**

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases are disclosed in the table above.

49. FIDUCIARY TRANSACTIONS

	31 December 2013 CHF millions	31 December 2012 CHF millions
Fiduciary transactions with third party banks	1,278.6	1,766.9
Loans and other fiduciary transactions	5.1	5.2
Total	**1,283.7**	**1,772.1**

50. SEGMENTAL REPORTING

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

The primary split is between the Private Banking and the Wealth Management business and the Asset Management business.

The Private Banking and Wealth Management business is managed on a regional basis and is split into Continental Europe, Switzerland, Americas, United Kingdom and Asia. In 2013 to align with changes in management responsibilities the PRS business has been aligned with the Americas. The comparatives have been restated to align with this change.

The Asset Management segment includes EFG Asset Management business in all locations as it operates on a global basis.

The basis for expense allocation between segments follows the arm's length principle.

The Corporate Centre is responsible for managing the Life settlement policy related investments, certain investment portfolios, funding costs (including funding costs from structured products issuances), global brand related marketing and Swiss back-office and IT functions used on a global basis. In addition, the Corporate Centre includes businesses that have been restructured/in the process of being sold/wound down.

	Private Banking and Wealth management			
	Switzerland CHF millions	Continental Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2013				
Segment revenue	161.1	98.9	99.5	164.7
Segment expenses	(123.6)	(73.3)	(77.5)	(107.0)
Tangible assets and software depreciation	(1.4)	(1.0)	(1.2)	(1.4)
Total Operating margin	**36.1**	**24.6**	**20.8**	**56.3**
Cost to acquire intangible assets and impairment of intangible assets	(0.2)	(1.2)	(1.3)	(1.7)
Gain/(loss) on disposal of subsidiaries				
Other provisions				(19.2)
(Impairment)/reversal of impairment on loans and advances to customers	(0.6)	(0.6)		(0.2)
Segment profit/(loss) before tax	35.3	22.8	19.5	35.2
Income tax (expense)/gain	0.7	(1.1)	(1.0)	(2.1)
Net profit for the year from continuing operations	36.0	21.7	18.5	33.1
Profit for the year from discontinued operations (1)				
Profit for the year	**36.0**	**21.7**	**18.5**	**33.1**
Assets under management	15,610	13,878	11,330	17,806
Employees	318	236	291	489
At 31 December 2012				
Segment revenue	175.5	85.2	122.7	154.1
Segment expenses	(126.3)	(64.4)	(64.1)	(107.8)
Tangible assets and software depreciation	(2.2)	(1.0)	(20.2)	(1.6)
Total Operating margin	**47.0**	**19.8**	**38.4**	**44.7**
Cost to acquire intangible assets and impairment of intangible assets	(0.5)	(1.3)		(1.8)
Gain/(loss) on disposal of subsidiaries				
Currency translation loss transferred from the Statement of Other Comprehensive Income		(0.9)		
Provision for restructuring costs				
(Impairment)/reversal of impairment on loans and advances to customers	(2.8)	0.2	(0.5)	(1.3)
Impairment of intangible assets and goodwill				
Segment profit/(loss) before tax	43.7	17.8	37.9	41.6
Income tax (expense)/gain	(1.2)	2.3	(2.9)	(3.1)
Net profit for the year from continuing operations	42.5	20.1	35.0	38.5
Profit for the year from discontinued operations (1)				
Profit for the year	**42.5**	**20.1**	**35.0**	**38.5**
Assets under management from continuing operations	15,933	11,630	12,161	16,359
Employees from continuing operations	311	231	268	483

External revenues from clients have been recognised in both the Asset Management and Private Banking segments related to asset management mandates for private banking clients. This double count is eliminated to reconcile to the total operating income.

(1) Discontinued operations include Financial Products business disposed during the year. Please refer to note 16.

			Asset Management	Corporate Overheads	Eliminations	Total
	Asia CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
	120.1	644.3	80.3	10.8	(69.4)	666.0
	(82.0)	(463.4)	(34.9)	(48.5)	15.2	(531.6)
	(1.7)	(6.7)	(0.1)	(4.3)		(11.1)
	36.4	**174.2**	**45.3**	**(42.0)**	**(54.2)**	**123.3**
		(4.4)		(0.1)		(4.5)
		–		0.5		0.5
		(19.2)		(14.5)		(33.7)
		(1.4)				(1.4)
	36.4	149.2	45.3	(56.1)	(54.2)	84.2
	(5.4)	(8.9)	(1.4)	2.1		(8.2)
	31.0	140.3	43.9	(54.0)	(54.2)	76.0
		–				46.7
	31.0	**140.3**	**43.9**	**(54.0)**	**(54.2)**	**122.7**
	14,867	73,491	8,240	1,141	(6,017)	76,855
	361	1,695	108	189	(3)	1,989
	109.2	646.7	58.0	45.0	(52.6)	697.1
	(73.3)	(435.9)	(30.0)	(69.4)	15.5	(519.8)
	(1.9)	(26.9)	(0.1)	(5.3)		(32.3)
	34.0	**183.9**	**27.9**	**(29.7)**	**(37.1)**	**145.0**
		(3.6)				(3.6)
		–		(1.7)		(1.7)
	(2.4)	(3.3)				(3.3)
	0.3	0.3		(12.0)		(11.7)
		(4.4)				(4.4)
		–				–
	31.9	172.9	27.9	(43.4)	(37.1)	120.3
	(4.6)	(9.5)	(1.1)	(8.0)		(18.6)
	27.3	163.4	26.8	(51.4)	(37.1)	101.7
		–				22.2
	27.3	**163.4**	**26.8**	**(51.4)**	**(37.1)**	**123.9**
	14,380	70,463	7,364	3,126	(4,989)	75,964
	371	1,664	98	235	(3)	1,994

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2013			
Assets			
Cash and balances with central banks	787.5	61.4	848.9
Treasury bills and other eligible bills		631.2	631.2
Due from other banks	1,546.0	654.2	2,200.2
Loans and advances to customers	3,469.5	8,092.3	11,561.8
Derivative financial instruments	97.8	462.6	560.4
Financial assets at fair value:			
Trading Assets		113.3	113.3
Designated at inception	51.0	298.8	349.8
Investment securities:			
Available-for-sale	52.5	3,792.0	3,844.5
Held-to-maturity	49.2	1,057.9	1,107.1
Intangible assets	96.9	170.0	266.9
Property, plant and equipment	7.1	15.4	22.5
Deferred income tax assets	10.4	25.9	36.3
Other assets	30.5	125.2	155.7
Total assets	6,198.4	15,500.2	21,698.6
Liabilities			
Due to other banks	2,046.3	(1,756.2)	290.1
Due to customers	4,748.4	11,695.4	16,443.8
Subordinated loans		245.1	245.1
Derivative financial instruments	87.0	457.9	544.9
Financial liabilities designated at fair value		310.7	310.7
Other financial liabilities		2,421.5	2,421.5
Current income tax liabilities	1.2	3.8	5.0
Deferred income tax liabilities	28.2	6.4	34.6
Provisions	16.3	10.5	26.8
Other liabilities	63.8	205.8	269.6
Total liabilities	6,991.2	13,600.9	20,592.1
Equity			
Share capital	74.0		74.0
Share premium	1,238.4		1,238.4
Other reserves	778.7	(827.8)	(49.1)
Retained earnings	97.1	(258.7)	(161.6)
Total shareholders' equity	2,188.2	(1,086.5)	1,101.7
Non-controlling interests		4.8	4.8
Total shareholders' equity	2,188.2	(1,081.7)	1,106.5
Total equity and liabilities	9,179.4	12,519.2	21,698.6

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2012			
Assets			
Cash and balances with central banks	1,129.3	235.1	1,364.4
Treasury bills and other eligible bills		816.8	816.8
Due from other banks	3,310.9	82.4	3,393.3
Loans and advances to customers	2,858.7	7,575.4	10,434.1
Derivative financial instruments	445.3	117.9	563.2
Financial assets at fair value:			
Trading Assets	1,340.0		1,340.0
Designated at inception		381.4	381.4
Investment securities:			
Available-for-sale	35.9	3,261.9	3,297.8
Held-to-maturity	48.4	1,045.2	1,093.6
Intangible assets	114.3	180.3	294.6
Property, plant and equipment	15.5	17.5	33.0
Deferred income tax assets	9.0	23.1	32.1
Other assets	404.8	155.9	560.7
Total assets	9,712.1	13,892.9	23,605.0
Liabilities			
Due to other banks	2,609.8	(1,724.5)	885.3
Due to customers	4,629.3	11,454.7	16,084.0
Subordinated loans	187.5	(130.5)	57.0
Derivative financial instruments	534.7	193.9	728.6
Financial liabilities designated at fair value	775.3	356.0	1,131.3
Other financial liabilities		2,938.1	2,938.1
Current income tax liabilities		2.1	2.1
Deferred income tax liabilities	28.2	6.8	35.0
Provisions		11.5	11.5
Other liabilities	285.4	170.4	455.8
Total liabilities	9,050.2	13,278.5	22,328.7
Equity			
Share capital	77.2		77.2
Share premium	1,239.0		1,239.0
Other reserves	762.8	(642.9)	119.9
Retained earnings	(10.4)	(249.7)	(260.1)
Total shareholders' equity	2,068.6	(892.6)	1,176.0
Non-controlling interests	93.8	6.5	100.3
Total shareholders' equity	2,162.4	(886.1)	1,276.3
Total equity and liabilities	11,212.6	12,392.4	23,605.0

52. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

52.1 Basic

	31 December 2013 CHF millions	Restated 31 December 2012 CHF millions
Net profit for the year from continuing operations	75.4	100.7
Estimated pro-forma dividend on Bons de Participation	(0.9)	(8.1)
Net profit for the year from continuing operations attributable to ordinary shareholders	**74.5**	92.6
Net profit for the year from discontinued operations attributable to ordinary shareholders	36.4	10.5
Net profit for the year attributable to ordinary shareholders	**110.9**	**103.1**
Weighted average number of ordinary shares ('000s of shares)	147,626	141,213
Basic earnings per ordinary share (CHF)		
from continuing operations	0.50	0.66
from discontinued operations	0.25	0.07
Basic earnings per ordinary share (CHF)	**0.75**	**0.73**

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 250,819 (2012: 5,456,715). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1st January 2013 until 30 April 2013 of 2.096%, 1.815% from 1 May 2013 until 30 October 2013 and a rate of 2.376% thereafter.

52.2 Diluted

	31 December 2013 CHF millions	31 December 2012 CHF millions
Net profit for the year from continuing operations	75.4	100.7
Estimated pro-forma dividend on Bons de Participation	(0.9)	(8.1)
Net profit for the year from continuing operations attributable to ordinary shareholders	**74.5**	92.6
Net profit for the year from discontinued operations attributable to ordinary shareholders	36.4	10.5
Net profit for the year attributable to ordinary shareholders	**110.9**	**103.1**
Diluted-weighted average number of ordinary shares ('000s of shares)	152,576	146,076
Diluted earnings per ordinary share (CHF)		
from continuing operations	0.49	0.64
from discontinued operations	0.24	0.07
Diluted earnings per ordinary share (CHF)	**0.73**	**0.71**

In the period Pursuant to its employee equity incentive plans, the Group issued in 2013 restricted stock units to purchase 1,035,729 (2012: 1,069,992) shares which increased the diluted-weighted average number of ordinary shares by 4,950,140 (2012: 4,862,426) shares to 152,576,361 (2012: 146,075,710) shares.

For information regarding the EFG International equity incentive plan, see note 55.

53. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 25 April 2014. A dividend in respect of 2013 of CHF 0.20 (2012: CHF 0.10) per share amounting to approximately CHF 29.5 million (2012: CHF 14.7 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2013 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 2014, with no tax effect for the Group.

	At 31 December 2013 CHF millions	At 31 December 2012 CHF millions
Dividends on ordinary shares		
CHF 0.10 per share related to 2012 paid in 2013	14.7	
CHF 0.10 per share related to 2011 paid in 2012		13.4
	14.7	13.4
Dividends on Bons de Participation		
For the period 1 November 2011 to 30 April 2012 at 2.840%		5.5
For the period 1 May 2012 to 30 October 2012 at 2.462%		3.9
For the period 1 November 2012 to 30 April 2013 at 2.096%	1.7	
For the period 1 May 2013 to 30 October 2013 at 1.815%	0.2	
	1.9	9.4

54. RELATED PARTY TRANSACTIONS

54.1 Transactions

	Significant Shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2013			
Assets			
Due from other banks		0.2	
Derivatives		0.2	
Loans and advances to customers	0.4		2.1
Other assets		0.6	
Liabilities			
Due to other banks		6.9	
Derivatives		0.3	
Due to customers	7.7	1.8	33.9
Other liabilities		0.1	
Year ended 31 December 2013			
Commission income		1.0	0.3
Net other income		1.7	
Operating expenses		(0.4)	

	Significant Shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2012			
Assets			
Due from other banks		0.5	
Loans and advances to customers	9.7		11.1
Other assets		0.5	
Liabilities			
Due to other banks		10.7	
Derivatives		0.4	
Due to customers	25.6		21.1
Year ended 31 December 2012			
Interest income			0.1
Commission income		1.0	0.3
Net other income		1.7	

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits, which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2012: Nil).

54.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2013 comprised of cash compensation of CHF 6,959,836 (2012: 5,464,658), pension contributions of CHF 431,543 (2012: 353,368) and restricted stock units valued at approximately CHF 1,916,700 (2012: 1,800,000). Other compensation of CHF 146,923 (2012: 1,822,571) included in 2012 an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years and zero in the current year.

The compensation of the members of the Board of Directors relating to the year 2013 comprised of cash compensation of CHF 1,570,020 (2012: CHF 1,336,680). No pension contributions are paid to Directors.

For additional details required under Swiss Law (Swiss Code of Obligations art. 663b bis) see note 21 of the parent company financial statements on page 188.

55. EMPLOYEE EQUITY INCENTIVE PLANS

The EFG International Employee Equity Incentive Plan (the "Plan") has different classes of options and restricted stock units, which have a vesting period of three years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

The expense recorded in the Income Statement spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Income Statement for the period ended 31 December 2013 was CHF 12.0 million (2012: CHF 12.0 million).

The Plan has been developed internally by the Group without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2013 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Exercised	Outstanding
2006	In-the-money	25.33	754,746		754,746		–
2007	In-the-money	32.83	954,255				954,255
2007	At-the-money	49.25	1,229,953				1,229,953
2008	In-the-money	24.00	492,319				492,319
2008	At-the-money	35.95	757,378				757,378
2008	Restricted stock units with 5 year lock-up	0	769,848			736,172	33,676
2009	In-the-money	5.00	1,199,069				1,199,069
2009	Restricted stock units with 3 year lock-up	0	214,754			34,926	179,828
2009	Restricted stock units with 5 year lock-up	0	1,120,533				1,120,533
2010	In-the-money	12.19	91,036				91,036
2010	Restricted stock units with 3 year lock-up	0	684,989			459,691	225,298
2010	Restricted stock units with 5 year lock-up	0	68,380				68,380
2011	Restricted stock units with 3 year lock-up	0	725,348		2,760		722,588
2011	Restricted stock units with 5 year lock-up	0	63,278				63,278
2012	Restricted stock units with 3 year lock-up	0	1,002,424		3,598	4,371	994,455
2012	Restricted stock units with 5 year lock-up	0	67,568				67,568
2013	**Restricted stock units with 3 year lock-up**	**0**		**979,048**	**3,655**		**975,393**
2013	**Restricted stock units with 5 year lock-up**	**0**		**60,336**			**60,336**
			10,195,878	**1,039,384**	**764,759**	**1,235,160**	**9,235,343**

55.1 2013 incentive plan

EFG International granted 1,039,384 options and restricted stock units in 2013. There are two classes of restricted stock units. Those with a 3 year lock-up ("Restricted stock units with 3 year lock-up") vesting pro-rata temporis over 3 years with one third each year and with a 5 year lock-up ("Restricted stock units with 5 year lock-up") vesting over 3 years. The deemed value of each Restricted stock unit with 3 year lock-up is CHF 11.19 and each Restricted stock unit with 5 year lock-up is CHF 10.58. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date.
The significant inputs into the model were spot share price (CHF 11.80) with a discount dividend payout rate (20%) and the expected life of the restricted stock units (36 and 60 months).

55.2 2014 incentive plan

EFG International will grant restricted stock units in March 2014 at prices to be determined based on the relevant valuation inputs on the date of issue.

56. 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.

On 11 January 2012, holders of EFG Fiduciary certificates with a notional value of EUR 135.2 million converted their holding into a new Basel III compliant Tier 2 bond.

On 28 January 2013, holders of EFG Fiduciary certificates with a notional value of EUR 251.4 million sold their holding back to the Group for approximately CHF 189 million and on 26 April 2013 these certificates were cancelled.

57. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2013 CHF millions	31 December 2012 CHF millions
Character of client assets		
Equities	19,846	17,932
Deposits	18,397	17,621
Bonds	15,367	16,135
Loans	11,915	10,919
Structured notes	2,275	6,141
Hedge funds/Fund of hedge funds	3,050	4,394
Fiduciary deposits	1,255	1,809
EFG International shares	1,002	782
Other	3,747	3,736
Total Assets under Management	**76,854**	79,469
Total Assets under Administration	**8,074**	8,295
Total Assets under Management and Administration	**84,928**	87,764

Assets under Administration are trust assets administered by the Group.

	31 December 2013 CHF millions	31 December 2012 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,493	2,753
Assets with discretionary management agreements	12,121	15,157
Other assets under management	50,325	50,640
Total Assets under Management (including double counts)	**64,939**	68,550
Thereof double counts	*1,027*	*2,717*
Loans	11,915	10,919
Total Assets under Administration	8,074	8,295
Total Assets under Management and Administration	**84,928**	87,764
Net new asset inflows (including double counts)	**2,456**	205

Double counts primarily include the self-managed collective investment schemes and structured products issued by Group companies which are also included in customer portfolios and already included in assets under management.

Net new assets consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts, and related interest expenses result in net new assets. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of Group companies are not included in net new assets.

58. POST BALANCE SHEET EVENTS

On 6 January 2014, the Group announced its agreement for a referral into its Asian operation of Falcon Private Bank's clients in Hong Kong. This follows Falcon Private Bank's decision to exit the Hong Kong market. The assets under management involved are circa CHF 800 million and a number of Client Relationship Officers and related support staff will move from Falcon Private Bank to EFG Bank, EFG International's business in Asia during the first half of 2014. Due to the timing of the acquisition, the Group is not yet in a position to provide a sufficiently accurate analysis of the impact of the acquisition on the Balance Sheet and Income Statement.

59. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*, Chairman
Niccolo H. Burki*, appointed on 26 April 2013
Emmanuel L. Bussetil
Erwin Richard Caduff*
Michael Higgin*
Spiro J. Latsis
Hugh Napier Matthews*, Vice-chairman
Hans Niederer*
Pericles Petalas
Bernd-A. von Maltzan*, appointed on 26 April 2013

* Independent directors.

60. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to shareholders' equity (refer to consolidated Statement of Comprehensive Income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognised in the Statement of Comprehensive Income is included in the Income Statement for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported in the Statement of Comprehensive Income, is included in the Income Statement for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value. Reductions, as well as gains or losses on disposals, are included in gains and losses from other securities.

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as Fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Under Swiss law, the fair value option is not available. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive requirements are met.

Under Swiss law, the Group's derivative instruments are recorded on Balance sheet at their fair values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable.

(d) Goodwill and intangible assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalized in the balance sheet.

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Income Statement.

(e) Extraordinary income and expense

Under IFRS, items of income and expense shall not be classified as extraordinary items, in the Income Statement or the separate income statement (if presented), or in the notes.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

Report of the statutory auditor
to the General Meeting of
EFG International AG
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 78 to 177), for the year ended 31 December 2013.

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 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Astolfi
Audit expert
Auditor in charge

Christophe Kratzer
Audit expert

Geneva, 25 February 2014

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

EFG International, Zurich

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Income			
Interest income from subsidiaries		13.1	13.2
Income from subsidiaries	13	90.6	36.2
Gain on disposal of shares in subsidiary	14	59.3	51.4
Foreign exchange gain			1.5
Other income		5.5	2.3
Total income		**168.5**	104.6
Expenses			
Staff expenses		(12.6)	(14.3)
Operating expenses	15	(16.9)	(13.2)
Depreciation			(0.1)
Interest expenses paid to subsidiaries		(1.8)	(1.2)
Foreign exchange losses		(1.4)	
Impairment of investment in subsidiaries	7	(10.5)	(12.0)
Release of impairment on subordinated loans to subsidiaries			5.0
Release of provision for guarantees	16	13.3	1.3
Total expenses		**(29.9)**	(34.5)
Net profit before tax		138.6	70.1
Tax (expense)/gain		(0.6)	3.1
Net profit		**138.0**	73.2

BALANCE SHEET AS AT 31 DECEMBER 2013

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2013 CHF millions	Year ended 31 December 2012 CHF millions
Assets			
Due from subsidiaries		68.2	16.6
Other assets		2.8	1.7
Current assets		**71.0**	18.3
Investments in subsidiaries		739.8	753.7
Subordinated loans to subsidiaries		410.4	258.1
Non current assets		**1,150.2**	1,011.8
Total assets		**1,221.2**	1,030.1
Liabilities			
Due to subsidiaries		90.5	2.1
Accrued expenses and deferred income		7.4	11.4
Other liabilities		0.2	0.3
Current liabilities		**98.1**	13.8
Provisions	16	287.1	300.4
Total liabilities		**385.2**	314.2
Equity			
Share capital	11	73.9	73.3
Non-voting equity securities (Participation Certificates)	11	0.2	4.0
Legal reserves		1,765.2	1,779.9
of which Reserve from capital contributions		*1,763.9*	1,778.0
of which Reserve for own shares from capital contributions		*1.3*	1.9
Retained earnings	18	(1,141.3)	(1,214.5)
Net profit for the period		138.0	73.2
Total shareholders’ equity		**836.0**	715.9
Total shareholders’ equity and liabilities		**1,221.2**	1,030.1

EFG International AG Parent Company financial statements are prepared in accordance with Swiss Code of Obligations.

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

1. CONTINGENT LIABILITIES

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 2,346 million (2012: CHF 3,301 million). Included in this amount is CHF 2,147 million (2012: CHF 2,751 million) related to structured products issued by a subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). These risks related to these liabilities of the subsidiary are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

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 Nil (2012: CHF 0.03 million) and are covered by the fire insurance of a subsidiary for the Zurich premises for a total amount of CHF 0.7 million (2012: CHF 0.5 million).

5. LIABILITIES RELATING TO PENSION PLANS AND OTHER RETIREMENT BENEFIT OBLIGATIONS

There are no such liabilities.

6. BONDS ISSUED

There are no such liabilities.

7. PRINCIPAL PARTICIPATIONS

The company's principal participations are shown in the note 33, page 144, to the consolidated financial statements. In the current year the company impaired the carrying value of investments in subsidiaries by CHF 15.7 million (2012: CHF 12.0 million) where capital was invested in subsidiaries with net asset values below the carrying value of the subsidiaries. The existing carrying value is still below its original acquisition cost.

In the current year an amount of CHF 5.2 million related to prior year impairments was reversed as a subsidiary previously impaired increased its net recoverable value.

8. RELEASE OF UNDISCLOSED RESERVES

During the period, no undisclosed reserves were released (2012: nil).

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 2013, 210,487 registered shares (2012: 275,608) and 750 (2012: nil) Bons de Participation "B" were held by subsidiaries. See note 46.3 of the consolidated financial statements on page 162.

On 28 January 2013 the Group acquired 251,399,000 Bons de Participation for cash consideration, in conjunction with an issuance of CHF 180,000,000 of new subordinated Basel III compliant Tier 2 bonds by a wholly owned subsidiary at an annual coupon of 4.75% with an optional redemption call in 5 years and a final maturity of 10 years. On 26 April 2013 these Bons de Participation "B" shares were cancelled.

On 30 April 2013 the Group acquired 750 Bons de Participation for cash consideration.

11. SHARE CAPITAL

	31 December 2013 CHF millions	31 December 2012 CHF millions
147,877,040 (2012: 146,670,000) registered shares at the nominal value of CHF 0.50	73.9	73.3
13,382 (2012: 264,781) Bons de Participation "B" at the nominal value of CHF 15	0.2	4.0
Total share capital	**74.1**	77.3

Conditional share capital

The share capital may be increased by a maximum of CHF 1,678,980 (2012: CHF 2,282,500) by issuing up to 3,357,960 (2012: 4,565,000) fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing up to 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of Directors is authorised, at any time until 27 April 2014, to increase the share capital by a maximum of CHF 25,000,000 by issuing up to 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

12. SIGNIFICANT SHAREHOLDERS

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

		31 December 2013		31 December 2012
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group SA	82,545,117	55.9%	82,545,117	56.4%

EFG Bank European Financial Group SA is controlled by the Latsis Family interests through several intermediate parent companies.
Lawrence D. Howell was considered as a significant shareholder in 2012 and held 8,052,705 shares (5.49%).
As at 31 December 2013 he is no longer a significant shareholder following the sale of some of his shares on 23 December 2013.

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2013 CHF millions	31 December 2012 CHF millions
Dividends	60.0	11.4
Royalties	13.6	14.0
Management service fees	3.7	3.8
Administrator fees	10.2	6.7
Other services	3.1	0.3
Total	**90.6**	36.2

14. GAIN ON DISPOSAL OF SUBSIDIARY

Following the Initial Public Offering on 18 October 2012 of EFG Financial Products Holding AG, Zurich ("EFG FP"), when EFG International AG reduced its holding to 20.25% (gain on disposal of shares of subsidiary of 51.4 million recorded in 2012), the company disposed of the remaining shares in April 2013 and recognised a gain on disposal of these shares of CHF 59.3 million.

15. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2013 CHF millions	31 December 2012 CHF millions
Other operating expenses	(11.3)	(9.2)
Services provided by subsidiaries	(5.6)	(4.0)
Total	**(16.9)**	(13.2)

16. PROVISIONS FOR GUARANTEES

Guarantees of CHF 463.2 million were provided to subsidiaries (2012: CHF 463.2 million), related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 287.1 million (2012: CHF 300.4 million) exists at year end, assuming the guarantees are called.

17. GENERAL LEGAL RESERVE

In 2013 a dividend distribution of CHF 14.7 million has been paid from the Reserve from capital contributions (CHF 0.10 per registered share).

18. RETAINED EARNINGS

	31 December 2013 CHF millions	31 December 2012 CHF millions
At 1 January	(1,214.5)	(456.8)
Net result of prior period	73.2	(757.7)
Transfer from Reserve from capital contributions for dividend payment	14.7	13.4
Dividend paid	(14.7)	(13.4)
At 31 December	**(1,141.3)**	(1,214.5)

19. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the profit of the year of CHF 138.0 million as cumulative negative retained earnings and to proceed to a distribution to shareholders of CHF 0.20 per share, which will amount to a total distribution of CHF 29.5 million (excluding anticipated distribution not payable on the 187,582 shares held on 31 December 2013 by a subsidiary). The Board of Directors proposes to fully charge the proposed distribution 2013 of CHF 0.20 per share to the balance sheet item "Reserve from capital contributions". Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

20. RISK MANAGEMENT

See note 4 of consolidated financial statements on page 99.

21. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2013

	Base compensation (5)	*Variable compensation*		*Other compensation*	Social charges	Total
	Cash	Cash bonus (1)	Equity incentives (2)		(3)	*2013*
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				40,702	700,702
Niccolo Burki	81,255				5,916	87,171
Emmanuel L. Bussetil (4)						–
Erwin Richard Caduff	106,257				7,737	113,994
Michael Higgin	150,000				10,778	160,778
Spiro J. Latsis (4)						
Bernd A. von Maltzan	87,504				6,371	93,875
Hugh Napier Matthews	335,004				19,670	354,674
Hans Niederer	150,000				8,234	158,234
Pericles Petalas (4)						–
Total Board of Directors	**1,570,020**	**–**	**–**	**–**	**99,408**	**1,669,428**
Executive Committee						
Total Executive Committee	**6,959,836**	**1,877,800**	**1,916,700**	**146,923**	**1,098,566**	**11,999,825**
of which highest paid:						
John Williamson, CEO	1,603,612	440,000	660,000	99,927	206,636	3,010,175

Notes

1) The amounts represent the recorded expense for the 2013 cash bonuses.
2) The amount represents the value of equity incentives granted in 2014 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 55 of the consolidated financial statements.
3) Social charges of the Executive Committee of CHF 1,098,566 includes an amount of CHF 431,543 of pension contributions.
4) No compensation paid to Director.
5) Including employee's contributions for social charges.

Under an agreement with the former Chief Executive Officer (until 24 June 2011) the amount paid was CHF 1.5 million in 2013 as long as he does not compete in any respect with EFG International AG activities and interests.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(ii) Compensation year ended 2012

	Base compensation (5)	*Variable compensation*		*Other compensation*	Social charges	Total
	Cash	Cash bonus (1)	Equity incentives (2)	(3)	(6)	*2012*
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				39,555	699,555
Emmanuel L. Bussetil (4)						–
Erwin Richard Caduff	100,008				7,130	107,138
Michael Higgin	91,668				6,490	98,158
Spiro J. Latsis (4)						–
Hugh Napier Matthews	335,004				20,509	355,513
Hans Niederer	150,000				8,032	158,032
Pericles Petalas (4)						–
Total Board of Directors	**1,336,680**	**–**	**–**	**–**	**81,716**	**1,418,396**
Executive Committee						
Total Executive Committee	**5,464,658**	**925,000**	**1,800,000**	**1,822,571**	**911,439**	**10,923,668**
of which highest paid:						
John Williamson	1,603,612	600,000	900,000	144,000	168,379	3,415,991

Notes
1) The amounts represent the recorded expense for the 2012 cash bonuses.
2) The amount represents the value of equity incentives granted in 2013 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 55 of the consolidated financial statements.
3) Other compensation of the Executive Committee of CHF 1,822,571 includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years.
4) No compensation paid to Director.
5) Including employee's contributions for social charges.
6) Social charges of the Executive Committee of CHF 911,439 includes an amount of CHF 353,368 of pension contributions.

Under an agreement with the former Chief Executive Officer (until 24 June 2011) the amount paid was CHF 3.0 million in 2012 as long as he does not compete in any respect with EFG International AG activities and interests.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(iii) Loans and credits

At 31 December 2013 the following loans and credits were granted by subsidiaries to members of the Board of Directors and the Executive Committee and are outstanding at the end of the year.

	2013 CHF	2012 CHF
Cuoni family interests*		8,672,684
Other members of the Board of Directors	11,008	
Total Board of Directors	**11,008**	8,672,684
John Williamson, CEO (highest paid member of Executive Committee in 2013 and 2012)**	1,443,060	1,689,380
Other members of the Executive Committee	639,738	757,481
Total Executive Committee	**2,082,798**	2,446,861

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

** *Fully collateralised loans.*

Interest rates ranging from 0.75% p.a. to 2.09% p.a. are charged on outstanding CHF and GBP loans. The loans oustanding at 31 December 2013, mature between 1 and 3 months.

(iv) Shareholdings

At 31 December 2013 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2013	Shares 2012	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	7,218,779	6,909,500	313,808	
Niccolo Burki				
Emmanuel L. Bussetil				
Erwin Richard Caduff	11,500	11,500		
Michael Higgin				
Spiro J. Latsis*	82,545,117	82,545,117		
Bernd A. von Maltzan				
Hugh Napier Matthews	8,055	8,055		
Hans Niederer	53,700	53,700		
Pericles Petalas				
Executive Committee				
Total Executive Committee of which:	**726,579**	**295,417**	**318,159**	**407,832**
John Williamson	118,140	118,140	140,773	
Lukas Ruflin***		138,988		
Mark Bagnall		5,370	19,295	
Keith Gapp	18,651		5,358	
Henric Immink			8,930	
James TH Lee	556,869		109,960	
Giorgio Pradelli				
Frederick Link	32,919	32,919	23,849	
Ludovic Chechin-Laurans**			9,994	

* *Total number of shares owned by the Latsis family interests.*
** *Executive Committee member until 30 September 2013.*
*** *Executive Committee member until 31 December 2012.*

The members of the Executive Committee have been granted 407,832 share options and restricted stock units which are currently subject to vesting criteria. These would vest in the period 2014 to 2017.

22. POST BALANCE SHEET EVENTS

There were no significant events after 31 December 2013 that are not included above and would require disclosure.

Report of the statutory auditor
to the General Meeting of
EFG International AG
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG International AG, which comprise the income statement, balance sheet and notes (pages 182 to 191), for the year ended 31 December 2013.

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 2013 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 article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Astolfi
Audit expert
Auditor in charge

Christophe Kratzer
Audit expert

Geneva, 25 February 2014

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FORWARD LOOKING STATEMENTS

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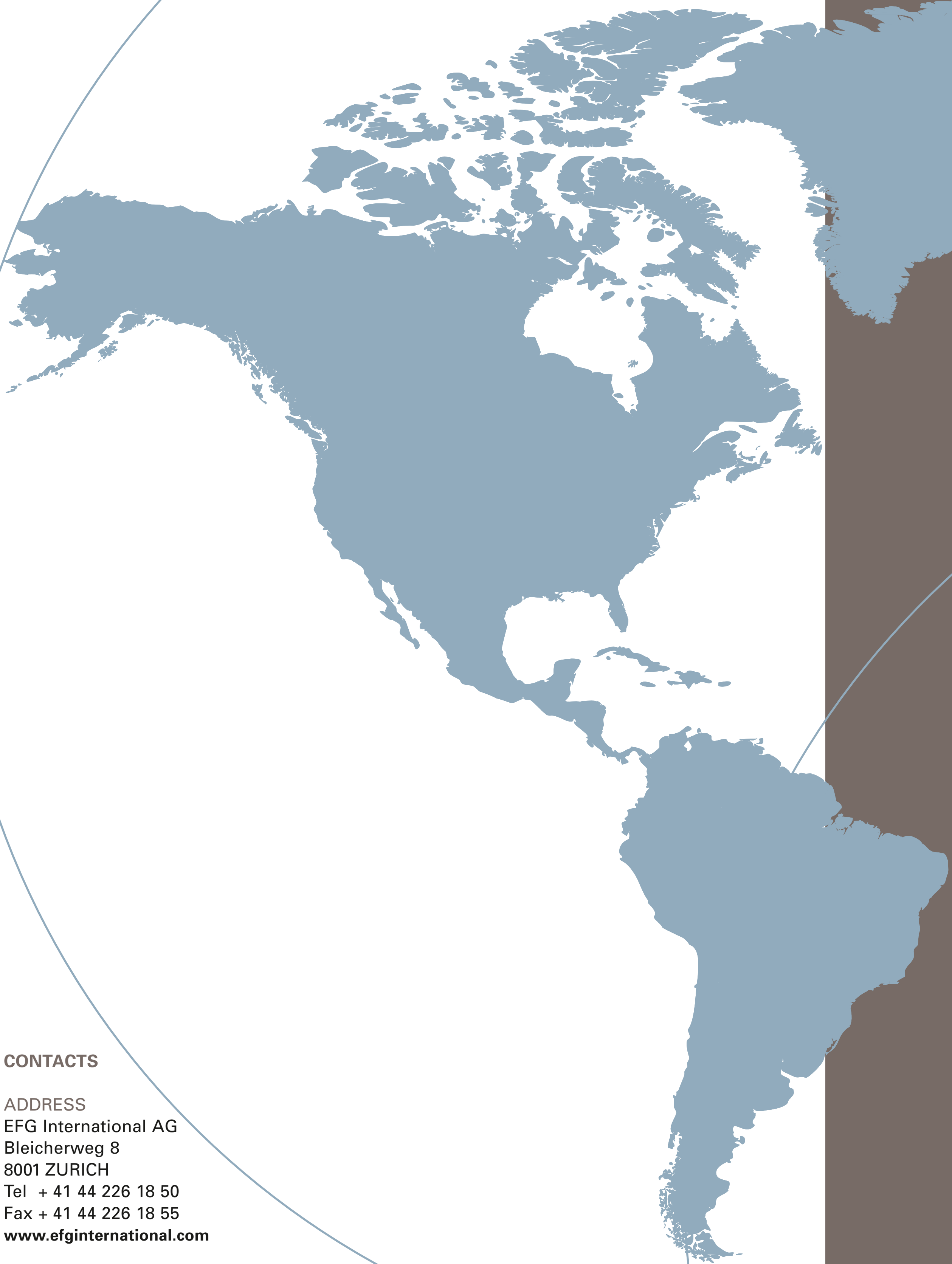

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