EFG International

ANNUAL REPORT 2005

The essence of private banking: EFG International

Easy, isn't it, to talk about "putting the client first"?

Many organisations find the doing a lot more problematic than the talking. Private banking tends not to dominate their every working moment; they don't live it, breathe it, feel it in their bones.

We hear a lot of theorising about what clients want. To us, the fundamental building blocks are, quite simply, people. Professionals of the highest calibre, acting in clients' best interests. People who strive to eradicate life's inconveniences; who seek to simplify complexity.

We see this as a human want, the world over. But we know that clients are not homogenous. There is invariably an attitudinal twist in the theme, whether by region, country, family or individual. It is these insights that have informed our development from Swiss start-up to global private bank in the space of a decade.

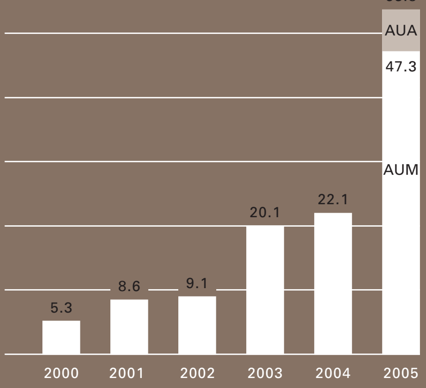
The essence of private banking is relationships; we see our role as creating the conditions for them to flourish. We provide a nurturing environment, enabling our people to excel at what they do. They are free to focus entirely on finding the right solutions for our clients.

Clients have every right to expect and demand more. At EFG International, this is a challenge we relish. We believe the results of our endeavours speak for themselves: a decade of distinctive achievement, made possible thanks to our passion, our people, and – most important of all – our clients.

EFG INTERNATIONAL
CONSOLIDATED FINANCIAL HIGHLIGHTS

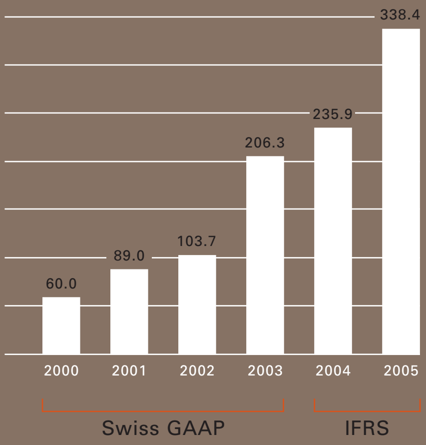
AUM and AUA

in CHF billion



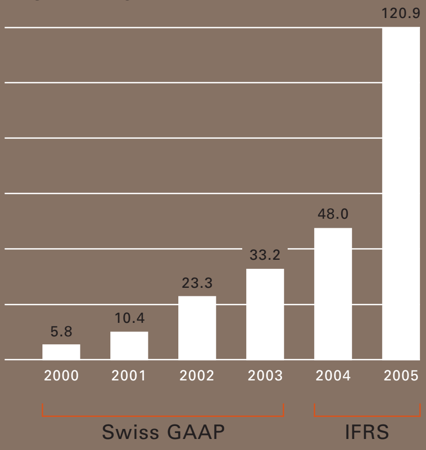
Operating Income

in CHF million

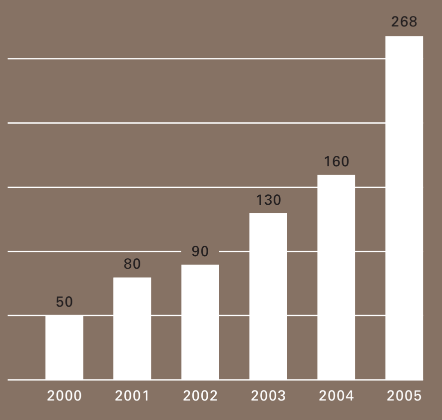


Net Profit

in CHF million

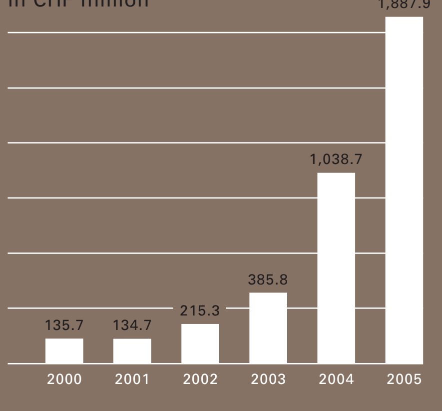


Client Relationship Officers (CROs)



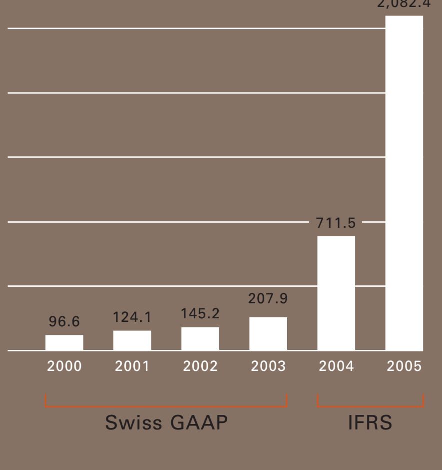
Total BIS Capital

in CHF million



Shareholders' equity

in CHF million



EFG INTERNATIONAL
CONSOLIDATED FINANCIAL HIGHLIGHTS

in CHF million	December 31, 2005
Income Statement	
Operating Income	338.4
Profit before Tax	138.1
Net Profit	120.9
Net Profit attributable to ordinary shareholders	83.7
Cost/Income Ratio (%)	57 %
Balance Sheet	
Total Assets	10,819
Shareholders' Equity	2,082
Market Capitalisation	
Share Price (CHF)	35.00
Market Capitalisation	5,133
BIS Capital	
Total BIS Capital	1,887.9
Total BIS Capital Ratio (%)	55.4 %
Personnel	
Total number of CROs	268
Total number of employees	1,053
Listing	
Listing at the SWX Swiss Exchange, Switzerland; ISIN: CH0022268228	
Ticker Symbols	
Reuters	efgn.s
Bloomberg	efgn sw

International practitioners of
the craft of Private Banking

CONTENTS

Resolute experts.

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

CHAIRMAN’S LETTER

Jean Pierre Cuoni

Dear Shareholders, dear Clients

At EFG International, we believe in the benefits of focus. Ours is private banking. It's what we do – sun up, sun down. All our energies are channelled into ensuring that our clients receive the level of service they expect and desire.

We draw strength from what we believe is a unique business model. Gather together a team of highly experienced, entrepreneurial bankers. Make each one a stakeholder – invested in our success. Grant them the autonomy to serve clients with minimal bureaucracy and maximum creativity. Eradicate conflicts of interest. And the result? Professionals set free to work with passion and agility, backed by the strength and stability of EFG International. The best of both worlds for our clients.

Thanks to our client commitment, our focus on private banking, and our business model, our strong progress was maintained during 2005. In terms of performance, we achieved overall net profit growth of 152%, to CHF 120.9 million from CHF 48.0 million one year ago. Assets under Management grew 114% to CHF 47.3 billion, up from CHF 22.1 billion in 2004. Of this, CHF 12.3 billion stemmed from organic growth and CHF 12.9 billion from acquisitions.

The year 2005 was a pivotal year, which saw EFG International go public in October. We also reached a key milestone in our development, celebrating our ten-year anniversary. We have now enjoyed a decade-long unbroken record of growth.

In addition to going public, there was no shortage of activity during the year:

- We maintained our strategy of organic growth. Our business model continues to attract highly qualified Client Relationship Officers (CROs) from across the international market. During 2005, we increased the number of CROs from 160 to 268 (including CROs from acquired businesses).

- We maintained our strategy of growth through acquisitions. In total, we acquired six private banking businesses: EFG Private Bank Ltd, our sister company in London, EFG Eurofinancière d'Investissements SAM, our sister company in Monaco, Dresdner Lateinamerika Financial Advisors LLC in Miami, Banco Sabadell's private banking business in the Bahamas, Chiltern Wealth Management in London and Bank von Ernst (Liechtenstein) AG. So far in 2006, growth through acquisitions continued with the acquisition of Capital Management Advisors Ltd in Bermuda in February 2006.

- We continued to expand our geographical presence to serve clients in their home markets, opening a new office in Dubai and obtaining a license in Taiwan. So far in 2006, the geographical expansion continued with the opening of banks in Dubai, the Bahamas and Luxembourg and a trust administration office in Hong Kong.

– We continued to build our organisational infrastructure to support the business growth through hiring experienced professionals across all levels of the organisation and through continuing investment in our IT, risk management and operating platform.

In February 2005, we changed the name of EFG Private Bank to EFG Bank. And in September, through a demerger process under Swiss law, we created the holding company EFG International, the new parent company of EFG Bank and all other subsidiaries.

As noted earlier, we went public this year. There were a number of preparatory steps, including a change of accounting methodology from Swiss GAAP to IFRS. Then, on October 7, 2005, we floated 36,670,000 new shares on the Swiss Stock Exchange, enabling us to raise CHF 1.39 billion in new capital. The offering was seven times oversubscribed. The free float amounts to 25% of the outstanding shares.

This represented a strong vote of confidence in our business. It has also equipped us with the means and flexibility to continue our programme of global expansion. In a decade, we have grown from a standing start to a global private bank, with 268 CROs operating in 36 locations in 20 countries worldwide. Each CRO is supported by a leadership team of strength and depth; a business model designed specifically for private banking; an innovative and high quality offering; and a strong, yet flexible, business approach.

The Board members, together with the management team, the CROs and all other employees remain fully committed and optimistic about the future. This is amply demonstrated by the fact that, as part of the Initial Public Offering, all employees committed to 5-years’ phased lock-up agreements of their pre-IPO-shares.

In 2005, the size of our Board was reduced. Board members who did not renew their mandates in April 2005 were Mr. Rayaz Uddin Ahmed, Mr. Tomas Björkman, Mr. Jean-Louis Delachaux and Mr. Gabriel Prêtre. We offer our gratitude to them for their many years of loyal service. As of 28 September 2005, Dr. Hans Niederer, a renowned Zurich lawyer, joined our Board.

The better you do something, the harder you work, the simpler it can look from the outside. Our challenge is to pull together all the moving parts that are EFG International into a coherent whole. Done right, our endeavours should manifest themselves in a working environment that people are proud to be part of, and in a seamless – and high quality – service for our clients.

Jean Pierre Cuoni, Chairman of the Board

Our continued upward momentum and the vote of confidence from the market in the form of our Initial Public Offering bear testimony to the endeavours of our people. Our sincere thanks go to each and every one of them.

The ultimate arbiters of our success are, of course, our shareholders and our clients. Their confidence continues to motivate us all.

Jean Pierre Cuoni
Chairman of the Board

The strength of attraction.

EFG International appeals
to the best private bankers
of their generation –
by setting them free.
Free of bureaucracy.
Free of sales targets.
Free to serve clients
as best they can.

MANAGEMENT REPORT

Lawrence D. Howell
Chief Executive Officer

EFG International is a leading global private banking group. Our principal business is offering private banking and asset management services to high net worth individuals, as well as to selected institutional investors.

OUR CLIENTS SPAN THE WORLD; SO DO WE

EFG International is an international private banking group, with a global network spanning Europe, Asia and the Americas. We currently operate in 36 locations, of which 13 are booking centres (locations where trades are legally registered) in 20 different countries. Our headquarters are in Zurich, Switzerland, and we have a primary operating hub in Geneva.

We have developed a truly international presence, serving our clients where they wish to conduct business. We offer advice and access to the world's markets, virtually 24 hours a day, the world over.

As a fast-growing, entrepreneurial business, we continue to expand our international scale and capabilities.

A BUSINESS MODEL TAILORED TO PRIVATE BANKING

Our business model is designed specifically for private banking. At its heart are our Client Relationship Officers (CROs) – highly qualified individuals who joined from leading organisations worldwide and who have on average around twenty years of experience in private banking.

Each CRO has his or her own business to run. Subject to strict compliance and risk management procedures, we allow our CROs broad discretion to serve clients in the best manner possible. Remuneration is based on a combination of market-based salary and a participation in profit contribution. Ensuring the success of our CROs is a primary objective at EFG International. We maintain management control through streamlined processes that minimise bureaucratic "baggage"; CROs are free to focus on serving their clients. This means clients receive their undivided attention. We also have very low turnover among CROs, offering valuable continuity to our clients.

This all helps to ensure accountability and responsibility; a lack of bureaucracy; a client orientation; and an alignment of interests between clients, CROs, and EFG International. Client satisfaction leads to more business, which in turn leads to more profit.

AN OFFERING SUITED TO THE NEEDS OF CLIENTS

Our objective is to fulfill client wants. Products and services are the means. Our CROs understand this and take great care to talk – and more importantly listen – to our clients, in order to understand their objectives and aspirations and how best to make these a reality.

Our CROs can draw on a wide range of in-house or external products, according to the degree of fit with client requirements, which ensures solutions are crafted precisely according to their needs. CROs, also have the ability to tailor their services, setting pricing and conditions according to local market conditions.

The concept of "open architecture" (essentially, providing clients with access to products from other organisations) is currently fashionable among private banks, but for some, it can represent a major cultural challenge. At EFG International, by contrast, it has been part of our philosophy from the outset. We have always stood for providing the products and services clients need, irrespective of who structures them.

Enshrined in our business model is the freedom of our CROs, to choose internally approved third-party products, with no restrictions relating to an in-house component. Our clients receive objective information and advice on selecting the best products and services from across the international market. Our range encompasses investment advisory, funds, structured notes, margin loans, security brokerage and trading services. We also offer banking (current accounts, time deposits, foreign exchange execution services), custody, fiduciary and trust administration services.

A RISK CONSCIOUS ORGANISATION

By its very nature, the private banking industry is subject to reputational and operational risks. We invest substantial time and effort in our strategies and procedures for managing not only credit risk, but also other risks including reputational risk, operational risk, country risk, market risk, liquidity risk, and settlement risk.

In relation to credit risk, we focus on low-risk business, predominantly lending against portfolios consisting of investment-grade bonds, equities, hedge funds, insurance policies and cash and engage in only limited proprietary trading. We also offer property related financing, predominantly in the UK, to clients who view property as an asset-class within their investment portfolios. Our credit portfolio quality is borne out by the fact that we have extremely low loan losses.

A CONNECTED GLOBAL OPERATION

We operate a single, centralised and highly secure IT platform, in every location worldwide where EFG International is represented (except for recent acquisitions). An effective system, it keeps centralised costs low, while connecting our global community of CROs. It helps us to ensure that the right products reach the right clients at the right time. A modular, scaleable technology, it lends stability and flexibility as we continue to grow.

PEOPLE, CLIENTS, ASSETS – AN UNINTERRUPTED GROWTH STORY

Since its inception, EFG International has seen continuous growth in the number of clients, CROs and Assets under Management. At the end of 2005:

– We served over 27,000 clients around the world.

– CROs have grown over the past five years from 50 to 268 and total employees have grown up from 182 to 1,053.

– Clients' assets under management stood at CHF 47.3 billion (a figure that has grown over the past five years from approximately CHF 5.3 billion). This comprises securities held in custody accounts, fiduciary placements, deposits, client loans, funds, mutual funds under management, third-party assets held and managed by us as custodian, third-party funds administered by us and structured notes managed by us.

HOW DID WE GET HERE? A DECADE OF DISTINCTIVE ACHIEVEMENT

Some key milestones in the development of EFG International:

– In 1995, we founded the business to provide private banking and asset management services to clients worldwide. Based in Zurich, we were a branch of EFG Group (then called Banque de Dépôts).

– In 1996, we established a broker-dealer operation in Miami, targeting the Latin American market.

– In 1997, we acquired The Royal Bank of Scotland AG, Zurich, first renamed EFG Private Bank SA and later EFG Bank. In the same year, EFG Bank acquired the Zurich- and Geneva-based private banking business of EFG Group.

– In 2000, we entered the Asian market, opening a representative office and broker-dealer in Hong Kong and a representative office and investment advisory office in Singapore. Both operations were upgraded to bank branches in 2002 (Hong Kong) and in 2003 (Singapore).

– We have since expanded into the Americas and other parts of Europe through organic growth as well as a series of carefully selected acquisitions. Notable among these was the purchase of IBP Fondkommission (2001); Banque Edouard Constant in Geneva (2003); BanSabadell Finance (2003); and Banco Atlántico Gibraltar Ltd. (2004).

– We have added new businesses, such as an operation providing structured notes, in order to expand our capabilities and capacity to provide the broadest possible range of investment products and services.

As described in the chairman's letter, 2005 was a year of continued activity: we continued to hire highly qualified CROs, we acquired six private banking businesses, we expanded geographically and we continued to build the organisational infrastructure to support our business growth.

We have continued to make progress in 2006 with the acquisition of Capital Management Advisors Ltd. in Bermuda and with the opening of banks in Dubai, the Bahamas and Luxembourg and a trust administration office in Hong Kong.

RATINGS

EFG Bank, a subsidiary of EFG International, is rated by two leading international rating agencies:
Moody's Investors Service and Fitch Ratings:

	Long-term	Short-term	Outlook
Moody's	A2	P–1	stable
Fitch	A–	F2	positive

LOOKING TO THE FUTURE

We see no shortage of opportunities in our area of focus, global private banking:

– To continue to deepen relationships with existing clients.

– To reach out to ever more clients, both those new to private banking and those prospects prepared to take us up on our word and test our services.

– To recruit more highly-qualified CROs.

– To grow through acquisitions. Ours is a track record of having successfully acquired and integrated a number of businesses, each a good fit with the EFG International approach.

EFG International Management Team (from left to right): Lukas Ruflin, Ian Cookson, Rudy van den Steen, Eftychia Fischer, Lawrence D. Howell, James T.H. Lee, Fred Link, Ivo Steiger

– To exploit our international reach, both in terms of representation, and booking centres. We will continue to extend our scale, capabilities and presence around the world.

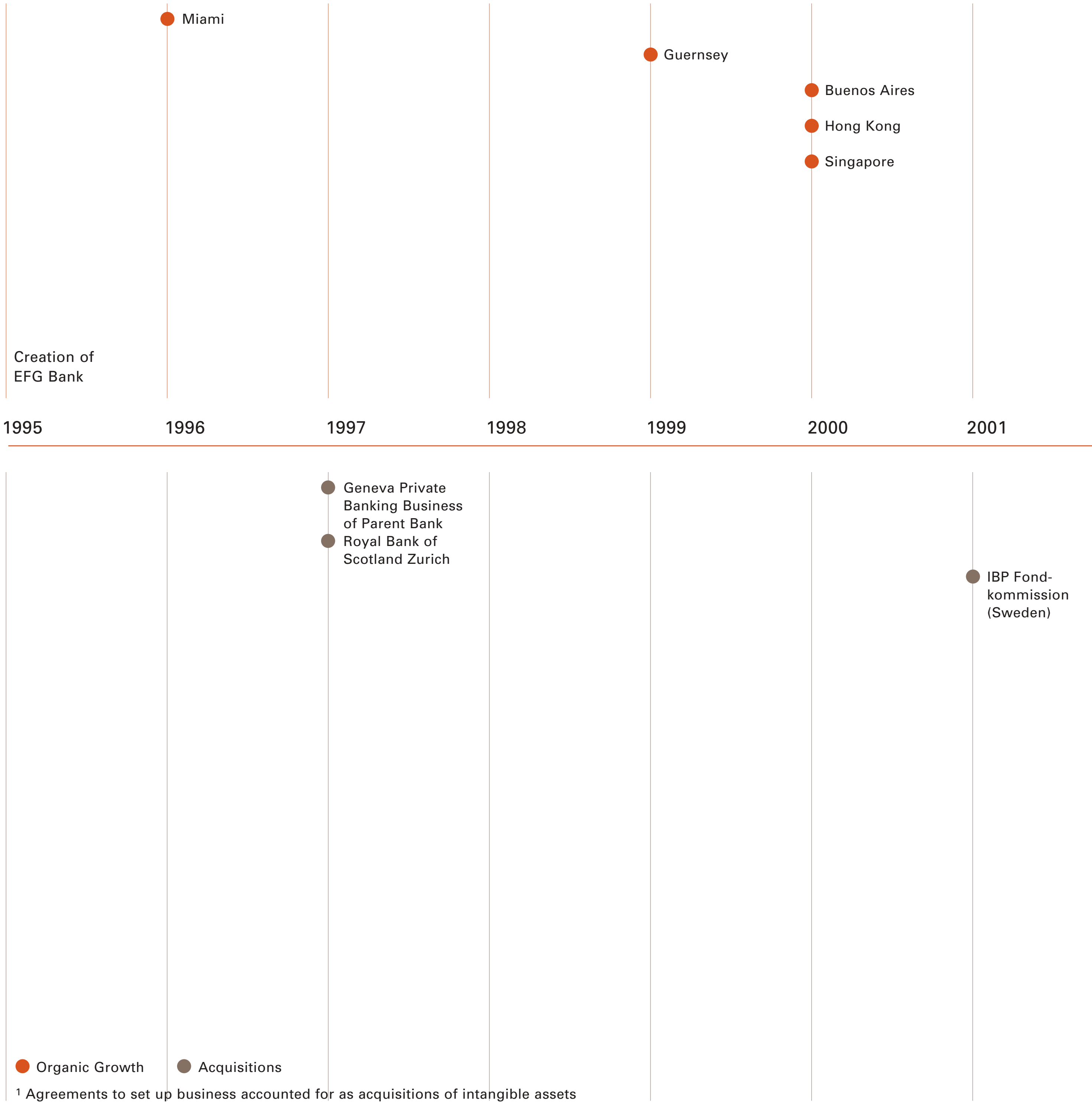
The strength and flexibility of our business model has resulted in a record of growth, unparalleled in our industry over the past ten years. We are optimistic about our future.

A modern, progressive
Global Bank.

Our roots are in Switzerland;
our network international.
Located wherever our
clients need us.
Practitioners of the craft
of private banking.

ORGANIC GROWTH AND AQUISITIONS

The inherent flexibility and strength of our business model is confirmed in the growth illustrated in the chart below. Our growth was guided by a careful balance of both organic growth and appropriate acquisitions.



[1] Agreements to set up business accounted for as acquisitions of intangible assets

Growing stronger every day

2002
- Taipei

2004
- EFG Investment Bank Sweden
- New York

2006
- Bahamas
- Dubai
- Luxembourg

Today
- Miami
- Guernsey
- Buenos Aires
- Hong Kong
- Singapore
- Taipei
- EFG Investment Bank Sweden
- New York
- Bahamas
- Dubai
- Luxembourg

2003
- Banque Edouard Constant
- BanSabadell Finance (Geneva)

2004
- Banco Atlàntico Gibraltar Ltd
- Structured Notes Business (Scandinavia, Europe)[1]

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

2006
- Capital Management Advisors (Bermuda)

Today
- Geneva Private Banking Business of Parent Bank
- Royal Bank of Scotland Zurich
- IBP Fondkommission (Sweden)
- Banque Edouard Constant
- BanSabadell Finance (Geneva)
- Banco Atlàntico Gibraltar Ltd
- Structured Notes Business (Scandinavia, Europe)[1]
- Banco Sabadell Bahamas[1]
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- DLFA Dresdner LatAm Financial Advisors
- EFG Eurofinancière d'Investissements SAM (Monaco)
- EFG Private Bank Limited (London)
- Capital Management Advisors (Bermuda)

A shared evolution.

The quest of the organisation:
continual improvement.
EFG International, CROs and clients
adapting and growing together.
The results speak for themselves.

FINANCIAL REVIEW

Rudy van den Steen
Chief Financial Officer

In the financial year 2005, operating income rose by 43% to CHF 338.4 million which, together with a decrease of the cost income ratio by 16 percentage points, lead to an increase in net profit of 152% to CHF 120.9 million.

FACTORS AFFECTING RESULTS OF OPERATIONS

In a year marked by a number of significant events, including an Initial Public Offering and the acquisition of six private banking businesses, EFG International reported net profit of CHF 120.9 million, an increase of 152% compared to 2004 while operating income increased 43% to CHF 338.4 million, primarily as a result of organic growth. Net profit attributable to ordinary shareholders amounted to CHF 83.7 million, an increase of 93%.

The consolidated 2005 financial results of EFG International reflect the full-year operations of EFG International and its subsidiaries except for the six acquisitions made in 2005, which were included only from the closing date. The financial results of Dresdner Lateinamerika Financial Advisors LLC, Miami are reflected as of early August 2005. The financial results of EFG Private Bank Ltd, London, of EFG Eurofinancière d'Investissements SAM, Monaco, of Chiltern Wealth Management, London and of Bank von Ernst (Liechtenstein) AG, Liechtenstein are reflected as of December 1, 2005. The financial results of the acquired Bahamian Private Banking Business of Banco Sabadell are not reflected in the 2005 results and will be consolidated from February 2006 onwards. As a consequence, the impact of acquisitions on reported operating income and net profit was relatively modest.

These six acquisitions plus the hiring of Client Relationship Officers (CROs) resulted in an increase of 68% in the number of CROs to 268 at the end of 2005 from 160 at the end of 2004. This compares to 50 CROs at the end of 2000.

The strength in the US dollar relative to the Swiss franc, which increased approximately 16% during 2005, also impacted EFG International's consolidated results as an estimated 50% of consolidated operating income is linked to the US dollar.

In addition, on January 1, 2005, EFG International changed the basis of accounting for its financial statements from Swiss BAG-FBC to IFRS and comparable IFRS figures for 2004 were prepared. Accordingly, all financial information presented in this annual report is, for the first time, based on results of operations and financial condition determined in accordance with IFRS.

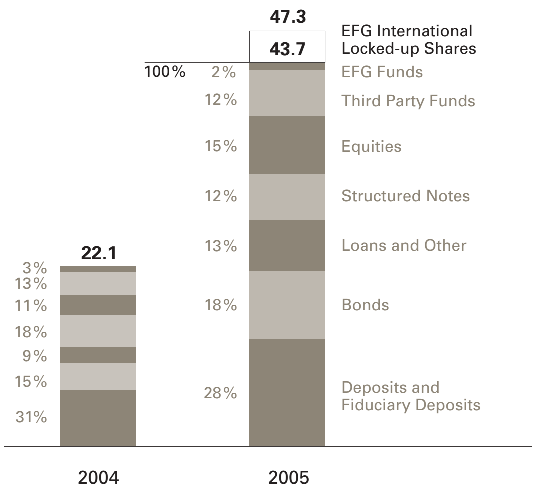
Whereas internal efforts related to the Initial Public Offering and transition to IFRS should be seen as having one-off effects, acquisition related growth is expected to continue in line with EFG International's strategy. The high level of M&A activity industry-wide in 2005 supports EFG International's confidence that consolidation will continue in the private banking and asset management area.

CONSOLIDATED ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

Clients' Assets under Management increased 114% year-on-year to CHF 47.3 billion as of December 31, 2005, up from CHF 22.1 billion as of December 31, 2004. Excluding EFG International shares which do not form part of the current 25% free-float of EFG International shares at the SWX Swiss Exchange, clients' Assets under Management amounted to CHF 43.7 billion per end 2005. In addition, clients' Assets under Administration amounted to CHF 6.5 billion as of December 31, 2005, up from zero at previous year end.

Client's Assets under Management

in CHF billion, except %



CONSOLIDATED FINANCIALS

Operating income

Net interest income doubled compared to the previous year, rising to CHF 90.9 million as a result of an increase in loans to clients and of the investment of a significant part of the capital raised through the issuance of Bons de Participation in highly rated, liquid market securities.

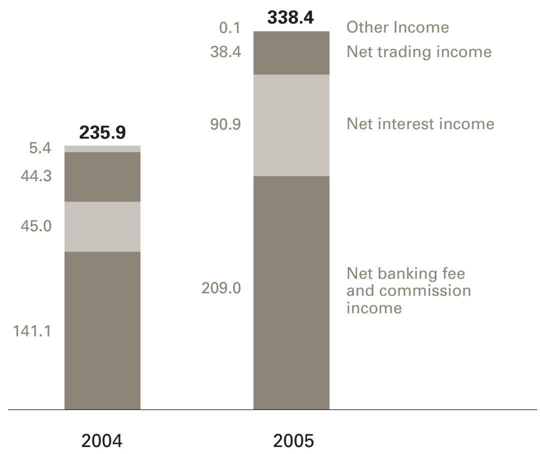
Net banking fee and commission income increased by 48% to CHF 209.0 million as a result of an increase in overall business volume. Net banking fee and commission income thus contributed considerably to the improvement in earnings.

Net trading income recorded modest performance and declined by 13% to CHF 38.4 million. Results reported in net trading income relate almost entirely to trading on behalf of clients.

In total, operating income for EFG International amounted to CHF 338.4 million in 2005, an increase of approximately 43% compared to 2004. Based on time-weighted average Assets under Management of CHF 27.0 billion, the revenue margin increased to approximately 1.25% as compared to 1.12% in 2004. Excluding the effect of additional capital, the revenue margin would have remained approximately constant between 2004 and 2005.

Operating Income

in CHF million



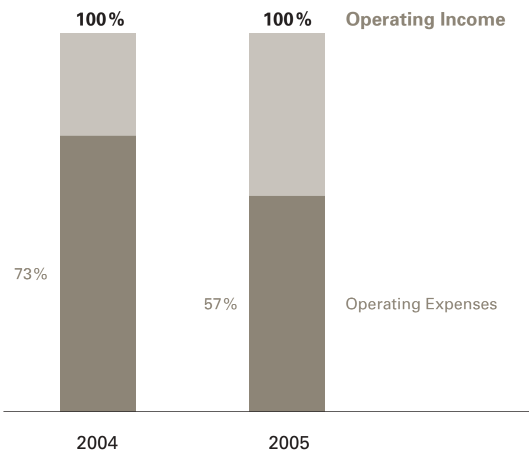
Operating expenses

Operating expenses excluding amortisation and depreciation expenses rose to CHF 192.8 million, an increase of 12% compared to CHF 172.8 million for the financial year 2004. The cost-income ratio, calculated as the ratio of operating expenses before amortisation and depreciation to operating income expressed as a percentage, for the full financial year 2005 stood at 57%, down from 73% in 2004. Ongoing cost consciousness had a positive impact on the annual financial results despite new organic growth initiatives including work related to the creation of new banks in Dubai, the Bahamas and Luxembourg. In addition to the operational leverage effect embedded in EFG International Group's business model, the discontinuation of restructuring costs, which related to the 2003 acquisition of Banque Edouard Constant and which affected the ratio in 2004, contributed to the improved results in 2005.

Performance-based compensation components accounted for 24% of personnel expenses. At the same time, however, the ratio of personnel expenses to operating income declined from 55% to 41%. Expenses related to the EFG International Stock Option plan starting in the 2006 financial year will begin to affect personnel expenses from 2006 onwards.

Other operating expenses, excluding depreciation and amortisation, increased by 23% to CHF 54.2 million, mainly relating to organic growth initiatives and a one-off increase in expenses connected with the Initial Public Offering and related projects. These expenses accounted for 16% of operating income, slightly down from 19% the year before.

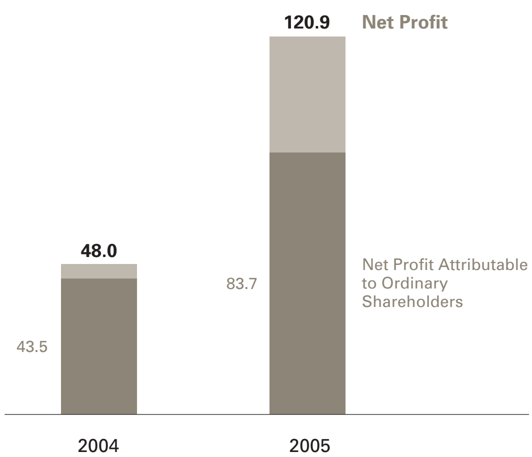
Operating Expenses (excluding Depreciation and Amortisation)
as a Percentage of Operating Income



Consolidated net profit and consolidated net profit attributable to ordinary shareholders

EFG International reported a consolidated net profit of CHF 120.9 million, an increase of 152% compared to CHF 48.0 million for the financial year 2004. The strongly improved cost-income ratio combined with the 43% growth in operating income led to significantly higher net profit. Adjusted for the estimated, pro-forma accrued preference dividend of CHF 37.2 million, net profit attributable to ordinary shareholders amounted to CHF 83.7 million, an increase of 93% compared to CHF 43.5 million for the financial year 2004.

Net Profit and Net Profit Attributable to Ordinary Shareholders
in CHF million



Balance sheet

EFG International's total balance sheet size as of December 31, 2005 increased by 137% to CHF 10.8 billion, compared to CHF 4.6 billion as of December 31, 2004. On the assets side of the balance sheet, the organic growth of Assets under

Management and the increased number of CROs, along with the effect of acquisitions, contributed to the growth in loans to customers by CHF 2.8 billion to CHF 4.5 billion. Nearly 100% of the loans are secured, with CHF 3.6 billion of loans are pre-dominantly secured by marketable securities and CHF 0.9 billion by mortgages linked to property-related loans extended by EFG Private Bank Ltd, London.

Loans to banks increased by 111% to CHF 3.7 billion, while investment securities increased by 267% to CHF 1.4 billion as a result of investment of part of the capital raised in long term AAA-bonds and of collateralised debt obligations which are held at EFG Private Bank Ltd, London.

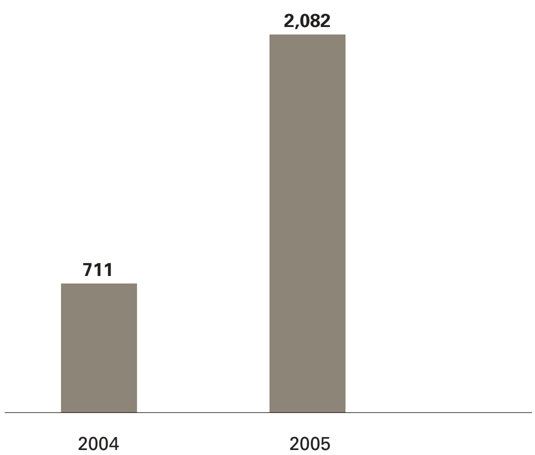
On the liabilities side, the amount due to customers was up by CHF 4.5 billion or 142% to CHF 7.7 billion, as a result of organic growth as well as of CHF 2.8 billion increases related to the acquisitions.

Equity base

Shareholders' equity stood at CHF 2.1 billion at the end of 2005, up by 193% from CHF 0.7 billion as of December 31, 2004, as a result of the capital raised through the issuance of ordinary shares and Bons de Participation as well as retained earnings. The acquisitions of EFG Private Bank Ltd, London and EFG Eurofinancière d'Investissements SA Monaco, which were accounted for as transactions under common control, reduced shareholders' equity by CHF 0.17 billion. Our BIS tier 1 equity capital ratio of 50.1% according to the guidelines of the Bank for International Settlements (BIS) remains high in international comparison and continues to significantly exceed the legal requirements for banks in Switzerland and internationally. Consolidated risk weighted assets amounted to 3.4 billion as of 31 December 2005 an increase of 108%.

Total Shareholders' Equity

in CHF million



RISK MANAGEMENT

The management of EFG International believes that the proper assessment and control of risks are critical for the firm's continued success. In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, EFG Group has established a comprehensive risk supervision framework for the entire EFG Group, including EFG International. As part of this risk supervision framework, EFG International is responsible for creating its own policies and procedures to ensure that various categories of risk, such as credit, country, market, liquidity, operational, and reputational, can be identified throughout EFG International and controlled by management in an effective and consistent manner.

EFG International's business activities are predominantly carried out on behalf of its clients, by whom most of the risk is therefore borne. Consequently, the company takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients, plus exposure to banks and financial institutions. EFG International is exposed to limited market risk, which is mainly restricted to foreign exchange and interest rate gapping positions maintained within defined parameters. EFG International is also exposed to operational and reputational risks and a small amount of liquidity risk. EFG International's management has implemented procedures complying with the risk policies and procedures of the EFG Group. Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which sets policies and risk appetite in collaboration with EFG Group Risk Committee (the "GRC"). Implementation of policies and compliance with procedures are the responsibility of the EFG International Executive Committee, Market Risk Committee and Executive Credit Committee, assisted by both internal and external auditors.

RISK MANAGEMENT ORGANISATION

Although GRC issues general directives and procedures relating to risk management and policy for the entire EFG Group, the EFG International Board of Directors determines the overall risk appetite, direction of risk profile and the organisation of risk supervision for EFG International. It delegates to the EFG International Executive Committee the responsibility for the implementation of, and compliance with, related policies, procedures and internal regulations. However, the EFG International Board of Directors has delegated implementation of, and compliance with, credit policies, procedures and internal regulations, as well as reviews of credit applications to the EFG International Executive Credit Committee. The EFG International Executive Committee has delegated responsibility for implementation of, and compliance with, market risk policies to the EFG International Market Risk Committee and the EFG Bank Product Approval Committee. The EFG International Market Risk Committee monitors market, country and liquidity risks, including compliance with policies and procedures, as well as exposures relative to limits. In addition, the Product Approval Committee reviews applications for the offer and sale of new investment products to clients and ensures compliance with internal and external rules and regulations.

CREDIT RISK

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. Because EFG International's primary credit exposures relate to loans secured by diversified portfolios and to 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 clear separation between the company's business origination and credit risk management activities. Credit requests are initiated by CROs and must be supported by Regional Business Heads.

The approval of loans and other exposures has been delegated, in the first instance, to the Operating Credit Committee of EFG Bank, and, beyond certain defined risk and size criteria, to the Executive Credit Committee of EFG International. Senior management and CROs have credit approval competencies only within established loan size and client collateral diversification parameters. The approval competencies for large exposures and exposures with increased risk profiles are centralised in Switzerland, in compliance with local regulatory and legal requirements of our individual business units. However, competencies have been delegated to the Chairman's Committee and the Credit Committees of EFG Private Bank Ltd, London to approve all client credit transactions locally.

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. 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 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 and mortgages are normally valued annually.

EFG Bank'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. Up to a certain absolute size or ceiling, depending on each counterparty's Fitch ratings and on its total equity, the limits are set by the EFG International Executive Committee. Beyond that ceiling, an opinion must be requested from the EFG Group prior to submission to EFG International Board of Directors for approval.

COUNTRY RISK

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

EFG International measures country risk based on the company's internal country ratings, predominantly derived from information provided by external rating agencies such as Fitch, and enhanced by in-house analysis, which is broken into two components: (1) quantitative economic risk and (2) qualitative examination of political and socio-economic trends. In addition to the default probability and the loss given default, calculation of country risk incorporates the structure of the particular transaction.

Management of country risk is based on a centralised process at the EFG Group level. The EFG GRC makes the final determination of country ratings, and the Group Credit Risk Committee at the EFG Group level coordinates all country limits.

EFG International's exposure to emerging market countries is minimal.

MARKET RISK

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

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco and Stockholm. EFG International does not engage in proprietary trading in securities for the purpose of making profits, but does from time to time provide liquidity to clients holding selected securities. In the case of foreign exchange, EFG Bank maintains small proprietary positions in linear foreign exchange instruments only (not options). Both securities and foreign exchange exposures are strictly limited by nominal overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. All limits are monitored independently by the EFG Bank Market Risk Management Unit.

Due to the nature of EFG International's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to currency risk in connection with the capital of our subsidiary banks that is denominated in local currencies. Equity price risk does not play an important role in EFG Bank's trading books. The bank maintains small residual positions in structured notes issued to its clients, as well as having a small biotech investment company that was acquired in conjunction with EFG Bank's healthcare management fund, amounting to a value of about CHF 1.6 million. From time to time, EFG Bank may also provide seed capital for starting EFG Investment Funds.

MARKET RISK MEASUREMENT AND LIMITS IN TRADING

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports and sensitivity to stress tests. VaR is not used for regulatory reporting of risks. It is published internally, within the EFG Group, as an indication only.

VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. EFG Group's self-developed internal model, which has been implemented on an EFG Group wide bases, takes into account relevant market risk takers and units.

The internal model is based on a variance/co-variance approach and uses a 95% one-tailed confidence level. The model assumes a 10-day holding period for purposes of group internal risk reporting, with a 180-day observation period for market variables. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in our risk management needs.

Risk parameters based on the VaR methodology are calculated by the EFG Bank Market Risk Management Unit, which produces monthly market risk reports, showing the relationship between risks calculated on the VaR basis and their related returns.

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

Daily risk reports are made which review compliance with nominal limits and stop loss limits.

The following tables present risk figures (95%, VaR, 10-day) for market risk in the trading books, by risk type:

2003 CHF '000	VaR as of 31 December 2003	Average VaR	Minimum VaR	Maximum VaR	Maximum in % of equity
Interest rate risk	2,240	5,406	2,240	10,460*	5.04
Currency risk	861	427	242	861	0.41
Equity price risk	107	89	58	107	0.05

* This maximum VaR amount did not include the effect of interest rate hedges on funding costs carried on the book at the time, which would have significantly reduced the amount had they been included.

2004 CHF '000	VaR as of 31 December 2004	Average VaR	Minimum VaR	Maximum VaR	Maximum in % of equity
Interest rate risk	692	1,746	692	2,489	0.34
Currency risk	745	1,105	745	1,401	0.19
Equity price risk	182	206	126	293	0.04

2005 CHF '000	VaR as of 31 December 2005	Average VaR	Minimum VaR	Maximum VaR	Maximum in % of equity
Interest rate risk	868	775	600	939	0.05
Currency risk	335	428	196	696	0.03
Equity price risk	534	609	534	701	0.03

CURRENCY RISK

Apart from the exposure to foreign currencies which relates to banking and trading activities in EFG International's subsidiary banks, and which is managed by the local treasury departments, the company is also exposed to foreign currency fluctuations at the EFG International level because most of the subsidiary banks use local currencies as their reporting currencies. From time to time EFG Bank may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, the company does not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiary banks (currency translation risk).

ASSET/LIABILITY MANAGEMENT

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

Despite strong asset growth, the bank's capital and deposit base has continued to provide a substantial excess of funding. Structural mismatches are reflected in the interest rate position of EFG International and the result of the maturity transformation is shown in net interest income. However, it is EFG International's goal to minimise the risk of structural mismatch due to fluctuations in interest rates as much as possible.

The following tables show the hypothetical change in the present value of the company's banking book activities as of 31 December 2003, 2004 and 2005 in CHF as a result of a parallel increase in interest rates of 1%.

CHF '000	Interest rate sensitivity	In % of shareholders' equity
As of 31 December 2003	11,111	5.35
As of 31 December 2004	808	0.11
As of 31 December 2005	4,168	0.20

LIQUIDITY RISK

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

Funding operations aim to avoid concentrations in funding facilities. The pricing of assets and credit business is based on the current liquidity situation. EFG Bank also has a liquidity management process in place that includes liquidity contingency plans, encompassing repo borrowing and liquidation of marketable securities. The bank's liquidity situation is also reported to the EFG Group Risk Unit on a monthly basis, according to specific Group Risk Guidelines, and to the bank's management on a daily basis. Stress tests are undertaken monthly or as necessary.

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

OPERATIONAL RISK

EFG International's executive management monitors the risk of loss resulting from failures in business processes, systems and people, or from external sources, through a comprehensive internal reporting system, which aims to oversee and maintain the standards of all transactions. In addition, operational risk is limited by means of, inter alia, organisational measures, automation, internal control and security systems, written procedures, legal documentation and loss mitigation techniques as well as a respective business continuity planunder the responsibility of management. Generally, operational losses have been small. Monthly reports include details of all operational issues. EFG International has a general policy of hiring senior managers and CROs who have worked with members of the current management in the past. In addition, the management information system produces daily reports with details of the transactions of all CROs, which are closely monitored in order to detect any large or unusual transactions. Furthermore, all securities purchases are executed through central trading desks and are reviewed by traders as to size and quality of securities. The company's IT system provides an immediate duplicate of all transactions, ensuring a backup system is continuously available off-site. Operations are also audited by EFG Group's internal auditors and external auditors, as well as by EFG International audit committee. Statistical indicators have been collected over several years to prepare for implementation of the Standardised Approach in order to comply with the requirements of the Basel II accords.

COMPLIANCE AND LEGAL RISK

The Compliance Department is responsible for ensuring EFG International's observance of applicable regulations. Changes in the regulatory environment are monitored and directives and procedures are adapted as required. Global compliance is centrally managed from Geneva with local compliance officers situated in several of EFG International's branches and subsidiaries around the world. The Legal Department oversees client and other litigation and supervises outside counsel on a variety of legal matters.

REPUTATION RISK

Reputation risk for EFG International may arise from service delivered to clients that is substandard, as well as EFG International's involvement with politically exposed persons, persons with a public profile or those associated with high risk activities. EFG International ensures service quality by employing highly skilled CROs and minimising operational error (see "Operational Risk" above). Reputation risk arising from client selection is a common concern for all private banks, and the Swiss Federal Banking Commission along with regulators throughout the world have put in place rules and regulations to monitor the reputation risk inherent in the industry.

To comply with anti-money laundering laws, EFG International operates strict due diligence procedures for the acceptance of new clients. In addition, EFG International closely monitors transactions on an ongoing basis and investigates any transaction activity that is unusual and is deemed suspicious.

Our objective is to fulfill
client wants and needs;
products and services
are the means.

CROs are free to select
the best from the market;
compelled only to
solve, not sell.

SOCIAL COMMITMENT

As EFG International grew, we turned our attention to further raising our profile. Sponsorships of sporting or cultural events are commonplace. But we felt our clients wanted us to be different – and to make a difference. There was a desire to channel some of our collective energy and resources into giving back to the global community. And that is what we did. EFG International is proud to be a supporter of Right To Play, an international humanitarian organisation which shares our ethos of focus, experience and passion, applied to the critical task of helping the most vulnerable children in the world.

What is Right To Play? A humanitarian endeavour founded on a simple belief: that sport has the power to help grow healthier, happier, safer children. The objective is to improve lives and strengthen communities in the most disadvantaged parts of the world. Right To Play does this by using sport and activity programmes to encourage physical, social and emotional development among young people at risk – child refugees, former child combatants, those who have been orphaned by HIV/AIDS.

Through its international network of volunteers, Right To Play offers two programmes: SportWorks (encouraging child and community development) and SportHealth (promoting health education and raising awareness of the importance of vaccinations). Great care is taken to ensure that local communities develop the necessary infrastructure and expertise to own these programmes, while training young people to pass on skills to the next generation.

The values of sport can be remarkably powerful in promoting good health among children. They can also provide an impetus to personal development, encouraging critical attributes and life skills such as self-confidence, resilience, leadership and teamwork, discipline and fair play.

Right To Play is committed to raising awareness of child poverty on the world stage. It is supported with funds, advice and technical expertise by many partners encompassing leading international organisations, private companies and charities. A number of Olympic and professional athletes also selflessly give their time and energy, serving as ambassadors to the cause, as well as providing true inspiration to the children themselves.

There is a guiding philosophy that binds partners, volunteers and participants in Right To Play alike. It is a passion for empowering children to look after themselves and each other. Harnessing the power of sport to make the most troubled communities a better place to live.

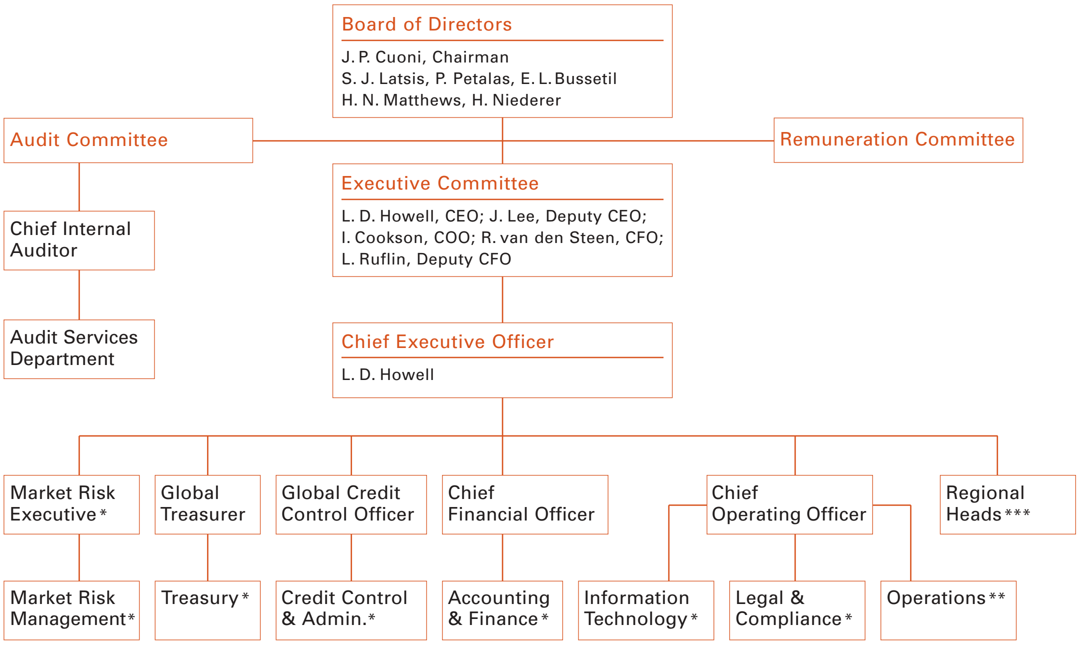
Learn more about Right To Play at www.righttoplay.com

CORPORATE GOVERNANCE

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

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International



* located in EFG Bank, but reporting to EFG International
** includes operational risk management
*** located in local subsidiaries and branches

1.2 Group entities

The consolidated entities are listed on page 107.

1.3 Significant shareholders

As of December 31, 2005	Number of registered shares	Percentage of voting rights
EFG Group *	71,492,153	48.74 %
Mr. Lawrence D. Howell *	8,352,000	5.70%
Mr. Jean Pierre Cuoni *	7,236,000	4.93 %
Employees *	22,919,847	15.63%
Free float	36,670,000	25.00 %
Total	**146,670,000**	**100.00 %**

* Shares subject to lock-up agreements

1.4 Shareholders' agreement and lock-up agreements

Messrs. Jean Pierre Cuoni (Chairman) and Lawrence D. Howell (CEO) are party to a shareholders' agreement with EFG Group which contains the grant of certain rights of first refusal in favour of EFG Group in respect of the shares held by them.

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

By virtue of these lock-ups, the aforementioned shareholders form an organised group within the meaning of Article 15 of the Ordinance of the Federal Banking Commission on the Stock Exchange of 25 June 1997. The total holding of registered shares subject to the lock-up agreements amounts to 110,000,000 representing, 75.00% of the total voting rights.

1.5 Cross-shareholdings

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

2. CAPITAL STRUCTURE

2.1 Capital

Share capital

The outstanding share capital amounts to CHF 73,335,000, consisting of 146,670,000 registered shares with a face value of CHF 0.50 each; the shares are fully paid-up. The authorised share capital amounts to CHF 9,165,000, the conditional share capital amounts to CHF 2,282,500.

The registered shares are traded on the main segment of the SWX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 5,133,450,000 on 31 December 2005.

Participation capital

The outstanding participation capital of the Company amounts to CHF 6,000,000, consisting of 400,000 non-voting preference Class B Bons de Participation with a nominal value of CHF 15.00 each. These Bons de Participation have been issued to Banque de Luxembourg as fiduciary in connection with the issue by Banque de Luxembourg of the EUR 400 million EFG fiduciary certificates on 14 November 2004 and 17 January 2005. The preference rights attached to the Class B Bons de Participation consist of preferential dividend and liquidation rights, as mainly set out in article 13 of the Articles of Association. The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting.

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

2.2 Authorised and conditional capital in particular

Authorised capital

The Board of Directors is authorised, at any time until 22 September 2007, to increase the share capital by no more than CHF 9,165,000 by issuing no more than 18,330,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free reserves are permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

In addition, the Board of Directors is authorised to increase the participation capital, up to a maximum aggregate amount of CHF 15,000,000, through the issuance of a maximum of 1,000,000 registered Class C preference Bons de Participation with a nominal value of CHF 15.00 each and to be fully paid up. The Board of Directors is authorised to withdraw the preferred subscription rights of the shareholders and the participants and to allocate them to third parties for the financing of the acquisition of whole or part of an entreprise or of an investment in another company, or for new investments purposes for EFG International at market conditions at the moment of the issuance, as well as, in particular, for direct or indirect fund raising purposes on the international capital markets. If and when issued, Class C preference Bons de Participation will rank prior to the shares, both in terms of dividend and liquidation dividend rights.

Conditional capital

The share capital may be increased by no more than CHF 2,282,500 by issuing no more than 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each trough the exercise of option rights granted to officers and employees at all levels of EFG International and its group companies. The preferential subscription rights of the shareholders and the participants are excluded in favour of the holders of the option rights. The conditions for the allocation and the exercise of the option rights are set by the Board of Directors. The shares may be issued at a price below the market price.

2.3 Changes in capital structure

Since the IPO on 7 October 2005, no changes in capital structure were effected.

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2005:

Registered shares of CHF 0.50 par value	146,670,000

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

Participation certificates

Number of participations certificates as of 31 December 2005:

Preference Class B Bons de Participation of CHF 15.00 par value	400,000

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see section 2.1 above). They do not confer voting rights.

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

EFG International's shares are freely transferable, without any limitation, provided that the buyers expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995.

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

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

The Board of Directors is authorised to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

There are no outstanding convertible bonds and no warrants on EFG International's shares.

For details on stock options granted to officers and employees at all levels of EFG International and its group companies, please refer to section 5.1 below.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

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

No member of the Board has ever held a management position in EFG International or any of its group companies over the last three years. No director has any significant business connection with EFG International or any of its subsidiaries. The law firm Niederer Kraft & Frey of which Dr. Hans Niederer is a partner has provided legal services to EFG International in connection with the creation of the holding structure, the Initial Public Offering and other matters (see also 5.7).

Jean Pierre Cuoni is a Swiss citizen and was born in 1937. He was appointed Chairman of the Board of Directors of EFG International effective as of 8 September 2005. Mr. Cuoni has been Chairman of the Board of Directors of EFG Bank since 1997 and has been a member of the Board of Directors and the Advisory Board of EFG Group since 1995. Mr. Cuoni has also been a member of the Board of Directors of EFG Investment Bank AB since 2001. Prior to these positions, Mr. Cuoni was Chief Executive of Coutts and Co International Private Banking (1990–94) and Chief Executive of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988–90). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva, Lausanne and Zurich, and was the Regional Head of Private Banking for Europe and Middle East/Africa and Senior Officer (Country Corporate Officer) for Citicorp and Citibank in Switzerland. Mr. Cuoni was Senior Vice President of Citibank N.A. from 1981 to 1988 and Chairman of Citibank (Switzerland) S.A. from 1982 to 1988.

Mr. Cuoni received his Federal Commercial Banking Diploma in 1957 and attended the Executive Development Programme at IMD in Lausanne in 1974.

Mr. Cuoni was part of the Swiss Bankers Association as a member of the Executive Committee (1985–93) and a member of the Board (1982–93). He was Chairman of the Association of Foreign Banks in Switzerland (1986–93) and member of the Board of the Association of Swiss Exchanges (1988–92), as well as member of the Board of the Zurich Chamber of Commerce (1988–96). From 1998 until 2004 he was Vice President of the British Swiss Chamber of Commerce. Since 1985, Mr. Cuoni has been member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva.

Emmanuel Leonard Bussetil is a British citizen and was born in 1951. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005 and has been a member of the Board of Directors of EFG Bank since 2001. He is the Group Finance Executive of EFG Group and is a member of the Board of the principal operating subsidiaries of EFG Group. He also is a member of the Board of the principal commercial holding and operating companies owned by Latsis family interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that he was an Audit Manager at PricewaterhouseCoopers, in the UK, where he was employed from 1976 to 1982.

Mr. Bussetil is a Fellow of the Institute of Chartered Accountants of England and Wales. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972–73) and at Morland and Partners, Liverpool (1974–76).

Spiro J. Latsis is a Greek citizen and was born in 1946. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 1997. Mr. Latsis has been the Chairman of the Board of EFG Group since 1997 and a member of EFG Group's Board of Directors since 1981. In addition, he is a director in other EFG Group companies, including Private Financial Investments Holding Ltd., Jersey (since 1991), EFG Eurofinancière d'Investissements SAM, Monaco (since 1990), Private Financial Holdings Limited, England (since 1989), EFG Private Bank (since 1989), EFG Consolidated Holdings SA, Luxembourg (since 1989) and EFG Eurobank Ergasias, Athens (since 1990). Mr. Latsis is also President of SETE S.A., Geneva and Chairman of Paneuropean Oil and Industrial Holdings S.A., Luxembourg.

Mr. Latsis obtained his bachelor degree in Economics in 1968, a masters degree in Logic and Scientific Method in 1970 and a doctorate in Philosophy in 1974, all from the London School of Economics. He is an Honorary Fellow and a member of the Court of Governors of the London School of Economics.

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 as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 2003 and is Chairman of its audit committee. Mr. Matthews has also been a member of the Board of Directors of EFG Group since 2001 and is Chairman of its risk committee. Before that, Mr. Matthews worked for Coutts Bank (Switzerland) (1996–2000), ultimately in the position of Chief Executive Officer, and for Coutts Group, London (1994–96), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960–69), Brussels, Los Angeles and New York (1969–71) and Zurich (1971–94).

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

Périclès Petalas is a Swiss citizen and was born in 1943. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 1997. Mr. Petalas has been the Chief Executive Officer of EFG Group since 1997. He is also a non-executive director of various EFG Group companies. Prior to his position at EFG Group, Mr. Petalas was Senior Vice President and General Secretary of Banque de Dépôts, Geneva. Previously, he worked for Union Bank of Switzerland in Zurich (1978–80) and Petrola International, Athens (1977–78).

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

Hans Niederer is a Swiss citizen and was born in 1941. He was appointed a member of the Board of Directors of EFG International effective as of 5 October 2005. Mr. Niederer is a partner at Niederer Kraft & Frey, attorneys-at-law and a member of the Board of Directors of various companies. He is Vice Chairman of the Boards of Investec Bank (Switzerland) AG and UFJ Bank (Schweiz) AG, and he is a member of the Boards of BBVA (Suiza) SA, LB Investment AG. Mr. Niederer was also a member of the Board of Bank von Ernst & Cie AG until 30 September 2004 and acted as its Chairman of the Board for 28 years until it was acquired by Coutts Bank (Switzerland) Ltd. in 2003.

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

3.2 Other activities and vested interests of the Members of the Board of Directors

Please refer to the information provided in each director's biography in section 3.1 above.

3.3 Cross-involvement

Cross-involvement refers to interlocking memberships between the Boards of Directors of two or more listed companies. The following cross-involvements existed on 31 December 2005:

The Board Directors Spiro J. Latsis, Périclès Petalas and Emmanuel L. Bussetil are also directors of EFG Eurobank Ergasias S.A., Athens.

3.4 Elections and terms of office

According to the articles of association, the Board of Directors consists of three or more members, who are elected by the general meeting for a one-year term and who may be re-elected. There is no limit to the numbers of terms a director may serve. The term of office ends on the day of the ordinary general meeting. With the exception of Mr. Hans Niederer, all Board members were elected when

EFG International was founded on September 7, 2005. Mr. Niederer was appointed a member of the Board of Directors effective as of 5 October 2005.

The tenure of all the current members of the Board of Directors will expire at the 2006 general meeting, at which time all directors will be subject to re-election by the shareholders.

3.5 Internal organisational structure

The internal organisational structure is laid down in the internal regulations of the Company. The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board meeting. In order to make a binding decision, a simple majority of the Board of Directors must be present. The Board of Directors takes decisions on the basis of an absolute majority of present members. In the event of a tie, the Chairman does not have a casting vote.

The Board of Directors has established an audit committee and a remuneration committee according to the terms of the internal regulations:

Audit committee

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

(i) the review of the management and internal control processes,
(ii) the financial and business reporting processes,
(iii) the risk domination and related internal control systems,
(iv) the monitoring and compliance with laws and regulations and the own code of conduct,
(v) the terminal and external audit processes, and
(vi) the monitoring of operational risk.

The audit committee comprises at least three Board members (at present, Mr. Matthews has been appointed as Chairman and Messrs. Bussetil and Petalas have been appointed as members of the audit committee).

Remuneration committee

The remuneration committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors fulfilling its oversight responsibilities by:

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

The remuneration committee comprises of at least three Board members (at present Mr. Petalas has been appointed as Chairman and Messrs. Cuoni and Bussetil have been appointed as members of the remuneration committee).

3.6 Definition of areas of responsibility

Subject to the Company's internal regulations of the Board of Directors and mandatory law the Board of Directors has delegated the operational management and that of its subsidiaries to the Chief Executive Officer ("CEO") and the Executive Committee. The Executive Committee comprises five executive officers. It is chaired by the CEO and its others members are the "Deputy CEO", the "Chief Financial Officer" or the "CFO", the "Chief Operating Officer" and the "Deputy CFO". Members of the Executive Committee are appointed by the Board of Directors upon recommendation of the CEO. The executive officers, under the responsibility of the CEO and the control of the Board of Directors, manage the operations of the company pursuant to the internal regulations and report thereon to the Board of Directors on a regular basis.

3.7 Information and control instruments vis-à-vis the Executive Committee

In order to control the various business activities of EFG International, the Board of Directors has formed the audit committee described in section 3.5 above. The audit committee is regularly kept informed by means of reports on the matters it supervises.

In addition, independent audits are performed by the Company's audit services department, which reports to the audit committee. Organisationally independent of management, it provides the Board of Directors and the audit committee with an independent, objective assurance on the adequacy and effectiveness of the internal control system. The internal audit services department maintains a regular dialogue with the external auditors to share risk issues arising from their respective audits and to coordinate their activities. The obligations and rights of the internal audit services department are set forth in the internal regulations and in an internal audit charter. The internal audit services department has an unlimited right to information and access to documents with respect to all elements of the Company and its subsidiaries.

In addition to this see also the risk-management statement on the pages 31 ff.

4. EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

Lawrence D. Howell is a U.S. citizen and was born in 1953. He is Chief Executive Officer of EFG International. Previously, he was the Chief Executive Officer of EFG Bank (since 1997) and a member of the management (since 1997). Since 1997 Mr. Howell has been a member of the Advisory Board of EFG Group and since 2001 also member of the Board of Directors of EFG Investment Bank AB (formerly IBP Fondkommission). Prior to joining the EFG Group, Mr. Howell was with Coutts and Co. International Private Banking from 1989 to 1995. Prior to 1993, he was Head of Americas and Asia in Zurich and New York and until 1995 he was Head of Americas based in New York and responsible for clients domiciled in the Americas as well as for the bank's offices in the US, the Bahamas, Bermuda, Cayman, and Latin America.

From 1986 to 1989, Mr. Howell spent three years at Citibank Switzerland as Vice President in charge of Swiss Ultra-High Net Worth Clients and from 1985 to 1986 he was with McKinsey and Co. in New York as a consultant for financial services companies, including private banks. Mr. Howell started his career at Citibank in 1978 as internal legal counsel for the International Private Banking Division and from 1981 to 1984 he was chief of staff for Jean Pierre Cuoni, the Head of Private Banking for Europe, Middle East and Africa.

Mr. Howell holds a B.A. and J.D. from the University of Virginia.

James T. H. Lee is a British citizen and was born in 1948. He is the Deputy Chief Executive Officer of EFG International. He previously was the Deputy Chief Executive Officer of EFG Bank (since 2003). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee in January 2002 and a member of the management. Prior to 2001, Mr. Lee worked for UBS on strategic and tactical acquisitions in the field of private banking (1999–2000), and was the Global Head of International Private Banking for Bank of America (1997–1998). Between 1973–1997 he held various positions at Citigroup in Corporate, Investment and Private Banking, including being responsible for the Private Bank's Ultra-High Net Worth business in Asia and for the Global Investment Advisory business of the Private Bank. In 2000, Mr. Lee acted as advisor to several start-up businesses active in the fields of e-commerce and healthcare and co-founded an e-commerce company in the UK to build portals for specific industries in which he no longer holds any interest.

Mr. Lee obtained a Bachelors of Science (Honours) degree in Electrical Engineering in 1970 and a Masters degree in Management Science and Operational Research, both from Imperial College, University of London.

Rudy van den Steen is a Belgian citizen and was born in 1964. He is the Chief Financial Officer of EFG International. He joined EFG Bank as Chief Financial Officer in June 2000 after having advised EFG Bank on several transactions as a mergers and acquisitions consultant. As part of his responsibilities as CFO, Mr. van den Steen manages the deal initiation, negotiation and corporate finance side of our mergers and acquisitions activities. Prior to joining EFG Bank, Mr. van den Steen worked for more than 14 years for Pricewaterhouse in Brussels, London and Russia before joining Pricewaterhouse Swiss practice in Zurich in 1995, where he was ultimately the head of the Financial Institution Group's Mergers and Acquisition Advisory Services group after the merger with Coopers and Lybrand.

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

Ian Cookson is a British and Swiss citizen and was born in 1947. He is the Chief Operating Officer of EFG International. He previously was a member of the Executive Committee of EFG Bank (since 2002). Prior to that, Mr. Cookson was the Deputy Chief Executive of EFG Bank (1997–2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991–1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986–1991).

Lukas Ruflin is a Swiss citizen and was born in 1975. He is Deputy Chief Financial Officer of EFG International. He previously was a member of the management of EFG Bank (since 2004). Prior to joining EFG Bank in 2004, Mr. Ruflin worked at Lehman Brothers' Swiss Investment Banking Division in Zurich (2000–2004), at the JP Morgan Investment Banking Division in Zurich and London (1999–2000) and before that at the Pricewaterhouse Corporate Finance and Management Consulting Services Divisions in Zurich and Moscow (between 1995 and 1999 on a part-time basis).

Mr. Ruflin holds a degree in Economics from the University of St. Gallen and a CEMS masters degree in International Management.

4.2 Other activities and vested interests

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

4.3 Management contracts

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining the compensation and the share-ownership programmes

General

Compensation of the Board of Directors, the CEO and other member of the Executive Committee is set by the Board of Directors' remuneration committee (see section 3.5 above). The committee convenes once a year and presents its proposals to the full Board for approval. Special meetings may be convened as required.

EFG International adopted a stock option plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Stock Option Plan") in order to strengthen the Company's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Stock Option Plan will cover any options granted during the financial years 2005 to 2009 and last up to the point in time that all options granted under the Stock Option Plan have either been exercised or have expired. The CEO identifies and recommends each year all persons who are eligible to participate in the Stock Option Plan to the remuneration committee, which then considers the recommendation and, at its absolute discretion, determines the size of the options to be granted to each eligible person.

According to the Stock Option Plan, the options vest three years after the date of grant. The options cannot be exercised during the first five years following the date of grant of the option. Thereafter, the options can be exercised during the following two years. The exercise price is fixed by the Board of Directors at the time when the options are granted, as a percentage (66.67%) of the market price of the shares. For options issued in respect of the financial year 2005 on or before the general shareholders' meeting in 2006 and allocated to participants in the Stock Option Plan in the year 2005 or 2006, the market price will be the price at which the shares were offered to the public, i.e. CHF 38.00.

Chairman and CEO

The compensation of the Chairman of the Board, Jean Pierre Cuoni, and of the CEO, Lawrence D. Howell, consists of a base salary and a variable bonus for which the following applies:

The base salary of the Chairman and of the CEO is determined by the remuneration committee of the Board of Directors, which for the purpose of these decisions excludes Jean Pierre Cuoni as a member.

The bonus of the Chairman and of the CEO is determined in their employment contracts with EFG International, which have been disclosed in the context of the Initial Public Offering of EFG International in October 2005.

Executive Committee (excluding the CEO)

The compensation of the members of the Executive Committee, excluding the CEO, is determined by the remuneration committee and consists of a base salary and a variable bonus defined annually.

5.2 Compensation for acting members of governing bodies

		2005 CHF
a)	All members of the Board of Directors (aggregate figures)	4,219,284
b)	All members of the Executive Committee (aggregate figures)	3,899,179

Compensation for the Chairman was determined in accordance with the arrangement described in 5.1 above. Board members who have decision power within EFG Group and as such are closely linked to EFG Group (Messrs. Petalas, Bussetil and Latsis) are not entitled to any remuneration.

The total shown includes all the remuneration components except for shares and options, which are shown separately. Cash payments, allowances, value of preferential rates on loans, other financial benefits, as well as the amount of actuarial funding needed for pensions, are included in this figure.

5.3 Compensation for former members of governing bodies who gave up their functions in the preceding year or earlier

The Company was incorporated on September 7, 2005 and no members of governing bodies have given up their functions since then.

5.4 Share allotment

	2005 number
Executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	n/a
Non-executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	0
Members of the Executive Committee and closely linked parties to such persons (aggregate figures)	0

5.5 Share ownership

	2005 number
Executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	n/a
Non-executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	7,246,500
Members of the Executive Committee and closely linked parties to such persons (aggregate figures)	10,598,876

5.6 Options

	2005 number
Executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	n/a
Non-executive members of the Board of Directors and closely linked parties to such persons (aggregate figures)	0
Members of the Executive Committee and closely linked parties to such persons (aggregate figures)	561,499

Call EFG International 2006/28.02.2013, maturity 7 years, conversion ratio 1:1, exercise price CHF 25.33, number 561,499.

5.7 Additional fees and remunerations

Hans Niederer is a partner at Niederer Kraft & Frey, attorneys-at-law. This law firm was paid fees of CHF 784,366 for legal services it provided to the Company and certain of its group companies in connection with the introduction of the holding structure, the IPO and several other matters during the 2005 financial year.

No additional fees and remunerations were paid to other members of the Board of Directors or the Executive Committee (including parties closely linked to such persons) during the 2005 financial year.

EFG International also has entered into certain arrangements with EFG Group. These arrangements include outsourcing agreements whereby EFG International agrees to provide certain services for EFG Group including administration of a small number of EFG Group client accounts and the execution of trades on behalf of EFG Group. In addition, EFG Group made loans in the amount of CHF 55 million to subsidiaries of EFG International at arms length terms which were repaid during 2005. Also Jean Pierre Cuoni is a Board member of Right to Play Switzerland, a humanitarian organisation to which EFG International has made charitable contributions throughout the year.

5.8 Loans granted by governing bodies

	As of 31.12.2005 CHF
Executive members of the Board of Directors and closely related parties to such persons (aggregated figures)	n/a
Members of the Board of Directors and closely related parties to such persons (aggregated figures)	2,900,000
Members of the Executive Committee and closely related parties to such persons (aggregated figures)	11,700,000

The majority of the loans, paid out through EFG Bank, have been provided to purchase shares of EFG International and are secured by guarantees of EFG International.

Interest rates ranging from 1.4% p.a. to 2.5% p.a. are charged on the loans outstanding in CHF, 0.65% per annum on one loan outstanding in JPY and 4.87% on one loan in USD as of December 31, 2005. The residual maturities of the loans outstanding as of December 31, 2005 range between 3 and 11 months.

5.9 Highest total compensation in the Board of Directors

The compensation of the highest paid member of the Board of Directors, Jean Pierre Cuoni, can be broken down as follows:

	2005 CHF
Compensation	4,163,892
Share allotment (number of shares)	0
Option allotment (number of options)	0

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

Persons who acquired registered shares will, upon application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 (for details please refer to section 2.6 above). There are no voting right restrictions, no statutory group clauses and hence no rules on making exceptions.

In line with the legal provisions, any shareholder with a voting right may have his/her share represented at any general meeting by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives need not be shareholders.

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

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

6.4 Agenda

The Board of Directors announces the agenda. Shareholders representing shares with a nominal value of at least CHF 1 million may request that an item of business be placed on the agenda until 40 days at the latest before the date of the meeting. Such request must be in writing and must state the relevant motions.

6.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the general meeting. However, for organisational reasons, no shareholders will be entered into the share register during the period beginning 15 days prior to a general meeting and ending immediately after the close of the general meeting.

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Duty to make an offer

EFG International has not taken any defence measures against take-over attempts. Therefore, there are no statutory rules on "opting up" and "opting out". The articles of association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 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

Unvested stock options granted to officers and employees would vest upon a mandatory or a voluntary tender offer that becomes unconditional according to the Swiss Federal Act on Stock Exchanges.

The individual lock-up undertakings as described in section 1.4 above would no longer be effective if, after the expiry of an initial 180-day lock-up period from the closing of the IPO, EFG Group ceases to have a controlling interest in EFG International such that, as a result thereof EFG International ceases to be part of the consolidated supervision of EFG Group exercised by the Swiss Federal Banking Commission.

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

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

Mr. Jean-Christophe Pernollet and Mr. Christophe Kratzer took up office as head auditors.

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 2,113,060 for auditing the 2005 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 818,170 and fees for tax advice, consultancy and other services of CHF 121,800 were paid.

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

The audit committee of the Board of Directors meets and confers regularly with the Head Auditor of PricewaterhouseCoopers SA about the effectiveness of the internal control systems in view of the risk profile of EFG International. In addition to this, it reviews the scope of the auditing work, the result of the work and the independence of the external auditors. The external auditors are assured direct access to the audit committee at all times.

9. INFORMATION POLICY

EFG International informs its shareholders and the public each year by means of the annual and half-year reports, as well as press releases, presentations and brochures as needed.

The documents are available to the public, in both electronic form at www.efginternational.com as well as in print form.

Important Dates

An updated list can be found on our homepage:
www.efginternational.com (Investor Relations, Corporate Calendar)

Private banking:
a question of chemistry.

Do everything in your power
to foster connections
between people.
People rely on people;
individuals and families rely
on the guidance of our CROs.

EFG INTERNATIONAL BOARD AND MANAGEMENT

BOARD EFG INTERNATIONAL

Jean Pierre Cuoni Chairman
Emmanuel L. Bussetil Member
Spiro J. Latsis Member
Hugh N. Matthews Member
Hans Niederer Member
Périclès Petalas Member

MANAGEMENT EFG INTERNATIONAL

Lawrence D. Howell [1,2] Chief Executive Officer
James T.H. Lee [1,2] Deputy Chief Executive Officer
Rudy van den Steen [1,2] Chief Financial Officer
Ian Cookson [1,2] Chief Operating Officer
Lukas Ruflin [1,2] Deputy Chief Financial Officer
Eftychia Fischer [1] Global Treasurer
Ivo Steiger [1] Head of Investment Finance/Credit
Fred Link Group General Counsel and Corporate Secretary
Philip Weights Chief Internal Auditor

MANAGEMENT EFG BANK SWITZERLAND

Markus Caduff [1] Chief Executive Officer
Alain Diriberry [1] Head of Private Banking Geneva
N. Paul Imison [1] Private Banking
Jacques Pochat [1] Head of Information Technology
Robert Waser [1] Private Banking
Silvio Ammann Head of Correspondent Banking
François Bernard Head of Accounting and Finance
Karen Egger Head of Legal and Compliance
Nicholas MacCabe Market Risk Executive
Martin Mueller Head of Human Resources
William Ramsay Chief Investment Officer
Patrick Romanens Head of Operations

MANAGEMENT EFG BANK ZURICH

Esther Heer SVP
Tom Kass SVP
Mats Pehrsson SVP
John Read SVP
Christian Frey FVP
Phuntsok Gangshontsang FVP
Roland Mächler FVP
Thomas Muther FVP
Hansruedi Preid FVP
Adrian Rothen FVP
Stefan Schwitter FVP
Sergio Toniutti FVP
Heinz Wendt FVP
Antonio Bernasconi VP
Sergio Buttazzi VP
Claudia Cuber VP
Thierry Eindiguer VP
Daniel Heusser VP
Hanspeter Humbel VP
Jürg Lüscher VP
Monika Neumeister VP
Urs Oberhänsli VP
Marco Ranieri VP
Mikael Rosenius VP
Christoph Stalder VP

MANAGEMENT EFG BANK GENEVA

Roland Furer SVP
Gilles Guérin SVP
Arthur Kamber SVP
Jean-François Léchaud SVP
Bruce Littman SVP
Silvio Maglio SVP
Robert Mehm SVP
Christian Meier SVP
James Scullin SVP
Björn von Below SVP
Mikael Wallenberg SVP
Christian Zanella SVP
Daniel Berwert FVP
Claude Bilat FVP
Raymond Fauquex FVP
Paolo Fontanella FVP
Pierre-Olivier Gremaud FVP
Paul Horat FVP
Patrick Juillard FVP
George Koniaris FVP
John Makris FVP
Gustave-Alain Miesegaes FVP
Joseph Petitat FVP
Jérôme Schonbachler FVP
John Wolf FVP
Magin Alfonso VP
Olivier Baldin VP
Sarah Beltrametti-Hedqvist VP
Jacques Benaroya VP
Patricia Bertolino VP
Nathalie Bollag Hayderi VP
Jean-Philippe Callaud VP
Eva Carpigo VP
Christian Chiru VP

[1] Member of the International Policy Committee
[2] Member of the Executive Committee

Ricarda Choina VP
Alain Christen VP
Marc Clément VP
Christian Collomb VP
Roland Decorzent VP
Daniel Dubois VP
Jaime Ensenat VP
Clotilde Floret VP
Marie-Christine Fournier VP
Giancarlo Foglietta VP
Aggripino Giglio VP
Philippe Giorgis VP
Ascanio Giuliani VP
Denis Grimm VP
Patrick Guignard VP
Masayuki Inoue VP
Rehan Jaffery VP
Onno Jurgens VP
Sophie Letertre-Vogel VP
Yves Lindt VP
Sophie Luthy VP
Gabriel Mengozzi VP
Philippe Mercier VP
Gaëlle Milliquet VP
Martin Olsen VP
Philippe Pfaender VP
Robert Quiquerez VP
Pierre-Alain Schneiter VP
Jaroslava Schreyer VP
Pascal Sibut VP
Hervé Siegrist VP
David Steiger VP
Vladimir Stemberger VP
Rachel Stojan VP
Miguel Umbert VP
Edward von Knorring VP
Hans Peter Zbinden VP

MANAGEMENT EFG BANK SION
Jean-Daniel Balet SVP, Head of Valais
Jean-Charles Bonvin VP
Jean-Yves Maury VP

MANAGEMENT EFG BANK CRANS-MONTANA
Raymond Bonvin VP

MANAGEMENT EFG BANK MARTIGNY
Jean-Michel Voide FVP

MANAGEMENT EFG BANK VERBIER
Marc-André Pagliotti VP

MANAGEMENT EFG BANK ASIA
Robert Chiu [1] Chief Executive Officer
Albert Chiu [1] Deputy Chief Executive Officer

MANAGEMENT EFG BANK HONG KONG
Robert Chiu [1] Chief Executive Officer
Albert Chiu [1] Deputy Chief Executive Officer
Ching Yap Chin SVP
Nancy Choi SVP
Yi Feng SVP
Ivan Ho SVP
Joannes Ho SVP
T.C. Hon SVP
Irena Hsiao SVP
Matthew Kok SVP
C. C. Kwong SVP
Tony Lai SVP
Connie Lam SVP
Ken Lau SVP
Grace Law SVP
Sang Hyup Lee SVP
Benson Leung SVP
Connie Liem SVP
Mathew Lim SVP
Susanna Ng SVP
Michael G. Palin SVP
Patrick Yu SVP
Jerry Choi FVP
Ben Fong FVP
Gary Fong FVP
Teruya Fujino FVP
Scarlette Ho FVP
Raymond Lam FVP
William Liu FVP
Charles Ng FVP
Lawrence Ng FVP
Gary Sum FVP
Michael Tang FVP
Matthew Cheng VP
Fung Yee Ellen Choi VP
Wai Kin Christopher Fung VP
Alan Kao VP
Amy Leung VP
Joe Leung VP
Kwok Fai Lewis Sin VP

[1] Member of the International Policy Committee

Eliza Siu VP
Phillip Yoon VP
Kathy Young VP

MANAGEMENT EFG BANK SINGAPORE

George So Chief Executive Officer
Jessie Tan Head of Wealth Management
Lai Sim Choo SVP
Vera Foong SVP
Gerald Goh SVP
Kah Yeok Koh SVP
Han Khim Lee SVP
Rik Foong Liew SVP
Catherine Lim SVP
Thippa Praneeprachachon SVP
Treeratana Pumhiran SVP
Eddy Somboon SVP
Lawan Sriwarangkul SVP
Galen Tan SVP
Hin Huat Tan SVP
Wah Yuan Tan SVP
Waroon Warawanisha SVP
Franz Willi SVP
Jolene Wu SVP
Andrew Yeo SVP
Jeffrey Soh FVP
Willy Tan FVP
Weng Yue Yim FVP
Patana Chaichanakarn VP
Marie Ho VP
Philippe Magerle VP
Muljadi Margono VP
Noriko Matsumoto VP
Spencer Neo VP
Ratana Pienprasartsiri VP
Thanaporn Suetrong VP
Kwankamol Thongyai VP
York Yen Toh VP
Alwin Walah VP
Wee Lian Wong VP
Linus Wu VP

MANAGEMENT EFG BANK MIDDLE EAST

Bassam Salem[1] Chief Executive Officer

MANAGEMENT EFG BANK DUBAI

Bassam Salem[1] Chief Executive Officer
Kamal Tayara FVP
Kathy Bayat FVP
Tai Nazer FVP
Talal Hantes FVP
Berinderpal Pahwa VP
Saeed Fadhl VP
Ziad Nsouli VP

MANAGEMENT EFG BANK GUERNSEY

Michael de Jersey Business Head

REPRESENTATIVE EFG BANK JAKARTA

Muljadi Margono VP & Representative

MANAGEMENT EFG BANK BUENOS AIRES

Osvaldo S. Costigliolo SVP & Representative
Gustavo Fernandez SVP

REPRESENTATIVE EFG BANK CARACAS

Juan José Casais Representative
Domingo Vazquez Representative

MANAGEMENT EFG BANK (GIBRALTAR) LTD

Emilio Martinez[1] General Manager
Miguel Rubiales Operations Manager
Christopher Rogers FVP

MANAGEMENT EFG BANK & TRUST (BAHAMAS) LTD

Carlos del Castillo General Manager
Carlos Romera Operations Manager

MANAGEMENT EFG BANK (LUXEMBOURG) S.A., LUXEMBOURG

Ludovic Chechin-Laurans SVP
Huguette Espen SVP
François-Régis Montazel SVP
Bettina Aussems VP

MANAGEMENT BANK VON ERNST (LIECHTENSTEIN) AG, VADUZ

Ernst Weder[1] Chief Executive Officer
Max Caderas Executive Vice President
Karl Drawitsch SVP
Daniel Taverna SVP
Wolfgang Zehenter SVP
Wolfgang Benedikt VP
Markus Dubach VP
Neophitos Michaelides VP
Regula Nadig VP

[1] Member of the International Policy Committee

MANAGEMENT EFG PRIVATE BANK LIMITED LONDON

John Williamson [1] Chief Executive Officer
Philip Amphlett Head of Private Banking
Simon Abirached SD
Hugh Ellerton SD
Nermine Harvey-Phillips SD
Alexander Langen SD
Ron Teo SD
Grahame Holdgate ED
Iliana Kehagias ED
Brian Lenney ED
Nicholas Cook D
Adrian Deazle D
Angela Guadagnino D
Stuart Hart D
Andrew Imlay D
Elizabeth Kaye D
Robert Mitchell D
Rosemary O'Doherty D
Michael Page D
Demetris Pishiaras D
Andrew Robertson D
Philip Rosenberg D
Amer Sayed D
Brent Snape D
Theo Sparrow D
Jonathan Stocker D
Marios Voskopoullos D
Darren White D
Imelda Woodthorpe Browne D
Ayman Zouheiri D

MANAGEMENT EFG ASSET MANAGEMENT LIMITED, LONDON

Mozamil Afzal Managing Director
Daniel Murray ED
Hilary Wakefield ED

MANAGEMENT EFG PLATTS FLELLO LIMITED, BIRMINGHAM

Philip Platts Managing Director
Michael Knott ED
John Male ED
Robert Davies D
David James D
George Mathieson D

MANAGEMENT EFG WEALTH MANAGEMENT LIMITED, LONDON

Massimo Scalabrini Managing Director
Madeleine Gore ED
Andreas Wueger ED
Ellahe Kashanchi D

MANAGEMENT EFG OFFSHORE LTD JERSEY

Gerard Gardner [1] Managing Director
Julie Collins Head of Private Clients
Kate Wilson Head of Fund Administration
Heather Brooks ED
Russell Thomson ED
Bruce Ferguson D
David Hall D
Sally-Ann Hardman D
Jennifer Le Chevalier D
Susan McCabe D
Kevin Mercury D
Paul Weir D

MANAGEMENT EFG PRIVATE BANK (CHANNEL ISLANDS) LIMITED GUERNSEY

Michael de Jersey Managing Director
Christopher Rowe ED

MANAGEMENT EFG EUROFINANCIERE D'INVESTISSEMENTS SAM MONACO

Georges Catsiapis [1] Managing Director
Jean-Claude Gourrut General Manager
Philippe Ragaz Head of Private Banking
Spyridon Paxinos Director

MANAGEMENT EFG CAPITAL INTERNATIONAL CORP. MIAMI

Victor M. Echevarria [1] Chairman
Marcelo Alvarez Vice Chairman
Sixto Campano [1] Chief Executive Officer
Jacobo A. Gadala - Maria [1] President
Hans A. Abate SVP
Guillermo A. Argumedo SVP
Justo R. Azpiazu SVP
J. Alexander Caldwell SVP
Adrianna L. Campuzano SVP
Ricardo J. Daugherty SVP
Fernando de la Lama SVP
Susan Disdier SVP
George Gandarias SVP

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Miguel Garcia SVP
Ariel Jimenez SVP
Juan C. Massens SVP
Kenneth I. Moorhead SVP
Carlos Pita SVP
I . Manolo Riveira SVP
Noemi C. Schaefer SVP
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Paul Trujillo VP
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Cecilia Warren VP

MANAGEMENT EFG CAPITAL INTERNATIONAL CORP. NEW YORK

Miguel Yanuzzi SVP
Saul Padilla SVP
Esther Mizrahi VP

MANAGEMENT EFG ASESORES FINANCIEROS (PERU) SARL, LIMA

Antonio Carranza VP
Ana M. De Bracamonte VP

MANAGEMENT EFG INVESTMENT BANK AB SCANDINAVIA

Martin Nilsson[1] Managing Director
Jonas Fischerström[1] Chief Investment Officer
Lars Thorén Chief Financial Officer
Per Wiss Chief Operating Officer
Glenn H. Anderson SVP
Johan Bynelius SVP
Anders Florén SVP
Ulf Gejrot SVP
Jan Grönqvist SVP
Jan Jönsson SVP
Gustav Kronlund SVP
Patrik Soko SVP
Fredrik Svedebäck SVP
Thomas Vinell SVP
Andreas Ullsten VP

MANAGEMENT EFG SECURITIES INVESTMENT CONSULTING COMPANY LTD. TAIWAN

Raymond Fuk Hoi Wong Managing Director
Joseph Tjan-Ping Chao Deputy Managing Director
Emily Wang SVP
Well Jiing SVP
Albert Chen FVP
Vicky Hau FVP
Sting Kuo FVP
Irene Chen VP
Stone Hsu VP
Jimmy Tuan VP
Ann Lin VP

MANAGEMENT SIF SWISS INVESTMENT FUNDS SA, GENEVA

Jean-Marc Reboh Chief Executive Officer
Christian Rizzi SVP

MANAGEMENT C.M. ADVISORS LTD BERMUDA

Sabby Mionis[1] Chief Executive Officer, Chief Investment Officer
Keri Wong Operating Officer
Alexander Matathias Chief Financial Officer
Stavros Papastavrou Legal Counsel (External)
Solomon Levis Head of Information Technology

MANAGEMENT CMA (GENEVA) S.A.

Constantine Lanaras Chief Operating Officer
Alessandro Mauceri Manager

MANAGEMENT CMA NORTH AMERICA, INC

Matias Ringel Manager
Andrew Steinvurzel Legal Counsel

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

(as of March 2006)

[1] Member of the International Policy Committee

EFG INTERNATIONAL
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

EFG INTERNATIONAL CONSOLIDATED ENTITIES

	Note	Year ended 31 December 2005 CHF '000	Year ended 31 December 2004 CHF '000
Interest and discount income		184,416	83,263
Interest expense		(93,496)	(38,310)
Net interest income	6	**90,920**	44,953
Banking fee and commission income		236,541	173,857
Banking fee and commission expense		(27,570)	(32,711)
Net banking fee and commission income	7	**208,971**	141,146
Dividend income		66	128
Net trading income	8	38,398	44,347
Gains less losses from other securities		9	303
Other operating income / (expense)		45	5,007
Net other income		**38,518**	49,785
Operating income		**338,409**	235,884
Operating expenses	9	(200,337)	(178,133)
Impairment losses on loans and advances	21		
Profit before tax		**138,072**	57,751
Income tax expense	11	(17,178)	(9,763)
Net profit for the period		**120,894**	47,988
		CHF	CHF
Basic earnings per ordinary share	43	**0.72**	0.40
Diluted earnings per ordinary share	43	**0.72**	0.40

The notes on pages 74 to 136 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2005

EFG INTERNATIONAL CONSOLIDATED ENTITIES

	Note	31 December 2005 CHF '000	31 December 2004 CHF '000
Assets			
Cash and balances with central banks	14	42,888	8,999
Treasury bills and other eligible bills	16	488,970	252,954
Due from other banks	17	3,744,459	1,772,224
Trading securities	18	7,836	15,181
Derivative financial instruments	19	105,881	101,385
Loans and advances to customers	20	4,544,459	1,776,023
Investment securities	23		
Held-to-maturity		530,435	263,384
Available-for-sale		903,706	127,699
Intangible assets	25	351,253	169,925
Property, plant and equipment	26	29,819	17,930
Other assets	27	69,755	64,310
Total assets		**10,819,461**	4,570,014
Of which assets to significant shareholders		*9,169*	*14,716*
Liabilities			
Due to other banks	28	428,877	188,920
Derivative financial instruments	19	100,085	88,363
Due to customers	29	7,711,601	3,185,261
Debt securities in issue	30	148,355	154,729
Other borrowed funds	30	31,106	50,601
Other liabilities	31	317,085	190,646
Total liabilities		**8,737,109**	3,858,520
Equity			
Share capital	33	79,263	59,165
Share premium	33	1,338,270	552,044
Other reserves and retained earnings	34	664,819	100,285
Total shareholders' equity		**2,082,352**	711,494
Total equity and liabilities		**10,819,461**	4,570,014
Of which subordinated liabilities		*179,461*	*205,330*
Of which liabilities to significant shareholders		*25,400*	*11,564*

The notes on pages 74 to 136 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

EFG INTERNATIONAL CONSOLIDATED ENTITIES

Attributable to equity holders of the Group	Note	Share capital CHF '000	Share premium CHF '000	Other reserves CHF '000	Retained earnings CHF '000	Total CHF '000
Balance at 1 January 2004		56,410	65,890	45,701	8,195	176,197
Repurchase of bons de participation "A"	33	(2,800)	2,800			–
Sale of bons de participation "A"	33	610	7,801			8,411
Appropriation of retained earning				39,910	(39,910)	–
Currency translation differences				(1,600)		(1,600)
Profit for the period					47,988	47,988
Issuance of bons de participation "B"	33	4,875	474,657			479,532
Sales of bons de participation "A"	33	70	896			966
		2,755	486,154	38,310	8,078	535,297
Balance at 31 December 2004		59,165	552,044	84,011	16,273	711,494
Adoption of IAS 32 and 39 as at 01.01.05	4.2.5			243	(529)	(287)
Balance at 1 January 2005		59,165	552,044	84,254	15,744	711,207
Retained earnings adjustments	12				(1,108)	(1,108)
Appropriation of retained earning				13,950	(13,950)	–
Preference dividend paid				(39,880)		(39,880)
Effect of Business combinations exempted from IFRS3	25			(171,860)		(171,860)
Available-for-sale securities						
net changes in fair value, net of tax	23			(1,643)		(1,643)
transfer to net profit, net of tax	23			(107)		(107)
exchange differences				146		146
Currency translation differences				4,872		4,872
Profit for the period					120,894	120,894
Total recognised income for 2005		–	–	(194,522)	105,836	(88,686)
Issuance of bons de participation "B"	33	1,125	113,519			114,644
Purchase of registered shares	33	(1,410)	(26,090)			(27,500)
Sale of bons de participation "A"	33	700	9,901			10,601
Purchase of EFG Fiduciary certificates	33	(72)	(7,223)			(7,295)
Sales of bons de participation "A"	33	10	199			209
Sales of registered shares	33	1,410	24,718			26,128
Cancellation of bons de participation "A"	33	1,410	(1,410)			–
Demerger effects	33	(62,410)	(682,597)	152,273	(898)	(593,632)
Creation of EFG International	33	61,000	30,500	502,132		593,632
Free exchange	33	(61,000)				(61,000)
Issuance of bons de participation "B"	33	6,000				6,000
Issuance of shares	33	73,335	1,324,709			1,398,044
		20,098	786,226	654,405	(898)	1,459,831
Balance at 31 December 2005		**79,263**	**1,338,270**	**544,137**	**120,682**	**2,082,352**

The notes on pages 74 to 136 form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

EFG INTERNATIONAL CONSOLIDATED ENTITIES

	Note	31 December 2005 CHF '000	31 December 2004 CHF '000
Cash flows from operating activities			
Interest received		178,088	88,189
Interest paid		(86,855)	(36,633)
Banking fee and commission received		220,612	167,443
Banking fee and commission paid		(23,774)	(28,061)
Dividend received		66	127
Net trading income		34,744	39,216
Net Other operating income received / paid		54	7,548
Staff costs		(141,831)	(118,068)
Other operating expenses		(52,540)	(49,672)
Income tax paid		(4,868)	(6,838)
Cash flows from operating activities before changes in operating assets and liabilities		**123,696**	63,251
Changes in operating assets and liabilities			
Net decrease / (increase) in treasury bills		184,721	(199,478)
Net (increase) / decrease in due from other banks		(48,804)	739
Net decrease in derivative financial instruments		5,860	10,843
Net (increase) in loans and advances to customers		(2,764,159)	(271,903)
Net (increase) / decrease in other assets		(3,924)	1,903
Net increase in due to other banks		238,021	33,122
Net increase in due to customers		4,521,020	706,976
Net increase in other liabilities		127,404	32,534
Net cash flows from operating activities		**2,383,835**	377,987
Cash flows from investing activities			
Purchase of investment securities		(309,333)	(337,747)
Investment securities from acquisition		(822,828)	
Proceeds from sale of investment securities		92,551	462,738
Purchase of intangible assets		(160,608)	(65,260)
Intangible assets from acquisition		(24,514)	
Purchase of property, plant and equipment		(5,039)	(10,066)
Property, plant and equipment from acquisitions		(10,361)	(132)
Net cash flows from investing activities		**(1,240,132)**	49,533
Cash flows from financing activities			
Debt securities in issue		(6,356)	
Proceeds from other borrowed funds from acquisition		31,102	
Repayments from other borrowed funds		(50,000)	(30,000)
Net change in equity		1,251,072	487,310
Net cash flows from financing activities		**1,225,818**	457,310
Net change in cash and cash equivalents		**2,369,521**	884,830
Cash and cash equivalents at beginning of period	15	1,848,282	963,452
Net change in cash and cash equivalents		2,369,521	884,830
Cash and cash equivalents	15	**4,217,803**	1,848,282

The notes on pages 74 to 136 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International 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 Buenos Aires, the Channel Islands, Finland, Gibraltar, Hong Kong, Liechtenstein, Luxembourg, Miami, Monaco, New York, Singapore, Sweden, Switzerland, Taiwan and the United Kingdom. In Switzerland the Group's offices are located in Zurich, Geneva, Sion, Martigny, Verbier and Crans-Montana. Across the whole Group, the number of employees at December 31, 2005 was 1,053 (December 31, 2004: 596).

The Group's parent company is EFG International, which is a limited liability company and is incorporated and domiciled in Switzerland.

Creation of EFG International

On June 29, 2005 the Board of Directors of EFG Bank approved the creation of a new holding company, to be named EFG International. The shareholders of EFG Bank became shareholders of EFG International, domiciled in Zurich. In turn EFG International became the sole shareholder of EFG Bank.

Upon expiry of a two months inspection period of the documents in accordance with the Swiss Merger Act, an extraordinary shareholders meeting of EFG Bank took place for approval of the fiscal restructuring and creation of EFG International. From a legal and tax standpoint, the transaction was retroactively valid from January 1, 2005.

The transaction was a "transaction under common control". Common control transactions are outside the scope of guidance on business combinations in IFRS 3 issued by the International Accounting Standards Board. The transaction has been accounted for at predecessor values. In its IFRS financial statements EFG International has therefore inherited the balance sheet values and historical income statements and cash flows reported in these financial statements.

These consolidated financial statements were approved by the Board of Directors on 31 March 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2005 and have been prepared in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (31 March 2006).

The policies set out below have been consistently applied to the years 2004 and 2005. The Group took the exemption not to restate its comparative information for IAS 32 and IAS 39. It adopted for comparability purpose IAS 32 and IAS 39 in terms of classification of financial assets and liabilities as from 1 January 2004. However, it adopted IAS 32 and IAS 39 in terms of measurement as from 1 January 2005. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

The consolidated financial statements were prepared in accordance with Swiss Generally Accepted Accounting Principles for Banks (Swiss GAAP) until 31 December 2004. In preparing the 2005 consolidated financial statements, management has amended certain accounting, valuation and consolidation methods applied in the Swiss GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from Swiss GAAP to IFRS on the Group's equity and its net income are provided in Note 4.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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.

(b) Consolidation

(i) Subsidiaries

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. 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 subsidiaries is set out in note 24.

(ii) Associates

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which it does not control.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate.

(c) Foreign currencies

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 (cumulative translation adjustment).

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

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(d) Derivative financial instruments and hedging

The Group took the exemption not to restate its comparative information for IAS 32 and IAS 39. However, it adopted for comparability purpose IAS 32 and IAS 39 in terms of balance sheet classification of financial assets and liabilities as from 1 January 2004. It adopted IAS 32 and IAS 39 in terms of measurement as from 1 January 2005.

From 1 January 2004 to 31 December 2004

The term "derivatives" incorporates interest rate, currency, equity (or indices) and other instruments in the form of forward contracts, options (traded or over-the-counter), and swaps. All derivatives positions, except those used for hedging as per Swiss GAAP, are valued at fair value. Fair value results from market prices. Hedging transactions are valued in an analogous manner to the underlying transactions, meaning they can be either fair valued or accounted for using the accrual method.

Replacement values correspond to the market value of the contracts for derivative products undertaken for the Group's own account and for clients. In Swiss GAAP, gross positive and gross negative replacement values are included in the Balance Sheet in Other Assets and Other Liabilities respectively. However, as aforementioned, these were reclassified for comparability purpose into Derivative Financial Instruments captions (see note 50).

From 1 January 2005 onwards

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered and subsequently are 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 evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day 1.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

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); or, (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 19.

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

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

(ii) Fees and commissions

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

(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 on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

– Leasehold improvements: 5-10 years
– Computer and telecommunication equipment: 3-4 years
– Other fixed assets: 5-10 years

(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". The carrying amount of goodwill is reviewed annually. Where indications of impairment exist, the carrying amount of goodwill is re-assessed and written down to recoverable amount.

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

(ii) Other intangible assets – Non compete agreement

They are stated at estimated costs less accumulated amortization calculated on a 3 to 8 year basis (depending on contractual agreements) and impairment losses.

(iii) Other intangible assets – Computer softwares

Computer softwares are stated at cost less accumulated depreciation and impairment losses. They are periodically reviewed for impairment, with any impairment charge being recognised in the income statement. Depreciation is calculated on the straight-line method over a 3-5 years basis.

(i) Financial Assets

From 1 January 2004 to 31 December 2004

(i) Trading securities

Assets held in this category are valued at fair value, with changes in fair value taken through profit and loss. Securities that are not regularly traded are valued at the lower of cost or market value. Structured products are marked to model.

(ii) Investment securities

The Group took the exemption not to restate its comparative information for IAS 32 and IAS 39. However, it adopted for comparability purpose IAS 32 and IAS 39 in terms of balance sheet classification of financial assets and liabilities as from 1 January 2004. It adopted IAS 32 and IAS 39 in terms of measurement as from 1 January 2005.

Bonds held with the intention to be held until maturity are valued under the straight line accrual method. Other bonds and equity with no intention to be held until their maturity are valued at the lower of cost and market value.

From 1 January 2005 onwards

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

(i) Financial assets at fair-value-through-profit-or-loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(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 entity upon initial recognition designates as at fair value through profit or loss and those that the entity upon initial recognition designates as available for sale. They arise when the Group provides money, goods or services directly to a debtor.

(iii) 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. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) 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.

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

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

(v) Transaction recording and presentation in the balance sheet

All transactions of Group companies are entered into their books on the day the transaction is undertaken. The balance sheet is prepared according to the following principles: securities transactions as well as payments are entered in the balance sheet on the day of transaction; deposits and loans, as well as spot and forward foreign exchange transactions, are entered in the balance sheet on their respective value dates. According to IAS 39, all financial assets shall be assigned to one of the four categories ("trading", "held-to-maturity", "originated loans and receivables" and "available-for-sale financial assets") and uniformly recorded within these categories on the value date or settlement date. The divergent recognition of securities transactions and cash transactions within the four categories mentioned above does not have a significant effect on the balance sheet reporting.

(j) Impairment of financial assets

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

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

(i) Assets carried at amortised cost

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

When a loan is uncollectable, 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.

(ii) Available-for-sale assets

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

(k) Debt securities in issue and other borrowed funds

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in gains less losses from other securities.

(l) Leases

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

(m) Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation of goodwill, depreciation of fixed assets, 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 related to changes in fair values of available-for-sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and is subsequently recognised in the income statement together with the deferred gain or loss.

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

(n) Employee benefits

(i) Pension obligations

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

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

In Switzerland, the Group maintains several defined contribution plans and one defined benefit pension plan. The Swiss defined contributions plans incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, these plans have been reported as defined benefit pension plans.

The company's legal obligation in respect of these plans is, in fact, only to pay contributions at defined rates, and the defined benefit reporting is based on a constructive and not a legal obligation of the employer.

Pension cost and liability has been measured using the projected unit credit actuarial cost method and assumptions established as defined in IAS 19. The calculations have been carried out by independent actuaries at the applicable reporting dates.

The pension expenses recognized in the income statement for these plans considered as defined benefits for IAS 19 purposes is the actuarially determined expense less the amount of employee contributions.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

In the Channel Islands, one subsidiary operates a defined benefit scheme which is closed to new members. The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the 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 have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising as a result of actuarial valuations are taken directly to equity.

(ii) Short-term employee benefits

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

(o) Related party transactions

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

(p) Provisions

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

(q) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group is organised into four main geographical segments, which are Switzerland, Europe, Asia and Americas.

(r) 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.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(s) Fiduciary activities

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

(t) Cash and cash equivalents

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

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 judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in Note 2 (h). The recoverable amounts of cash-generating units are determined based on Fair value less costs to sell calculations. These calculations have been made on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. As the fair value less cost to sell exceeded the carrying amounts of each cash generating units, the value in use did not need to be estimated.

(b) Fair value of financial instruments

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

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

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged the Group's management exercises judgment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. 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.

(d) Income taxes

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

4. TRANSITION TO IFRS

4.1 Basis of transition to IFRS

4.1.1 Application of IFRS 1

The Group's financial statements for the year ended 31 December 2005 is the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in Note 2 (a). The Group has applied IFRS 1 in preparing these consolidated financial statements.

The Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these consolidated financial statements is 31 December 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS as detailed below.

4.1.2 Use of IFRS 1 optional exemptions from full retrospective application of IFRS

The Group has used certain of the IFRS 1 optional exemptions from full retrospective application of IFRS as detailed below:

(a) Business combinations exemption
The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date.

(b) Fair value as deemed cost exemption
The Group has elected to measure certain items of property, plant & equipment at the date of transition to IFRS at their fair value and use that fair value as their deemed cost at that date.

(c) Employee benefits exemption
The Group has elected to recognise all cumulative actuarial gains and losses as at 1 January 2004.

(d) Exemption from restatement of comparatives for IAS 32 and IAS 39
The Group elected to apply this exemption. It applies Swiss GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. However, to facilitate comparison of balance sheets items at various dates, it has reclassified in terms of balance sheet presentation, as from 1 January 2004, certain items from Swiss GAAP to IFRSs. The other adjustments required for differences between Swiss GAAP and IAS 32 and IAS 39 are determined and recognised at 1 January 2005, as detailed in Note 4.2.5.

4.1.3 Exceptions from full retrospective application followed by the Group

The hedge accounting exception from retrospective application, as required by IFRS1, is the only mandatory exception applicable to the Group. The management has applied hedge accounting from 1 January 2005, the IAS 32/IAS 39 transition date, where the hedging relationship met all the hedge accounting criteria under IAS 39.

4.2 Reconciliations between IFRS and Swiss GAAP

The following reconciliations provide details of the impact of the transition to IFRS on:

- consolidated shareholders' equity (note 4.2.1)
- consolidated balance sheet at 1 January 2004 (note 4.2.2)
- consolidated balance sheet at 31 December 2004 (note 4.2.3)
- consolidated balance sheet at 1 January 2005 (note 4.2.4)
- consolidated income statement for the year ended 31 December 2004 (note 4.2.5)
- consolidated cash flow for the year ended 31 December 2004 (note 4.2.6).

4. TRANSITION TO IFRS (CONTINUED)

4.2 Reconciliations between IFRS and Swiss GAAP (continued)

4.2.1 Summary impact on consolidated shareholders' equity of transition from Swiss GAAP to IFRS

	1 January 2004 CHF '000	31 December 2004 CHF '000
Total equity under Swiss GAAP	207,890	738,258
Provision for retirement benefit obligation (IAS 19)	(9,809)	(7,802)
Provision for short-term compensated absences (IAS 19)	(2,650)	(2,900)
Provision for other staff benefits (IAS 19)	(3,516)	(6,896)
Measurement at fair value of certain items of property, plant and equipment (IFRS 1)	(20,192)	(13,461)
Replacement of Swiss GAAP goodwill amortisation by IFRS 3 impairment testing		14,780
Effect of IAS 18 *Revenue* on Income recognition		(2,340)
Adjustment of goodwill arising from business combinations in 2004 (IFRS 3)		(5,367)
Deferred tax asset adjustments	(380)	(2,380)
Cumulative impact of other items	4,854	(398)
Total shareholders' equity under IFRS	**176,197**	**711,494**

Major differences between Swiss GAAP and IFRS which are relevant to the Group are analysed in sections 4.3 and 4.4.

4.2.2 Consolidated balance sheet reconciliation at 1 January 2004

	Note 4.3	Swiss GAAP CHF '000	Transition adjustments CHF '000	IFRS CHF '000
Assets				
Cash and balances with central banks		44,967		**44,967**
Treasury bills and other eligible bills	a	12,615	(154)	**12,461**
Due from other banks	b	891,000	881	**891,881**
Trading securities	l	7,739	2	**7,741**
Derivative financial instruments	k		110,803	**110,803**
Loans and advances to customers	b	1,500,346	1,377	**1,501,723**
Securities	c	523,472	9,583	**533,055**
Investments in associated undertakings	d	1,176	(1,176)	**–**
Property, plant and equipment	e	40,353	(29,892)	**10,461**
Intangible assets	f	83,280	24,224	**107,504**
Other assets	g	170,283	(108,189)	**62,094**
Total assets		3,275,231	7,458	**3,282,689**
Liabilities and equity				
Due to other banks	b	336,580	(180,634)	**155,946**
Derivative financial instruments	k		86,938	**86,938**
Due to customers	b	2,528,840	(52,700)	**2,476,140**
Debt securities in issue	h		156,144	**156,144**
Other borrowed funds	h		80,921	**80,921**
Other liabilities	i	201,921	(51,519)	**150,402**
Shareholders' equity	j	207,890	(31,693)	**176,197**
Total liabilities and equity		3,275,231	7,458	**3,282,689**

4. TRANSITION TO IFRS (CONTINUED)

4.2 Reconciliations between IFRS and Swiss GAAP (continued)

4.2.3 Consolidated balance sheet reconciliation at 31 December 2004

	Note 4.3	Swiss GAAP CHF '000	Transition adjustments CHF '000	IFRS CHF '000
Assets				
Cash and balances with central banks		8,999		**8,999**
Treasury bills and other eligible bills	a	285,122	(32,168)	**252,954**
Due from other banks	b	1,770,062	2,162	**1,772,224**
Trading securities	l	6,602	8,579	**15,181**
Derivative financial instruments	k		101,385	**101,385**
Loans and advances to customers	b	1,769,814	6,209	**1,776,023**
Securities	c	366,666	24,417	**391,083**
Investments in associated undertakings	d	1,428	(1,428)	**–**
Property, plant and equipment	e	38,492	(20,562)	**17,930**
Intangible assets	f	122,100	47,825	**169,925**
Other assets	g	161,245	(96,935)	**64,310**
Total assets		4,530,530	39,484	**4,570,014**
Liabilities and equity				
Due to other banks	b	343,486	(154,566)	**188,920**
Derivative financial instruments	k		88,363	**88,363**
Due to customers	b	3,230,816	(45,555)	**3,185,261**
Debt securities in issue	h		154,729	**154,729**
Other borrowed funds	h		50,601	**50,601**
Other liabilities	i	217,970	(27,324)	**190,646**
Shareholders' equity	j	738,258	(26,764)	**711,494**
Total liabilities and equity		4,530,530	39,484	**4,570,014**

4.2.4 Consolidated balance sheet reconciliation at 1 January 2005

	Note 4.3	IFRS 31 December 2004 CHF '000	Effect of adoption IAS 32/39 CHF '000	IFRS 1 January 2005 CHF '000
Assets				
Cash and balances with central banks		8,999		**8,999**
Treasury bills and other eligible bills		252,954		**252,954**
Due from other banks		1,772,224		**1,772,224**
Trading securities		15,181	110	**15,291**
Derivative financial instruments	m	101,385	1,159	**102,544**
Loans and advances to customers		1,776,023		**1,776,023**
Securities	n	391,083	514	**391,597**
Investments in associated undertakings				**–**
Property, plant and equipment		17,930		**17,930**
Intangible assets		169,925		**169,925**
Other assets	m	64,310	(4,460)	**59,850**
Total assets		4,570,014	(2,677)	**4,567,337**
Liabilities and equity				
Due to other banks		188,920		**188,920**
Derivative financial instruments	m	88,363	1,017	**89,380**
Due to customers		3,185,261		**3,185,261**
Debt securities in issue		154,729		**154,729**
Other borrowed funds		50,601		**50,601**
Other liabilities	m	190,646	(3,407)	**187,239**
Shareholders' equity	o	711,494	(287)	**711,207**
Total liabilities and equity		4,570,014	(2,677)	**4,567,337**

4. TRANSITION TO IFRS (CONTINUED)

4.2 Reconciliations between IFRS and Swiss GAAP (continued)

4.2.5 Consolidated income statement reconciliation for the year ended 31 December 2004

	Note 4.4	Swiss GAAP CHF '000	Transition adjustments CHF '000	IFRS CHF '000
Net interest income	a	47,700	(2,747)	**44,953**
Net banking fee and commission income	b	148,942	(7,796)	**141,146**
		196,642	(10,542)	**186,100**
Net other income	c	46,337	3,447	**49,784**
Operating income		242,979	(7,095)	**235,884**
Operating expenses	d	(195,090)	16,958	**(178,133)**
Impairment losses on loans and advances				**–**
Profit from operations		47,889	9,862	**57,751**
Extraordinary income / (expenses), net	e	2,934	(2,934)	**–**
Profit before tax		50,823	6,928	**57,751**
Income tax expense	f	(7,763)	(2,000)	**(9,763)**
Net profit for the year		43,060	4,928	**47,988**

4.2.6 Reconciliation of cash flows for the year ended 31 December 2004

	Swiss GAAP CHF '000	Transition adjustments CHF '000	IFRS CHF '000
Cash flows from operating activities			
Interest received	91,628	(3,439)	88,189
Interest paid	(35,396)	(1,237)	(36,633)
Banking fee and commission received	173,454	(6,011)	167,443
Banking fee and commission paid	(29,887)	1,826	(28,061)
Dividend received	127		127
Net trading income	39,517	(301)	39,216
Net Other operating income received / paid	4,101	3,447	7,548
Staff costs	(111,348)	(6,720)	(118,068)
Other operating expenses	(52,524)	2,852	(49,672)
Valuation adjustments, provisions and losses	(5,430)	5,430	–
Extraordinary income	5,128	(5,128)	–
Extraordinary expenses	(2,195)	2,195	–
Income tax paid	(7,341)	503	(6,838)
Cash flows from operating profits	**69,834**	**(6,583)**	**63,251**
Changes in operating assets and liabilities			
Net decrease / (increase) in treasury bills	(230,374)	30,896	(199,478)
Net decrease in due from other banks	720	19	739
Net decrease in derivative financial instruments	10,644	199	10,843
Net (increase) in loans and advances to customers	(269,468)	(2,435)	(271,903)
Net decrease in other assets		1,903	1,903
Net increase in due to other banks	6,906	26,216	33,122
Net increase in due to customers	701,975	5,001	706,976
Net increase in other liabilities		32,534	32,534
Net cash flows from operating activities	**290,237**	**87,750**	**377,987**
Cash flows from investing activities			
Purchase of investment securities	(305,932)	(31,815)	(337,747)
Proceeds from sale of investment securities	462,738		462,738
Purchase of intangible assets	(39,015)	(26,245)	(65,260)
Purchase of property, plant and equipment	(10,528)	462	(10,066)
Property, plant and equipment from acquisitions		(132)	(132)
Net cash flows from investing activities	**107,263**	**(57,730)**	**49,533**
Cash flows from financing activities			
Repayments from other borrowed funds		(30,000)	(30,000)
Net change in equity	487,310		487,310
Net cash flows from financing activities	**487,310**	**(30,000)**	**457,310**
Net change in cash and cash equivalents	**884,810**	**20**	**884,830**
Cash and cash equivalents at beginning of period	954,003	9,449	963,452
Net change in cash and cash equivalents	884,810	20	884,830
Cash and cash equivalents at the end of the period	**1,838,813**	**9,469**	**1,848,282**

4. TRANSITION TO IFRS (continued)

4.3 Explanation of adjustments to consolidated balance sheet items

The following analysis explains the material adjustments to consolidated balance sheet items at 1 January 2004 and 31 December 2004.

(a) Treasury bills and other eligible bills

The decrease in Treasury bills and other eligible bills under IFRS arose due to presentation differences.

(b) Due from other banks, Due to other banks, Loans and advances to customers and Due to customers

Under IFRS, reclassifications have been performed for accrued interest and other presentation differences.

(c) Securities (excluding derivatives)

Under IFRS, reclassifications have been performed for accrued interests.

(d) Investments in associated undertakings

Due to materiality considerations, these have been reclassified under Other Assets.

(e) Property, plant and equipment

(1) Under Swiss GAAP, computer licences and softwares were classified under Property, plant & equipment and have been reclassified into Intangibles.

(2) The Group has elected to measure certain items of property, plant & equipment at the date of transition to IFRSs at their fair value and use that fair value as their deemed cost at that date. This led to a partial write-off of these items against opening equity at 1 January 2004.

(f) Intangibles

(1) As mentioned under (e)(1) above, computer licences and softwares have been reclassified from Property, plant & equipment to Intangibles.

(2) The Group has applied the business combinations exemption in IFRS 1. It has therefore not restated business combinations that took place prior to the 1 January 2004 IFRS transition date, except for adjustments required by IFRS 1 B2 (g) on contingencies affecting the amount of purchase consideration.
The Group's business combinations in 2004 have resulted in the recognition of goodwill during 2004.

(g) Other assets (including derivatives)

Under IFRS, reclassifications have been performed for accrued interest.

(h) Debt securities in issue and Other borrowed funds

Under Swiss GAAP, these were recorded under Due to other banks and Due to customers. Under IFRS, reclassifications of accrued interests have also been performed.

(i) Other liabilities (including derivatives)

(1) Under IFRS, reclassifications have been performed for accrued interest and provisions for doubtful loans.

(2) In accordance with IAS 19, provisions for short term employee benefits (untaken annual leave) and pension fund liabilities have been recognised.

(3) Under IFRS 1 B2 (g), contingencies affecting the amounts of purchase considerations relating to business combinations undertaken before 1 January 2004, have been recognised.

(j) Shareholders' equity

The above adjustments were recorded, where applicable, against reserves resulting in a decrease in equity (table 4.2.1).

The following analysis explains the material adjustments to consolidated balance sheet items at IAS 32 / 39 adoption.

(k) Derivative financial instruments

Under Swiss GAAP, derivative financial instruments are classified under Other assets resp. Other Liabilities. For comparability purpose, they have been reclassified into Derivative financial instruments.

(l) Trading securities

Increase in Trading securities is due to a reclassification from Swiss GAAP.

(m) Derivative financial instruments

Under IFRS, derivative financial instruments have been adjusted to reflect IAS 39 rules on fair value, embedded derivatives and hedge accounting.

(n) Securities (excluding derivatives)

Decrease in securities is due to the reclassification made to Trading securities (see (l) above), application of the Effective Interest Method and rules applicable to forex gains and losses on Available-for-sale equity portfolio.

(o) Shareholders' equity

The decrease of Shareholders' Equity resulted, when applicable, from the above adjustments.

4.4 Explanation of adjustments to consolidated income statement items

The following analysis explains the material adjustments to consolidated income statement items for the year ended 31 December 2004.

(a) Net interest income

In accordance with IFRS 3, Net interest income recorded in Swiss GAAP prior to effective business combination date was derecognised.

(b) Net banking fee and commission income

(1) In accordance with IFRS 3, Net banking fee and commission income recorded in Swiss GAAP prior to effective business combination date was derecognised.
(2) Net banking fee and commission income has been adjusted to be in accordance with revenue recognition criteria set up by IAS 18.
(3) The net decrease in commission income is also due to presentation differences on the face of the income statement.

(c) Net other income

The increase in Net other income results from reclassifications between Swiss GAAP and IFRS.

d) Operating expenses

(1) In accordance with IFRS 3, Operating expenses recorded in Swiss GAAP prior to effective business combination date were derecognised.
(2) Under IFRS, Staff expenses have been adjusted to reflect short term staff benefits and pension funds liabilities deriving from IAS 19 on Employee benefits.
(3) Under IFRS, goodwill resulting from acquisitions is not subject to amortisation as this was the case in Swiss GAAP but is tested annually for impairment. No charge to the income statement resulted from this exercise.
(4) Under Swiss GAAP, certain provisions had been initially booked but have been derecognised at the IFRS adoption date of 1 January 2004 to be in accordance with IAS 37 Provisions criteria.
(5) Under IFRS 1, the Group elected to measure some items of Property, plant & equipment in fair value at adoption date which led to the partial write-off of these items against opening equity at 1 January 2004. As a consequence, amortisation expenses initially recognised in Swiss GAAP have been reversed in 2004.

(e) Extraordinary income / (expenses), net

Under IFRS, Swiss GAAP extraordinary income & expenses have been reclassified to the relevant income statement items.

(f) Income tax expense

Correction of income tax expense relating to deferred tax resulting from IFRS adjustments.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk, with most credit risk being limited to Lombard loans and other secured loans, and market risk largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group. The main areas of risk for the Group are operational and reputational.

The Group's management has risk management procedures in place which are fully in accordance and in compliance with policies and procedures of its parent, EFG Bank European Financial Group (EFGB). Ultimate responsibility for the risk management of the Group lies with the Group's board of directors, who set the Group's policies and risk appetite in collaboration with EFGB's Group Risk Committee (GRC). Implementation of the Group's policies and compliance with procedures is the responsibility of sub-committees for market risk and credit risk, assisted by both internal and external audit functions.

5.2 Operational Risk

The risk of loss resulting from failures in business processes systems and people, or from external sources, is limited by means of organisational measures, automation, internal control and security systems, written procedures, legal documentation and loss mitigation techniques under the responsibility of management. Operational risk is monitored through a comprehensive internal reporting system under the responsibility of senior management, which aims to oversee and maintain the standards of all transactions. Operational losses have been small and monthly reports include details of all operational issues.

The Group has a strong preference for hiring senior managers and Client Relationship Officers (CROs) who have worked with members of the current management of the Group in the past. In addition, the management information system produces daily reports with details of the transactions of all clients, which are closely monitored with a view to detecting any large or unusual transactions. The Group's Geneva based IT system provides an immediate duplicate of all transactions at its disaster recovery site in Zurich head office, ensuring a backup system is continuously available off-site. The Group's operations are also monitored by the internal audit function. The Group has suffered little loss from fraud or operational failures, and has insurance policies against fraud and negligence committed by employees.

5.3 Compliance and Legal risk

The Legal & Compliance function is delegated by EFG International to its Swiss subsidiary EFG Bank. The department ensures that the Group entities observe all applicable rules and regulations.

Legislative developments and changes by relevant internal and external authorities are continuously monitored and implemented. The Legal & Compliance department supervises proper updating of internal regulations to comply with changes in the regulatory environment as well as staff training.

In addition, the Legal & Compliance department tracks client complaints to ensure prompt resolution and oversees litigation involving Group entities.

5.4 Reputational Risk

Reputational risk for the Group may arise from any shortfalls in the quality of service delivered to clients, as well as the Group's potential involvement with politically exposed clients and those who may be connected with criminal activities. Reputational risks arising from client acceptance are a common concern for all Swiss and foreign-regulated financial institutions. To comply with anti-money laundering laws, the Group operates strict due diligence procedures for new clients. In addition, the Group closely monitors transactions on an ongoing basis and investigates any activities not matching clients' profiles.

The Group endeavours to ensure service quality by employing highly skilled CROs and minimising operational error (see "Operational Risk" above).

5.5 Credit Risk

The Executive Credit Committee of EFG International has overall responsibility for the client credit business of the Group, including the implementation of credit policies and procedures defined by the Board of the Group. Certain duties, including monitoring of day-to-day operations, have been delegated to the Operating Credit Committee of EFG Bank. The credit approval process is clearly separated between the company's business origination and credit risk management activities. Credit requests are initiated by Client Relationship Officers, must be supported by Regional Business Heads and are thereafter finalized and processed by the credit departments. The approval of loans, ceilings and other exposures has been delegated, based on certain defined risk and size criteria, to senior members of the credit departments, certain credit committees of international units, the Operating Credit Committee of EFG Bank, and to the Executive Credit Committee of the Group.

Approval competencies for large exposures and exposures with increased risk profiles are centralized in Switzerland, in compliance with local regulatory and legal requirements of our individual, international business units, except for EFG Private Bank Ltd, where approval competencies have been delegated to the members of the local credit department, the Credit Committee and the Chairman's Committee depending on size and risk profile of the respective exposure.

A client's securities portfolio must be well diversified and differing margins apply, depending on the type, risk profile and liquidity of the security to be accepted as collateral. Additional margins are applied if the loan and the collateral are not in the same currency or risk concentrations exist. Loans booked at EFG Private Bank Ltd, secured with real estate, are related predominantly to properties in prime London locations.

Credit departments monitor credit exposures against approved limits and pledged collateral, and, in case, initiate necessary rectification steps. Credit exposures are assigned to one of 10 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.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution and processes to monitor credit quality developments for all counterparties with which it does business.

5.6 Market risk

The Group applies strict limits to all market risks. Limits include nominal, stop loss, rating quality, concentration and other types, depending upon the nature of the market risk concerned. These limits are calibrated by a "value at risk" (VAR) exposure measurement. This VAR approach focuses on assessing the potential loss impact on open risk positions measured under normal market conditions. In addition, positions are also measured in the event of extreme market movements (stress testing) and also against nominal limits. The Group limits are set and approved accordingly.

5.7 Foreign exchange Market risk

The Group carries out foreign currency operations both for its clients and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The overall net nominal positions per currency are monitored against intraday and overnight limits, in addition, daily and monthly stop loss limits are in place. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions. From time to time, the Group may hedge its foreign exchange exposure arising from highly probable future cash flows in currencies other than the CHF using forward contracts, and applying IFRS hedge accounting criteria.

5.8 Equity Market risk

The Group is exposed to equity market risk because of small investment portfolios and securities trading books.

5.9 Commodities Market risk

The Group has no significant exposure to commodity price risk.

5.10 Liquidity risk

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.

The Group attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determine the pricing of its assets and credit business. The Group also has a liquidity management process in place that includes liquidity contingency plans. These contingency measures include liquidation of marketable securities and drawdowns on lines of credit with the Swiss National Bank.

The Group complies with all regulatory requirements, including overnight liquidity limits (in the various countries in which it operates banks). In addition, it reports its liquidity situation to EFG European Financial Group's Group Risk Unit on a monthly basis, according to specific Group Risk Guidelines, and to its management on a daily basis. Stress tests are undertaken monthly or as necessary. Both the Group's capital and reserves position and its conservative gapping policy when funding customer loans ensure that the Group runs only a small liquidity risk.

5.11 Cash flow and fair value interest rate risk

The Group's income and operating cash flows show low sensitivity to changes in market interest rates. The Group maintains small interest rate risks in its banking book and a high level of balance sheet liquidity as a matter of policy by adhering to conservative gapping limits and through its substantial excess funding from client deposits. From time to time, the Group may hedge its interest rate exposure arising from client loans or deposits or from other transactions by using interest rate swap contracts and applying IFRS hedge accounting criteria.

5.12 Outsourcing risk

In Switzerland, salary and pension fund administration have been outsourced to a specialised service company. IT development projects may also be outsourced on a case by case basis. For all such outsourced activities, detailed service contracts, including confidentiality, banking secrecy and business compliance agreements, were signed between the Group and respective companies and their employees.

6. NET INTEREST INCOME

	Year ended 31 December 2005 CHF '000	Year ended 31 December 2004 CHF '000
Interest and discount income		
Banks and customers	155,391	64,166
Trading securities	2	690
Other securities	29,023	18,407
Total interest and discount income	**184,416**	83,263
Interest expense		
Banks and customers	(86,149)	(31,608)
Debt securities in issue	(4,946)	(4,902)
Other borrowed funds	(2,401)	(1,800)
Total interest expense	**(93,496)**	(38,310)
Net interest income	**90,920**	44,953

7. NET BANKING FEE AND COMMISSION INCOME

Commission income on lending activities	2,006	983
Commission income from securities and investment activities	215,359	158,834
Commission income from other services	19,176	14,040
Commission expenses	(27,570)	(32,711)
Net banking fee and commission income	**208,971**	141,146

8. NET TRADING INCOME

Equities & Interest rate instruments	14,295	10,820
Foreign exchange	24,103	33,527
Net trading income	**38,398**	44,347

9. OPERATING EXPENSES

Staff costs (note 10)	(138,585)	(128,776)
Professional services	(8,427)	(9,614)
Advertising and marketing	(2,938)	(534)
Administrative expenses	(27,979)	(22,620)
Operating lease rentals	(10,471)	(8,075)
Depreciation of property, plant and equipment (note 26)	(3,714)	(2,535)
Amortization of intangible assets (note 25)	(3,778)	(2,838)
Other	(4,445)	(3,141)
Operating expenses	**(200,337)**	(178,133)

10. STAFF COSTS

	Year ended 31 December 2005 CHF '000	Year ended 31 December 2004 CHF '000
Wages, salaries and staff bonuses	(120,546)	(115,683)
Social security costs	(9,343)	(6,273)
Pension costs – defined benefits (note 32)	(3,539)	(3,702)
Pension costs – defined contribution	(1,689)	(840)
Other	(3,468)	(2,278)
Staff costs	**(138,585)**	(128,776)

As at 31 December 2005 the number of employees of the Group was 1,053 and the average for the year was 682 (31 December 2004: 596 and average for the year 566).

11. INCOME TAX EXPENSE

Current tax	6,853	4,762
Deferred tax (note 12)	10,325	5,001
Total tax charge	**17,178**	9,763
Profit before tax	138,072	57,751
Tax at the applicable rate of 11% (2004: 16%)	15,188	9,240
Tax effect of:		
Different tax rates in different countries	3,953	389
Income not subject to taxes	(3,418)	(1,951)
Non-income taxes	1,455	2,085
Income tax expense	**17,178**	9,763

12. DEFERRED INCOME TAXES

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

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
The movement on the deferred income tax account is as follows:		
At 1 January	17,383	4,040
IFRS adoption effect		18,620
Income statement charge for period	(10,325)	(5,001)
DTA adjustments related to prior years	(1,108)	
Arising from acquisition	(5,609)	
Exchange differences	398	(276)
At end of period / year (note 27)	**739**	17,383
Deferred income tax assets and (liabilities) are attributable to the following items:		
Tax losses carried forward	4,432	11,200
Valuation temporary differences accounted through the income statement	967	4,583
Arising from acquisition	1,838	
Pensions and other post retirement benefits	1,120	1,600
Deferred income tax assets	**8,357**	17,383
Deferred tax liabilities		
Arising from acquisition	(381)	
Arising from intangible on acquisition (note 25)	(7,066)	
Valuation temporary differences accounted through the income statement	(151)	
Valuation temporary differences accounted through the retained earnings	(20)	
Deferred income tax liabilities	**(7,618)**	–
Deferred tax, net (note 27)	**739**	17,383
The deferred income tax charge in the income statement comprises the following temporary differences:		
Utilisation of tax losses carried forward	6,768	2,000
Pensions and other post retirement benefits	480	400
Other temporary differences	3,077	2,601
Deferred income tax charge	**10,325**	5,001

13. ANALYSIS OF SWISS & FOREIGN INCOME & EXPENSES FROM ORDINARY BANKING ACTIVITIES AS PER THE OPERATING LOCATION

	For the year ended 31 December 2005 Swiss CHF '000	For the year ended 31 December 2005 Foreign CHF '000	For the year ended 31 December 2005 Total CHF '000
Interest and discount income	68,555	115,861	184,416
Interest expense	(6,558)	(86,938)	(93,496)
Net interest income	**61,997**	**28,923**	**90,920**
Banking fee and commission income	147,401	89,140	236,541
Banking fee and commission expense	(22,798)	(4,772)	(27,570)
Net banking fee and commission income	**124,603**	**84,368**	**208,971**
Dividend income		66	66
Net trading income	14,388	24,010	38,398
Gains less losses from other securities	2	7	9
Other operating income / (expense)	932	(887)	45
Net other income	**15,322**	**23,196**	**38,518**
Operating income	**201,922**	**136,487**	**338,409**
Operating expenses	(157,360)	(42,977)	(200,337)
Impairment losses on loans and advances			
Profit before tax	**44,562**	**93,510**	**138,072**
Income tax expense	(6,816)	(10,362)	(17,178)
Net profit for the period	**37,746**	**83,148**	**120,894**

13. ANALYSIS OF SWISS & FOREIGN INCOME & EXPENSES FROM ORDINARY BANKING ACTIVITIES AS PER THE OPERATING LOCATION (CONTINUED)

	For the year ended 31 December 2004 Swiss CHF '000	For the year ended 31 December 2004 Foreign CHF '000	For the year ended 31 December 2004 Total CHF '000
Interest and discount income	38,177	45,086	83,263
Interest expense	(4,878)	(33,432)	(38,310)
Net interest income	33,299	11,654	44,953
Banking fee and commission income	137,024	36,833	173,857
Banking fee and commission expense	(26,055)	(6,656)	(32,711)
Net banking fee and commission income	110,969	30,177	141,146
Dividend income	128		128
Net trading income	30,612	13,735	44,347
Gains less losses from other securities	303		303
Other operating income / (expense)	4,158	849	5,007
Net other income	35,201	14,584	49,785
Operating income	179,469	56,415	235,884
Operating expenses	(134,795)	(43,338)	(178,133)
Impairment losses on loans and advances			
Profit before tax	44,674	13,077	57,751
Income tax expense	(6,143)	(3,620)	(9,763)
Net profit for the period	38,531	9,457	47,988

14. CASH AND BALANCES WITH CENTRAL BANKS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Cash in hand	**4,214**	1,650
Balances with central banks	**38,674**	7,349
Cash and balances with central banks	**42,888**	8,999

15. 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:

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Cash and balances with central banks	42,888	8,999
Treasury bills and other eligible bills	472,615	51,878
Due from other banks	3,694,464	1,772,224
Trading securities	7,836	15,181
Cash and cash equivalents	**4,217,803**	1,848,282

16. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Treasury bills	446,789	252,784
Other eligible bills	42,181	170
Treasury bills and other eligible bills	**488,970**	252,954
Pledged treasury bills with central banks and clearing system companies	125,819	12,044

17. DUE FROM OTHER BANKS

Due from other banks at sight	313,043	87,251
Due from other banks at term	3,431,416	1,684,973
Due from other banks	**3,744,459**	1,772,224

18. TRADING SECURITIES

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Issued by public bodies:		
government		
other public sector securities	437	488
	437	488
Issued by other issuers:		
banks	2,449	2,434
other	4,950	12,259
	7,399	14,693
Trading securities	**7,836**	15,181
Equity securities	7,261	14,775
Debt securities	575	406
	7,836	15,181

19. DERIVATIVE FINANCIAL INSTRUMENTS

The group utilises the following derivative instruments for both hedging and non-hedging purposes:

Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The group's credit risk represents the potential cost to replace the swap or forward contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the group and a customer (OTC). The group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the group's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate 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:

	At 31 December 2005			At 31 December 2004		
	Contract/ notional amount CHF '000	Fair values Assets CHF '000	Fair values Liabilities CHF '000	Contract/ notional amount CHF '000	Fair values Assets CHF '000	Fair values Liabilities CHF '000
Derivatives held for trading						
OTC currency derivatives						
Currency forwards	12,548,755	90,516	83,551	7,823,507	86,982	73,722
OTC currency options bought and sold	1,988,276	11,789	11,735	4,379,430	11,908	11,908
		102,305	95,286		98,890	85,630
OTC interest rate derivatives						
Interest rate swaps	31,101	1,566	1,578	89,174	392	431
OTC interest rate options	943,235	1,741	1,631	680,400	1,224	1,224
		3,307	3,209		1,616	1,655
Other derivatives						
OTC index options bought and sold	48,653	149	149	55,871	879	879
Other trading liabilities						
Securities sold not yet repurchased						199
Total derivative assets/liabilities held for trading		**105,761**	**98,644**		101,385	88,363
Derivatives held for hedging						
Derivatives designated as fair value hedges Interest rate swaps	59,365	120	980			
Derivatives designated as cash flow hedges Interest rate swaps	4,205		461			
Total derivatives assets/liabilities held for hedging		**120**	**1,441**		–	–
Total derivatives assets/liabilities		**105,881**	**100,085**		101,385	88,363

20. LOANS AND ADVANCES TO CUSTOMERS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Due from customers	3,602,115	1,771,546
Mortgage lending	944,505	7,536
Less: Provision for impairment losses (note 21)	(2,161)	(3,059)
	4,544,459	1,776,023

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

	At 31 December 2005 %	At 31 December 2004 %
Private individuals	51.0	57.0
Financial companies	24.0	36.0
Other	25.0	7.0
	100.0	100.0

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

	31 December 2005		31 December 2004	
	CHF '000	%	CHF '000	%
Switzerland	274,814	6.0	171,501	9.7
United Kingdom	761,430	16.8	83,679	4.7
Greece	88,227	1.9	44,540	2.5
Luxembourg	4,899	0.1	7,939	0.4
Europe (other)	572,946	12.6	344,350	19.4
United States and Canada	79,109	1.7	27,065	1.5
Latin America and Caribbean	1,382,267	30.4	396,332	22.3
Africa and Middle East	161,600	3.6	59,180	3.3
Asia and Oceania	1,219,167	26.9	641,437	36.2
	4,544,459	**100.0**	1,776,023	100.0

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

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

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
At 1 January	3,059	5,494
Impairment losses on loans and advances charge for the period		
Acquisition of subsidiary	158	
Foreign exchange differences	12	119
Amounts recovered during the period/year	(6)	7
Loans written off during the period/year as uncollectible	(1,062)	(2,561)
Balance at end of period/year	**2,161**	3,059

22. COLLATERAL FOR LOANS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Loans and advances to customers		
Mortgages	946,696	7,536
Secured by other collateral	3,587,997	1,766,341
Unsecured	9,766	2,146
	4,544,459	1,776,023
Off-Balance-sheet commitments		
Contingent liabilities secured by other collateral	265,600	149,644
Contingent liabilities unsecured	826	336
	266,426	149,980

23. INVESTMENT SECURITIES

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Held-to-maturity investment securities	530,435	263,384
Available-for-sale investment securities	903,706	127,699
Total investment securities	**1,434,141**	391,083
Available-for-sale		
Issued by public bodies:		
government	12,678	19,822
other public sector	33,556	33,992
	46,234	53,814
Issued by other issuers:		
banks	840,858	66,304
other	16,614	7,581
	857,472	73,885
Total Available-for-sale	**903,706**	127,699
Listed	86,193	126,678
Unlisted	817,513	1,021
	903,706	127,699
Equity	13,823	1,596
Debt	889,883	126,103
	903,706	127,699
Pledged securities with central banks and clearing system companies	25,323	33,787
The movement in the account is as follows:		
Net book value at 1 January	127,699	533,055
Adoption IAS 32/39 as at 1 January 2005	514	
Accrued interests	(398)	(8,177)
Additions	45,215	75,055
Disposals and redemptions	(61,657)	(462,738)
Arising from acquisition of subsidiaries	822,828	
Reclassification to trading portfolio and associates		(8,577)
Reclassification to investment securities held-to-maturity (*)	(30,894)	
Net gains / (losses) from changes in fair value for the period	(1,622)	(919)
Exchange differences	2,021	
Net book value at end of period / year	**903,706**	127,699

(*) CHF 30.89 million were incorrectly classified as of 31 December 2004 and have been reclassified to held-to-maturity portfolio early 2005.

23. INVESTMENT SECURITIES (CONTINUED)

Equity reserve: revaluation of the 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 equity. The movement of the reserve is as follows:

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Adoption of IAS 32 and 39 as at 1 January 2005	479	
Net gains/(losses) from changes in fair value for the period	(1,643)	
	(1,164)	
Net gains/(losses) transferred to net profit on disposal	(107)	
	(107)	
Balance at end of period/year	**(1,271)**	–

Held-to-maturity

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Issued by public bodies:		
government	155,833	46,450
other public sector	187,305	92,782
	343,138	139,232
Issued by other issuers:		
banks	187,297	124,152
	187,297	124,152
Total Held-to-maturity	**530,435**	263,384

The movement in the account is as follows:

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Net book value at 1 January	263,384	
Accrued interests	1,258	692
Additions	264,118	262,692
Reclassification from investment securities available-for-sale	30,894	
Disposals and redemptions	(30,894)	
Exchange differences	1,675	
Net book value at end of period/year	**530,435**	263,384
Pledged securities with central banks and clearing system companies	132,661	93,050

24. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the EFG International's main subsidiaries at 31 December 2005:

Name	Line of business	Country of incorporation	Share Capital '000		Equity interest %
Bank von Ernst (Liechtenstein) AG	Bank	Liechtenstein	CHF	25,000	100
Bridgewater Pension Trustees Ltd, London	Pension administration	United Kingdom	GBP	–	100
EFG Asset Management Holding Company SA, Luxembourg	Asset Management	Luxembourg	EUR	400	98
EFG Asset Management Ltd, London	Asset management	United Kingdom	GBP	4,000	100
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000	100
EFG Bank, Zurich	Bank	Switzerland	CHF	62,410	100
EFG Capital International Corp., Miami	Broker-dealer	USA	USD	12,200	100
EFG Eurofinancière d'Investissements SAM, Monaco	Bank	Monaco	EUR	16,000	100
EFG Finance (Guernsey) Ltd	Financial company	Guernsey	EUR	430,016	100
EFG Finance (Malta) Ltd	Holding (*)	Malta	EUR	430,017	100
EFG Financial Consulting Co. Ltd, Taipei – in liquidation	Consulting Services	Taiwan	TWD	1,000	100
EFG Holding GMBH, Zurich	Dormant	Switzerland	CHF	10	100
EFG Investment (Luxembourg) Sarl, Luxembourg	Holding (*)	Luxembourg	EUR	430,029	100
EFG Investment (Malta) Ltd	Holding (*)	Malta	EUR	430,017	100
EFG Investment Bank AB, Stockholm	Bank	Sweden	SEK	100,000	100
EFG Offshore Ltd, Jersey (formerly EFG Reads Trust Company Ltd)	Trust services	Jersey	GBP	9	100
EFG Platts Flello Ltd, London	Financial planning	United Kingdom	GBP	2	100
EFG Private Bank (Channel Islands) Ltd, Guernsey	Bank	Guernsey	GBP	5,000	100
EFG Private Bank Ltd, London	Bank	United Kingdom	GBP	11,536	100
EFG Securities Investment Consulting Company Ltd, Taipei	Consulting Services	Taiwan	TWD	10,000	100
EFG Serviços Ltda, Sao Paulo	Dormant	Brazil	BRL	1,243	100
EFG Thema Advisory Company SA, Luxembourg	Investment Advisory	Luxembourg	USD	90	100
EFG Trust Company (BVI) Ltd, Tortola	Trust company	Virgin Islands	USD	500	100
EFG Universal Advisory Company SA, Luxembourg	Investment Advisory	Luxembourg	EUR	76	100
EFG Wealth Management Ltd, London	Asset management	United Kingdom	GBP	238	100
New Capital Fund Management Ltd, Dublin	Asset management	Republic of Ireland	GBP	125	100
Planning for Financial Independence Ltd, London	Financial planning	United Kingdom	GBP	1	100
SIF Swiss Investment Funds SA, Geneva	Funds Administration	Switzerland	CHF	2,500	100

(*) Assets consist of participations in other group companies.

25. INTANGIBLE ASSETS

	Computer software and licences CHF '000	Other intangible assets CHF '000	Goodwill CHF '000	Intangible assets CHF '000
At 1 January 2004				
Cost	9,846		120,300	130,146
Accumulated amortization	(1,623)		(21,020)	(22,643)
Net book value	8,223	–	99,280	107,503
Year ended December 2004				
Opening net book amount	8,223		99,280	107,503
Additions	525	3,400	61,335	65,260
Amortization charge for the year	(2,732)	(106)		(2,838)
Closing net book value	6,016	3,294	160,615	169,925
At 31 December 2004				
Cost	10,371	3,400	181,635	195,406
Accumulated amortization	(4,355)	(106)	(21,020)	(25,481)
Net book value	6,016	3,294	160,615	169,925
Year ended December 2005				
Opening net book amount	6,016	3,294	160,615	169,925
Additions	3,519	22,168	134,921	160,608
Acquisition of subsidiary, net of impairment	413	7,275	16,826	24,514
Amortization charge for the year	(2,944)	(834)		(3,778)
Exchange rate adjustments		(16)		(16)
Closing net book value	7,003	31,888	312,362	351,253
At 31 December 2005				
Cost	25,098	33,025	333,641	391,764
Accumulated amortization and impairment	(18,095)	(1,137)	(21,279)	(40,511)
Net book value	**7,003**	**31,888**	**312,362**	**351,253**

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, getting a permanent establishment in a given location. The accounting for these business combinations was dependent upon the accounting standard in force at the time of the acquisition, as described below.

IFRS1 Transition relating to goodwill arising on acquisitions prior to 1 January 2004

The Group has applied the business combination exemptions in IFRS 1 and has not restated business combinations that took place prior to January 1, 2004 transition date except for the contingent amounts forming part of deferred consideration which have been subsequently finalised. However as the Group had under Swiss accounting principles applicable to banks, and for the majority of its acquisitions, classified the difference between the fair value of the consideration paid and the fair value of the net assets acquired as intangible assets, these amounts have been reclassified under IFRS as goodwill, as no purchase price allocation as required by IFRS had been done at the time. The Group considers that the majority of the carrying balances of goodwill for acquisition made prior to January 1, 2004 represents in substance "client relationships".

Acquisitions after 1 January 2004

DSAM

In early October 2004, the Group entered into an agreement that enabled it to set-up a derivatives structured asset management unit ("DSAM"). This acquisition gave rise to a goodwill of CHF 57.1 million which has been based on an estimation of the fair value of probable deferred conditional payments and CHF 3.4 million Intangible asset relating to the estimation of the fair value of the non competition component of this agreement. The latter is amortised over the life of the contract (8 years).

On 31 December 2005, the fair value of the deferred conditional payments was reassessed and an additional amount of CHF 85 million was recognised as goodwill.

Banco Atlántico (Gibraltar)

On 5 November 2004, the Group acquired 100% of the issued capital of Banco Atlántico (Gibraltar) from Banco de Sabadell SA, Spain. This acquisition was primarily made in order to have a permanent establishment in Gibraltar. The acquired company contributed a net profit of CHF 1.9 million for the period from 5 November to 31 December 2004. The transaction gave rise to a goodwill of CHF 4.2 million.

Details of fair value of net assets acquired and goodwill are as follows:

	CHF '000
Purchase consideration:	
Purchase consideration paid (discharged by cash)	22,957
Deferred purchase consideration	4,566
Direct costs directly relating to the acquisition	459
Total purchase consideration	27,982
Fair value of net assets acquired	(23,747)
Goodwill	**4,235**

The fair value of assets and liabilities arising from the acquisition are as follows:

	CHF '000
Cash and Due from Banks	83,540
Loans and advances to customers	140,040
Property, plant and equipment	132
Other assets	941
Due to other banks	(52,700)
Due to customers	(147,037)
Other liabilities	(1,169)
Net Asset Acquired	**23,747**

The goodwill is attributable to the Group's intention to have a permanent basis in Gibraltar.

DLFA

On 9 August 2005, the Group acquired 100% of the issued capital of Dresdner Lateinamerika Financial Advisors LLC from Dresdner Lateinamerika AG. This acquisition was primarily made in order to acquire new client relationships. The acquired company contributed a Gross revenue of CHF 2.8 million and a net profit of CHF 0.2 million for the period from 9 August to 31 December 2005. The transaction gave rise to a goodwill of CHF 9.0 million and to the recognition of Intangible assets for a total of CHF 9.0 million, essentially composed of Client Relationships for CHF 8.8 million. The latter has been calculated using a discounted cash flow model and is amortised over a 15 years period.

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

	CHF '000
Purchase consideration paid (discharged by cash)	17,263
Fair value of net assets acquired	(2,681)
Difference	**14,582**
Other intangible assets (Client relationships)	8,781
Other intangible assets (Covenants not to compete & Licence)	174
Goodwill	5,627
	14,582
Goodwill (as per IAS12.19&66 on Deferred tax liability on intangibles)	3,389
Total Intangible assets (Client Relationships) and goodwill	**17,971**

The fair value of assets and liabilities arising from the acquisition are as follows:

Cash and Due from Banks	1,444
Investment securities	782
Property, plant and equipment	940
Other assets	1,427
Other liabilities	(1,912)
Net Asset Acquired	**2,681**

EFG Eurofinancière d'Investissements S.A., Monaco

On 25 November 2005, the Group acquired 100% of the issued capital of EFG Eurofinancière d'Investissements S.A., a sister bank, from Private Financial Investments Holding Limited, a subsidiary of EFG European Financial Group, Geneva. This acquisition was primarily made by the Group in order to establish a presence in Monaco and to expand its client base. The acquired company contributed a net profit of CHF 0.1 million for the period from 1 December to 31 December 2005. The local statutory profit for the whole year 2005 was CHF 0.8 million. As the transaction was a transaction under common control, it was exempted from the requirements of IFRS 3 *Business Combinations.* Consequently, the difference between the predecessor (book) value of the net assets acquired and the purchase consideration was recorded as a deduction to equity.

	CHF '000
Purchase consideration:	
Purchase consideration paid (discharged by cash)	67,994
Direct costs directly relating to the acquisition	155
Total purchase consideration	68,149
Book value of net assets acquired	(30,589)
Difference deducted from Other reserves in equity	**37,560**

The book value of assets and liabilities arising from the acquisition are as follows:

	CHF '000
Cash and Due from Banks	432,465
Loans and advances to customers	129,708
Investment securities	17,763
Property, plant and equipment	226
Intangible	183
Other assets	5,802
Due to other banks	(4,281)
Due to customers	(539,254)
Other liabilities	(12,023)
Net Asset Acquired	**30,589**

EFG Private Bank Limited, London

On 25 November 2005, the Group acquired 100% of the issued capital of EFG Private Bank Limited, London, a sister bank, from Private Financial Investments Holding Limited, a subsidiary of EFG European Financial Group, Geneva. This acquisition was primarily made by the Group in order to establish a presence in the United Kingdom and the Channel Islands and to expand its client base. The acquired company contributed a net profit of CHF 2.8 million for the period from 1 December to 31 December 2005. The local result for the whole year 2005 was a loss of CHF 3.1 million. As the transaction was a transaction under common control, it was exempted from the requirements of IFRS 3 *Business Combinations.* Consequently, the difference between the predecessor (book) value of the net assets acquired and the purchase consideration was recorded as a deduction to equity.

	CHF '000
Purchase consideration:	
Purchase consideration paid (discharged by cash and EFG International shares)	294,332
Direct costs directly relating to the acquisition	1,805
Total purchase consideration	296,137
Book value of net assets acquired	(161,837)
Difference deducted from Other reserves in equity	**134,300**

The book value of assets and liabilities arising from the acquisition are as follows:

	CHF '000
Cash and Due from Banks	631,804
Loans and advances to customers	1,581,645
Investment securities	828,182
Derivative financial instruments	4,254
Intangible	25,931
Property, plant and equipment	8,579
Other assets	41,981
Due to other banks	(764,631)
Due to customers	(2,068,041)
Derivative financial instruments	(7,273)
Other borrowed funds	(69,906)
Other liabilities	(50,688)
Net Asset Acquired	**161,837**

Bank von Ernst (Liechtenstein) AG

On 30 November 2005, the Group acquired 100% of the issued capital of Bank von Ernst (Liechtenstein) AG from Coutts Bank von Ernst Ltd. This acquisition was primarily made in order to establish a presence in Liechtenstein and to expand its client basis. The acquired company contributed a net profit of CHF 0.9 million for the period from 1 December to 31 December 2005. The local statutory profit for the whole year 2005 was CHF 6.1 million. The transaction gave rise to a goodwill of CHF 34.7 million and to the recognition of an Intangible asset (Client Relationships) for CHF 13.0 million. The latter has been calculated using a discounted cash flow model and is amortised over a 15 years period.

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

	CHF '000
Purchase consideration:	
Purchase consideration paid (discharged by cash)	66,501
Deferred purchase consideration	13,492
Direct costs directly relating to the acquisition	125
Total purchase consideration	80,118
Fair value of net assets acquired	(33,835)
Difference	**46,283**
Other intangible assets (Client relationships)	13,000
Goodwill	33,283
	46,283
Goodwill (as per IAS12.19&66 on Deferred tax liability on intangibles)	1,430
Total Intangible assets (Client Relationships) and goodwill	**47,713**

The fair value of assets and liabilities arising from the acquisition are as follows:

	CHF '000
Cash and Due from Banks	229,716
Loans and advances to customers	132,226
Property, plant and equipment	783
Other Intangibles	80
Other assets	7,943
Due to other banks	(114,510)
Due to customers	(210,501)
Other liabilities	(11,902)
Net Asset Acquired	**33,835**

Impairment tests

Goodwill is allocated to cash generating units that have been identified on the basis of each acquisition performed until 31 December 2005. Carrying values have been compared to recoverable amounts, which are calculated on Fair value less costs to sell. These calculations have been made on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. As the fair value less cost to sell exceeded the carrying amounts of each cash generating units, the value in use did not need to be estimated.

The carrying amounts allocated to each cash generating unit containing goodwill or intangible assets are as follows:

	31 December 2005 Goodwill CHF '000	31 December 2005 Intangible Assets CHF '000	31 December 2005 Total CHF '000
Derivatives Structured Asset Management unit ("DSAM")	142,100	2,869	144,969
Banque Edouard Constant	76,300		76,300
Bank von Ernst (Liechtenstein) AG	34,713	12,915	47,628
Chiltern Wealth Management Limited	16,324	6,265	22,589
Dresdner Lateinamerika Financial Advisors	9,230	8,887	18,117
BanSabadell Finance	16,142		16,142
Other Cash Generating Units	17,553	952	18,505
Total carrying values	**312,362**	**31,888**	**344,250**

For each of these units, fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and goodwill / intangible assets based on comparable market transactions (2% to 5% of Assets under Management). Secondly, calculations have been done using a PE approach (range between 7 and 15) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on recent past experience (prior year or twelve-month period ended 31 December 2005).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their respective recoverable amounts. However, it should be noted that regarding the acquisition of the Derivatives Structured Asset Management (DSAM) business, the Group has agreed to pay with earn-outs in order to limit the risks associated with this acquisition. The total consideration price is based on earn-out multiples implying that such consideration price can increase significantly depending on the future revenues generated by the business acquired.

As a result, during the earn-out period, the consideration price of the acquisition may increase or decrease, and hence the liability to the sellers may change. By changing the consideration of a deal, such mechanism can lead to higher or lower intangible assets and/or goodwill recognized in the balance sheet. At the date of this report, 43.35% of the estimated total acquisition price had already been fixed. The remaining 56.65% of the total acquisition price relates to estimated future payments which will be made over the next six years in an amount equal to a fixed multiple of earnings attributable to DSAM.

26. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements CHF '000	Furniture, equipment motor vehicles CHF '000	Computer hardware CHF '000	Total fixed assets CHF '000
At 1 January 2004:				
Cost	16,071	3,420	8,315	27,806
Accumulated depreciation	(11,212)	(1,779)	(4,354)	(17,345)
Net book amount	**4,859**	**1,641**	**3,961**	**10,461**
Year ended December 2004				
Opening net book amount	4,859	1,641	3,961	10,461
Additions	4,184	1,432	4,450	10,066
Acquisition of subsidiary (note 25)	13	46	73	132
Depreciation charge for the period	(1,262)	(549)	(724)	(2,535)
Exchange rate adjustments	(69)	(80)	(45)	(194)
Closing net book amount	**7,725**	**2,490**	**7,715**	**17,930**
At 31 December 2004:				
Cost	10,824	5,507	11,792	28,123
Accumulated depreciation	(3,099)	(3,017)	(4,077)	(10,193)
Net book amount	**7,725**	**2,490**	**7,715**	**17,930**
Year ended December 2005				
Opening net book amount	7,725	2,490	7,715	17,930
Reclassifications / Transfers	172	(686)	514	–
Additions	2,645	946	1,448	5,039
Acquisition of subsidiary (note 25)	6,649	2,448	1,264	10,361
Depreciation charge for the year	(1,418)	(666)	(1,630)	(3,714)
Exchange rate adjustments	70	83	50	203
Closing net book value	**15,843**	**4,615**	**9,361**	**29,819**
At 31 December 2005:				
Cost	26,960	16,990	24,792	68,742
Accumulated depreciation	(11,117)	(12,375)	(15,431)	(38,923)
Net book amount	**15,843**	**4,615**	**9,361**	**29,819**

27. OTHER ASSETS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Prepaid expenses and accrued income	51,422	36,737
Deferred tax assets and liabilities, net (note 12)	739	17,383
Other assets	17,594	10,190
Other assets	**69,755**	64,310

28. DUE TO OTHER BANKS

Due to other banks at sight	55,800	66,937
Due to other banks at term	373,077	121,983
Due to other banks	**428,877**	188,920

29. DUE TO CUSTOMERS

Savings and current accounts	2,113,265	1,429,974
Term deposits	5,598,336	1,755,287
Due to customers	**7,711,601**	3,185,261

30. DEBT SECURITIES IN ISSUE AND OTHER BORROWED FUNDS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Debt securities in issue		
Euro 100 million subordinated loan less part owned by Group companies	148,355	154,729
Other borrowed funds		
Subordinated loan	31,106	50,601
Total debt securities in issue and other borrowed funds	**179,461**	205,330

The following tables analyse contractual maturity and also into fixed and floating rate providing information on the interest rates.

	31 December 2005 Within 1 year CHF '000	31 December 2005 1–5 years CHF '000	31 December 2005 Over 5 years CHF '000	31 December 2005 Total CHF '000
Debt securities in issue				
Floating rate note, maturity 17.12.2013, average rate 3.1927%	186		148,169	148,355
Other borrowed funds				
Subordinated loan, perpetual, average rate 2.25%	4		31,102	31,106
Total debt securities in issue and other borrowed funds	**190**	**–**	**179,271**	**179,461**

	31 December 2004 Within 1 year CHF '000	31 December 2004 1–5 years CHF '000	31 December 2004 Over 5 years CHF '000	31 December 2004 Total CHF '000
Debt securities in issue				
Floating rate note, maturity 17.12.2013, average rate 3.1439%	204		154,525	154,729
Other borrowed funds				
Perpetual, fixed rate 5.05%	572		25,000	25,572
Perpetual, average rate 2.1843%	29		25,000	25,029
Total debt securities in issue and other borrowed funds	805	–	204,525	205,330

31. OTHER LIABILITIES

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Acquisition obligations	176,497	115,487
Deferred income and accrued expenses	67,098	55,296
Retirement benefit obligations (note 32)	6,363	7,802
Short term compensated absences	4,251	2,900
Other liabilities	62,876	9,161
Total other liabilities	**317,085**	190,646

32. STAFF PENSION FUND

The amounts recognised in the balance sheet for defined benefit pension plans (note 2(n)(i)) are determined as follows:

	31 December 2005 Switzerland CHF '000	31 December 2005 Channel Islands CHF '000	31 December 2005 Total CHF '000	31 December 2004 Switzerland CHF '000
Present value of funded obligations	126,055	5,292	131,347	116,068
Faire value of plan assets	(119,694)	(4,318)	(124,012)	(103,434)
	6,361	974	7,335	12,634
Present value of unfunded obligations	(972)		(972)	(4,832)
Unrecognised actuarial losses				
Unrecognised past service cost				
Balance at end of period/year	**5,389**	**974**	**6,363**	7,802

The amounts recognised in the income statements are as follows:

	31 December 2005 Switzerland CHF '000	31 December 2005 Channel Islands CHF '000	31 December 2005 Total CHF '000	31 December 2004 Switzerland CHF '000
Current service cost	4,473		4,473	4,486
Interest cost	3,063	20	3,083	3,140
Expected return on plan assets	(4,003)	(14)	(4,017)	(3,924)
Net actuarial losses recognised during the year				
Past service cost				
Total included in staff costs (note 10)	**3,533**	**6**	**3,539**	3,702

The movement in the liability recognised in the balance sheet is as follows:

Beginning of the year at 1 January 2004	9,809
Total expenses in the income statement	3,702
Contributions paid	(5,709)
Year ended 31 December 2004	7,802
Beginning of the year at 1 January 2005	7,802
Acquisition of subsidiary	974
Total expenses in the income statement (Switzerland)	3,533
Total expenses in the income statement (Channel Islands)	6
Contributions paid (Switzerland)	(5,946)
Contributions paid (Channel Islands)	(6)
Year ended 31 December 2005	**6,363**

The principal annual actuarial assumptions used were as follows:

	31 December 2005 Switzerland	31 December 2005 Channel Islands	31 December 2004 Switzerland
End of the twelve-month period:			
Discount rate (p.a)	2.75%	4.80%	2.75%
Expected return on plan assets (p.a)	4.00%	5.82%	4.00%
Future salary increases (p.a)	1.00%	2.70%	1.00%
Future pension increases (p.a)	0.00%	2.80%	0.00%

33. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

The following is an analysis of the movement of share capital and share premium. Before EFG Bank's demerger, the par value of EFG Bank's shares and EFG Bank's bons de participation "A" was CHF 1,000.– per share/bons de participation. The par value of EFG Bank's bons de participation "B" was CHF 15.–. All of EFG Bank's shares and bons de participation were fully paid. After the demerger, the par value of EFG International's registered shares issued is CHF 0.50 and the par value of EFG International's bons de participation "B" is CHF 15.–. All of EFG International shares and bons de participation "B" are fully paid.

Share capital	With voting right CHF '000	Without voting right CHF '000	Treasury shares Registered shares CHF '000	Treasury shares BdP A CHF '000	Treasury shares BdP B CHF '000	Net CHF '000
Registered share	53,610					53,610
Bons de participation "A"		2,800				2,800
At 1 January 2004	**53,610**	**2,800**	**–**	**–**	**–**	**56,410**
Issuance of bons de participation "B"		4,875				4,875
Repurchase of bons de participation "A"				(2,800)		(2,800)
Sale of bons de participation "A"				680		680
At 31 December 2004	**53,610**	**7,675**	**–**	**(2,120)**	**–**	**59,165**
Issuance of bons de participation "B"		1,125				1,125
Purchase of registered shares			(1,410)			(1,410)
Sale of bons de participation "A"				710		710
Purchase of EFG Fiduciary certificates (*)					(72)	(72)
Sale of registered shares			1,410			1,410
Cancellation of bons de participation "A"				1,410		1,410
Demerger effects	(53,610)	(8,800)				(62,410)
Creation of EFG International	53,610	7,390				61,000
Free exchange	(53,610)	(7,390)				(61,000)
Issuance of bons de participation "B"		6,000				6,000
Issuance of shares	73,335					73,335
At 31 December 2005	**73,335**	**6,000**	**–**	**–**	**(72)**	**79,263**

33. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

Share premium	With voting right CHF '000	Without voting right CHF '000	Treasury shares Registered shares CHF '000	Treasury shares BdP A CHF '000	Treasury shares BdP B CHF '000	Net CHF '000
Registered share	53,790					53,790
Bons de participation "A"		12,100				12,100
At 1 January 2004	**53,790**	**12,100**	**–**	**–**	**–**	**65,890**
Issuance of bons de participation "B"		474,657				474,657
Repurchase of bons de participation "A"				2,800		2,800
Sale of bons de participation "A"				8,697		8,697
At 31 December 2004	**53,790**	**486,757**	**–**	**11,497**	**–**	**552,044**
Issuance of bons de participation "B"		113,519				113,519
Purchase of registered shares			(26,090)			(26,090)
Sale of bons de participation "A"				10,100		10,100
Purchase of EFG Fiduciary certificates (*)					(7,223)	(7,223)
Sales of registered shares			24,718			24,718
Cancellation of bons de participation "A"				(1,410)		(1,410)
Demerger effects	(53,790)	(628,807)				(682,597)
Creation of EFG International		30,500				30,500
Issuance of shares	1,324,709					1,324,709
At 31 December 2005	**1,324,709**	**1,969**	**(1,372)**	**20,187**	**(7,223)**	**1,338,270**

(*) Each Fiduciary Certificate represents a pro rata interest in the Bons de Participation B issued by EFG International and a pro rata interest in the Class B share issued by EFG Finance (Guernsey) Ltd.

33. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

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

Number of shares	Registered shares nominal CHF 1,000.–	Registered shares nominal CHF 0.50	Bons de part. "A" nominal CHF 1,000.–	Bons de part. "B" nominal CHF 15.–	Treasury shares Reg. Shares and BdP "A" CHF 1,000.–	Treasury shares BdP "B" CHF 15.–	Net
At 1 January 2004	**53,610**		**2,800**				**56,410**
Issuance of bons de participation "B"				325,000			325,000
Repurchase of bons de participation "A"					(2,800)		(2,800)
Sale of bons de participation "A"					680		680
At 31 December 2004	**53,610**	**–**	**2,800**	**325,000**	**(2,120)**	**–**	**379,290**
Issuance of bons de participation "B"				75,000			75,000
Purchase of registered shares					(1,410)		(1,410)
Sale of bons de participation "A"					710		710
Purchase of EFG Fiduciary Certificates						(4,865)	(4,865)
Sale of registered shares					1,410		1,410
Cancellation of bons de participation "A"					1,410		1,410
Demerger effects	(53,610)		(2,800)	(400,000)			(456,410)
Creation of EFG International	53,610		1,390	400,000			455,000
Free exchange	(53,610)		(1,390)	(400,000)			(455,000)
Issuance of bons de participation "B"				400,000			400,000
Issuance of shares		146,670,000					146,670,000
At 31 December 2005	**–**	**146,670,000**	**–**	**400,000**	**–**	**(4,865)**	**147,065,135**
Nominal, in CHF	1,000	0.50	1,000	15	1,000	15	
Net share capital, in CHF '000	**–**	**73,335**	**–**	**6,000**	**–**	**(73)**	**79,263**

34. OTHER RESERVES

	Statutory reserves CHF '000	IAS 39 equity CHF '000	Other reserves CHF '000	Total CHF '000
Balance at 1 January 2004	1,600		44,101	45,701
Currency translation differences			(1,600)	(1,600)
Transfers from retained earning	2,910		37,000	39,910
At 31 December 2004	**4,510**	**–**	**79,501**	**84,011**
Balance at 1 January 2005	4,510		79,501	84,011
Adoption of IAS 32 and 39 as at 01.01.05		243		243
Appropriation of retained earning	950		13,000	13,950
Preference dividend paid			(39,880)	(39,880)
Available-for-sale securities				
net changes in fair value net of tax		(1,643)		(1,643)
transfer to net profit net of tax		(107)		(107)
exchange differences		146		146
Currency translation differences			4,872	4,872
Demerger effects (*)	(5,460)		157,733	152,273
Creation of EFG International			502,132	502,132
Effect of Business combinations exempted from IFRS3			(171,860)	(171,860)
At 31 December 2005	**–**	**(1,361)**	**545,498**	**544,137**

(*) Including differences of CHF 249 million on first consolidation of EFG Bank following the demerger.

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

	Total assets CHF '000	Total liabilities CHF '000	Credit commitments CHF '000
At 31 December 2005			
Switzerland	1,987,397	852,019	11,914
Europe E.U.	3,121,912	2,045,158	16,406
Other Europe	1,967,368	1,020,735	301,746
Americas	1,719,627	2,854,713	124,039
Africa, Asia and Oceania	2,023,157	1,964,484	66,472
	10,819,461	**8,737,109**	**520,577**
At 31 December 2004			
Switzerland	895,633	405,880	8,988
Europe E.U.	1,682,439	1,047,674	63,190
Other Europe	321,484	360,432	25,497
Americas	593,895	1,116,361	42,316
Africa, Asia and Oceania	1,076,563	928,173	26,036
	4,570,014	**3,858,520**	**166,027**

36. CONTINGENT LIABILITIES AND COMMITMENTS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Contingent liabilities:		
Guarantees		
guarantees issued in favour of third parties	266,426	149,980
Commitments:		
Irrevocable commitments	254,151	16,047
	520,577	166,027

Legal proceedings

The Group's management and legal advisors believe that the outcomes of existing lawsuits is unlikely to have a significant impact on the Group's financial statements.

37. FIDUCIARY TRANSACTIONS

	At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Fiduciary transactions with third party banks	4,401,034	2,985,144
Deposits with affiliated banks and banks of EFG Bank Group	47,007	597,617
Loans and other fiduciary transactions	21,753	27,301
Total	**4,469,794**	3,610,062

38. GEOGRAPHICAL SEGMENTS

A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The group is organised in four geographical segments, which are Switzerland, Europe, Asia and Americas. The analysis below is based on the domicile of operations.

31 December 2005	Switzerland CHF '000	Europe (excl. Switzerland) CHF '000	Americas CHF '000	Asia CHF '000	Elimination CHF '000	Total CHF '000
Segment income	188,045	106,105	17,813	39,572	(13,126)	338,409
Profit from operations	50,177	77,547	1,499	8,849		138,072
Profit before tax						138,072
Income tax expense						(17,178)
Group profit after tax						120,894
Net profit						**120,894**
As at 31 December 2005:						
Segment assets	5,207,215	8,608,262	29,207	2,383,066	(5,408,289)	10,819,461
Segment liabilities	2,999,649	7,657,098	17,850	2,375,661	(4,313,149)	8,737,109

31 December 2004	Switzerland CHF '000	Europe (excl. Switzerland) CHF '000	Americas CHF '000	Asia CHF '000	Elimination CHF '000	Total CHF '000
Segment income	174,787	26,017	13,554	28,092	(6,566)	235,884
Profit from operations	36,198	14,647	2,621	4,285		57,751
Profit before tax						57,751
Income tax expense						(9,763)
Group profit after tax						47,988
Net profit						**47,988**
As at 31 December 2004:						
Segment assets	2,842,132	2,569,111	10,655	1,327,356	(2,179,240)	4,570,014
Segment liabilities	2,136,496	1,964,211	2,152	1,323,616	(1,567,955)	3,858,520

39. CURRENCY RISK

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2005 and 31 December 2004. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

31 December 2005	CHF	USD	EUR	GBP	Other	Total
Assets						
Cash and balances with central banks	30,243	373	11,567	435	270	**42,888**
Treasury bills and other eligible bills	109,982	173,350	155,304	110	50,224	**488,970**
Due from other banks	985,508	1,774,602	614,291	194,204	175,854	**3,744,459**
Trading securities	201	3,119	1,287	154	3,075	**7,836**
Derivative financial instruments	105,881					**105,881**
Loans and advances to customers	441,583	1,712,541	565,444	1,127,860	697,031	**4,544,459**
Investment securities	80,726	633,258	695,271	23,987	899	**1,434,141**
Intangible assets	312,245	14,649	174	24,185		**351,253**
Property, plant and equipment	17,284	1,021	235	8,663	2,616	**29,819**
Other assets	23,194	13,330	3,942	20,506	8,783	**69,755**
Total assets	**2,106,847**	**4,326,243**	**2,047,515**	**1,400,104**	**938,752**	**10,819,461**
Liabilities						
Due to other banks	109,033	199,792	54,094	4,900	61,058	**428,877**
Derivative financial instruments	100,085					**100,085**
Due to customers	248,664	3,757,473	1,527,071	1,248,080	930,313	**7,711,601**
Debt securities in issue			148,355			**148,355**
Other borrowed funds			31,106			**31,106**
Other liabilities	212,353	6,233	12,117	39,839	46,543	**317,085**
Total liabilities	**670,135**	**3,963,498**	**1,772,743**	**1,292,819**	**1,037,914**	**8,737,109**
Net balance sheet position	**1,436,712**	**362,745**	**274,772**	**107,285**	**(99,162)**	**2,082,352**
Off-balance-sheet net notional position	13,092	(359,382)	111,541	79,374	142,291	**(13,084)**
Contingent liabilities and commitments (note 36)	26,801	167,452	181,485	117,859	26,980	**520,577**

39. CURRENCY RISK (CONTINUED)

31 December 2004	CHF	USD	EUR	GBP	Other	Total
Assets						
Cash and balances with central banks	7,354	131	472	88	954	8,999
Treasury bills and other eligible bills	5,246	119,873	122,639		5,196	252,954
Due from other banks	48,470	1,087,759	440,794	115,852	79,349	1,772,224
Trading securities	685	2,266	1,220	123	10,887	15,181
Derivative financial instruments	101,385					101,385
Loans and advances to customers	241,933	785,774	164,090	52,943	531,283	1,776,023
Investment securities	37,105	11,204	335,212		7,562	391,083
Intangible assets	169,717				208	169,925
Property, plant and equipment	16,132	227			1,571	17,930
Other assets	25,891	11,306	2,197	13	24,903	64,310
Total assets	653,918	2,018,540	1,066,624	169,019	661,913	4,570,014
Liabilities						
Due to other banks	553	73,965	60,177	46,781	7,444	188,920
Derivative financial instruments	88,363					88,363
Due to customers	213,833	1,723,145	684,007	118,883	445,393	3,185,261
Debt securities in issue			154,729			154,729
Other borrowed funds	50,601					50,601
Other liabilities	168,878	5,105	3,549	175	12,939	190,646
Total liabilities	522,228	1,802,215	902,462	165,839	465,776	3,858,520
Net balance sheet position	131,690	216,325	164,162	3,180	196,137	711,494
Off-balance sheet net notional position	(19,518)	(210,169)	104,314	(3,078)	141,671	13,220
Contingent liabilities and commitments (note 36)	22,020	69,717	47,061	5,293	21,936	166,027

40. INTEREST RATE RISK

The table below summarises the Group's exposure to interest rate risk. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 December 2005	Up to 3 months CHF '000	3–12 months CHF '000	1–5 years CHF '000	Over 5 years CHF '000	Non-interest bearing CHF '000	Total CHF '000
Assets						
Cash and balances with central banks					42,888	**42,888**
Treasury bills and other eligible bills	472,615	16,355				**488,970**
Due from other banks	3,691,297	16,374	33,620		3,168	**3,744,459**
Trading securities					7,836	**7,836**
Derivative financial instruments					105,881	**105,881**
Loans and advances to customers	3,540,258	899,153	77,719	1,112	26,217	**4,544,459**
Investment securities	659,054	673,564	71,379	16,623	13,521	**1,434,141**
Intangible assets					351,253	**351,253**
Property, plant and equipment					29,819	**29,819**
Other assets					69,755	**69,755**
Total assets	**8,363,224**	**1,605,446**	**182,718**	**17,735**	**650,338**	**10,819,461**
Liabilities						
Due to other banks	344,562	80,373	3,721	115	106	**428,877**
Derivative financial instruments					100,085	**100,085**
Due to customers	7,350,327	302,280	41,382		17,612	**7,711,601**
Debt securities in issue	148,169				186	**148,355**
Other borrowed funds	31,102				4	**31,106**
Other liabilities					317,085	**317,085**
Total liabilities	**7,874,160**	**382,653**	**45,103**	**115**	**435,078**	**8,737,109**
On-balance-sheet interest sensitivity gap	**489,064**	**1,222,793**	**137,615**	**17,620**	**215,260**	**2,082,352**
Off-balance-sheet interest sensitivity gap	**8,201**	**(12,960)**	**(8,325)**	**–**	**–**	**(13,084)**

40. INTEREST RATE RISK (CONTINUED)

31 December 2004	Up to 3 months CHF '000	3–12 months CHF '000	1–5 years CHF '000	Over 5 years CHF '000	Non-interest bearing CHF '000	Total CHF '000
Assets						
Cash and balances with central banks					8,999	8,999
Treasury bills and other eligible bills	51,878	201,076				252,954
Due from other banks	1,772,224					1,772,224
Trading securities					15,181	15,181
Derivative financial instruments					101,385	101,385
Loans and advances to customers	1,401,211	357,391	17,421			1,776,023
Investment securities	30,504	322,712	35,934	1,146	787	391,083
Intangible assets					169,925	169,925
Property, plant and equipment					17,930	17,930
Other assets					64,310	64,310
Total assets	3,255,817	881,179	53,355	1,146	378,517	4,570,014
Liabilities						
Due to other banks	188,907	13				188,920
Derivative financial instruments					88,363	88,363
Due to customers	1,713,394	1,468,354	3,513			3,185,261
Debt securities in issue	154,729					154,729
Other borrowed funds	25,029	25,572				50,601
Other liabilities					190,646	190,646
Total liabilities	2,082,059	1,493,939	3,513	–	279,009	3,858,520
On-balance-sheet interest sensitivity gap	1,173,758	(612,760)	49,842	1,146	99,508	711,494
Off-balance-sheet interest sensitivity gap	10,069	3,302	(151)	–	–	13,220

41. MATURITY OF ASSETS AND LIABILITIES

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

31 December 2005	Up to 1 month CHF '000	1–3 months CHF '000	3–12 months CHF '000	1–5 years CHF '000	Over 5 years CHF '000	Total CHF '000
Assets						
Cash and balances with central banks	42,888					**42,888**
Treasury bills and other eligible bills	259,073	213,542	16,355			**488,970**
Due from other banks	3,677,278	17,186	16,375	33,620		**3,744,459**
Trading securities	7,836					**7,836**
Derivative financial instruments	105,881					**105,881**
Loans and advances to customers	2,151,536	1,408,257	905,664	77,890	1,112	**4,544,459**
Investment securities	418,617	198,941	179,607	99,209	537,767	**1,434,141**
Intangible assets					351,253	**351,253**
Property, plant and equipment					29,819	**29,819**
Other assets	69,755					**69,755**
Total assets	**6,732,864**	**1,837,926**	**1,118,001**	**210,719**	**919,951**	**10,819,461**
Liabilities						
Due to other banks	131,878	212,770	80,393	3,721	115	**428,877**
Derivative financial instruments	100,085					**100,085**
Due to customers	6,488,155	908,579	304,587	10,280		**7,711,601**
Debt securities in issue		186			148,169	**148,355**
Other borrowed funds		4			31,102	**31,106**
Other liabilities	134,225			182,860		**317,085**
Total liabilities	**6,854,343**	**1,121,539**	**384,980**	**196,861**	**179,386**	**8,737,109**
Net liquidity gap	**(121,479)**	**716,387**	**733,021**	**13,858**	**740,565**	**2,082,352**

41. MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

31 December 2004	Up to 1 month CHF '000	1–3 months CHF'000	3–12 months CHF '000	1–5 years CHF '000	Over 5 years CHF '000	Total CHF '000
Assets						
Cash and balances with central banks	8,999					8,999
Treasury bills and other eligible bills		51,878	201,076			252,954
Due from other banks	83,487	1,688,737				1,772,224
Trading securities	15,181					15,181
Derivative financial instruments	101,385					101,385
Loans and advances to customers	252,621	1,148,590	357,391	17,421		1,776,023
Investment securities	4,486	45,639	46,355	31,805	262,798	391,083
Intangible assets					169,925	169,925
Property, plant and equipment					17,930	17,930
Other assets	64,310					64,310
Total assets	530,469	2,934,844	604,822	49,226	450,653	4,570,014
Liabilities						
Due to other banks	132,907	56,000	13			188,920
Derivative financial instruments	88,363					88,363
Due to customers	1,628,409	84,985	1,468,354	3,513		3,185,261
Debt securities in issue	204				154,525	154,729
Other borrowed funds	601				50,000	50,601
Other liabilities	67,357			123,289		190,646
Total liabilities	1,917,841	140,985	1,468,367	126,802	204,525	3,858,520
Net liquidity gap	(1,387,372)	2,793,859	(863,545)	(77,576)	246,128	711,494

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

31 December 2005	Swiss CHF '000	Foreign CHF '000	Total CHF '000
Assets			
Cash and balances with central banks	30,378	12,510	42,888
Treasury bills and other eligible bills	111,018	377,952	488,970
Due from other banks	1,320,498	2,423,961	3,744,459
Trading securities	152	7,684	7,836
Derivative financial instruments	15,694	90,187	105,881
Loans and advances to customers	274,814	4,269,645	4,544,459
Investments securities			
Held-to-maturity		530,435	530,435
Available-for-sale	35,105	868,601	903,706
Intangible assets	173,989	177,264	351,253
Property, plant and equipment	16,176	13,643	29,819
Other assets	9,573	60,182	69,755
Total assets	**1,987,397**	**8,832,064**	**10,819,461**
Liabilities			
Due to other banks	184,756	244,121	428,877
Derivative financial instruments	22,630	77,455	100,085
Due to customers	594,911	7,116,690	7,711,601
Debt securities in issue		148,355	148,355
Other borrowed funds		31,106	31,106
Other liabilities	49,722	267,363	317,085
Total liabilities	**852,019**	**7,885,090**	**8,737,109**
Equity			
Share capital	79,263		79,263
Share premium	1,338,270		1,338,270
Other reserves and retained earnings	581,671	83,148	664,819
Total shareholders' equity	**1,999,204**	**83,148**	**2,082,352**
Total equity and liabilities	**2,851,223**	**7,968,238**	**10,819,461**

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

31 December 2004	Swiss CHF '000	Foreign CHF '000	Total CHF '000
Assets			
Cash and balances with central banks	8,258	741	8,999
Treasury bills and other eligible bills	13,316	239,638	252,954
Due from other banks	347,204	1,425,020	1,772,224
Trading securities	6,602	8,579	15,181
Derivative financial instruments	81,878	19,507	101,385
Loans and advances to customers	171,501	1,604,522	1,776,023
Investments securities			
Held-to-maturity		263,384	263,384
Available-for-sale	53,937	73,762	127,699
Intangible assets	169,925		169,925
Property, plant and equipment	14,459	3,471	17,930
Other assets	28,553	35,757	64,310
Total assets	**895,633**	**3,674,381**	**4,570,014**
Liabilities			
Due to other banks	27,520	161,400	188,920
Derivative financial instruments	79,980	8,383	88,363
Due to customers	227,854	2,957,407	3,185,261
Debt securities in issue		154,729	154,729
Other borrowed funds		50,601	50,601
Other liabilities	70,526	120,120	190,646
Total liabilities	**405,880**	**3,452,640**	**3,858,520**
Equity			
Share capital	59,165		59,165
Share premium	552,044		552,044
Other reserves and retained earnings	90,828	9,457	100,285
Total shareholders' equity	**702,037**	**9,457**	**711,494**
Total equity and liabilities	**1,107,917**	**3,462,097**	**4,570,014**

43. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

		At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Basic earnings per ordinary share			
Net profit for the period		120,894	47,988
Estimated, pro-forma accrued preference dividend		37,150	4,592
Net profit for the period attributable to ordinary shareholders		83,744	43,396
Weighted average number of ordinary shares	Number of shares	116,754	109,540
Basic earnings per ordinary share	CHF	0.72	0.40

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. 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 preference dividend. The latter has been computed by assuming a dividend rate of 6.5% from the later of either the beginning of the year or the issuance date to November 10, 2005 and of 3.788% thereafter, excluding the average number of EFG Fiduciary Certificates owned by the Group. It should be noted that this calculation assumes that dividends covering the period following November 10, 2005 will be approved. Should this not be the case, the Basic earnings per ordinary share would be CHF 0.74 for the period 2005.

		At 31 December 2005 CHF '000	At 31 December 2004 CHF '000
Diluted earnings per ordinary share			
Net profit for the period		120,894	47,988
Estimated, pro-forma accrued preference dividend		37,150	4,592
Net profit for the period attributable to ordinary shareholders		83,744	43,396
Diluted-weighted average number of ordinary shares	Number of shares	116,754	109,540
Diluted earnings per ordinary share	CHF	0.72	0.40

EFG International had no potentially diluting options, warrants or other instruments in issue during 2004 and 2005. As a result, the calculations for basic and diluted earnings per ordinary share are identical in each period. Starting in 2006, EFG International has adopted a stock option plan which will affect the calculation of diluted earnings per ordinary share in the future. For information regarding the EFG International stock option plan see note 45. It should be noted that this calculation assumes that dividends covering the period following November 10, 2005 will be approved. Should this not be the case, the Diluted earnings per ordinary share would be CHF 0.74 for the period 2005.

44. RELATED PARTY TRANSACTIONS

31 December 2005	EFG Group CHF '000	Key management personnel CHF '000
Assets		
Due from other banks	38,371	
Loans and advances to customers		17,832
Other assets		151
Liabilities		
Due to other banks	21,416	
Due to customers	183,147	28,209
Other borrowed funds	30,106	
Other liabilities	529	
Interest income for the twelve months ended 31 December 2005	2,528	223
Interest expense for the twelve months ended 31 December 2005	(7,389)	(41)
Contingent liabilities and commitments	9,277	52

31 December 2004	EFG Group CHF '000	Key management personnel CHF '000
Assets		
Due from other banks	105,140	
Loans and advances to customers		20,723
Other assets	765	102
Liabilities		
Due to other banks	56,562	
Due to customers	14,889	11,806
Other borrowed funds	50,601	
Other liabilities	5,004	93
Interest income for the twelve months ended 31 December 2004	2,030	391
Interest expense for the twelve months ended 31 December 2004	(2,592)	(59)
Contingent liabilities and commitments	8,499	208

Key management personnel includes directors and key management personnel of the company and its parent, and their close family members.

No provisions have been recognised in respect of loans given to related parties (2004: nil).

Key management compensation (including directors)
The total cash compensation of the members of the executive board and the members of the management committee relating to the year 2005 was CHF 8,118,463 (total cash compensation relating to the year 2004 was CHF 9,583,158).

45. STOCK OPTION PLAN

EFG International has adopted a stock option plan for employees and executive officers of EFG International and its subsidiaries (the "Stock Option Plan"). The expense recorded in the income statement spreads the cost of grants under the stock option plan over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period to that at the end of the vesting period there is only a charge for vested amounts. Because grants under the Stock Option Plan were made for the first time in 2006, no expenses relating to the Stock Option Plan have been recorded in 2005.

The Stock Option Plan was adopted by the Board of Directors of EFG International. Under the terms of the plan, the Board of Directors may, upon the recommendation of the remuneration committee, award options to employees falling into one of three groups: (i) members of executive management; (ii) members of senior management; and (iii) to other members of staff who are not members of executive management or senior management. Members of executive management must receive at least 50 percent of their annual bonuses in options and may receive up to 100 percent of their bonuses in options. Members of senior management may receive between 25 and 50 percent of their bonuses in options, while other members of staff may receive up to 25 percent of their bonuses in options.

The exercise price is set at by the board at 66.67 percent of the market price of the shares. For options granted in 2006, the market price of the shares was assumed to be CHF 38 per share. The vesting period for option grants is three years from the grant date. The exercise period for the options begins five years after the grant date and ends seven years after the grant date. To date, a total of around 750,000 shares have been awarded under the Stock Option Plan.

46. 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.

47. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	At 31 December 2005 CHF million	At 31 December 2004 CHF million
Character of client assets		
Deposits	7,712	3,185
Fiduciary deposits	4,470	3,610
Bonds	7,903	3,349
Structured notes	5,065	3,886
Equities	6,464	2,473
EFG funds	984	726
Third party funds	5,270	2,765
Loans	4,544	1,776
Other	1,248	317
EFG International locked-up shares	3,656	
Total Assets under Management	**47,316**	22,087
Total Assets under Administration	**6,471**	–
Total Assets under Management and under Administration	**53,787**	22,087

Assets under Management are client assets managed by the Group and comprise custodised securities, fiduciary placements, deposits, client loans, funds, mutual funds under management, third party custodised assets, third party funds administered by the Group and structured notes which are structured and managed by the Group. Assets under Administration are trust assets administered by the Group.

48. POST BALANCE SHEET EVENTS

Business acquisition

The Group has announced on 13 February 2006 it has reached an agreement to acquire the total share capital of the fund of hedge funds manager Capital Management Advisors (CMA) from its founders Sabby Mionis and Angelos Metaxa. Bermuda-based CMA focuses on both managing fund of hedge funds and research of hedge funds. As of 31 December 2005, CMA had assets under management of approximately CHF 2.1 billion.

49. BOARD OF DIRECTORS

The Board of Directors of EFG International since the Extraordinary Shareholder's Meeting of 22 September 2005 is the following:

Jean Pierre Cuoni, Chairman

Emmanuel L. Bussetil

Spiro J. Latsis

Hugh Napier Matthews

Périclès Petalas

Hans Niederer

50. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by the Swiss Federal Banking Commission. 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 Banking Commission governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to shareholders' equity (see consolidated statement of changes in equity) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in shareholders' equity is included in net profit or loss for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and carrying amount, including any previously recognized unrealised gain or loss arising from a change in fair value reported in shareholders' equity, is included in the statement of income for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value. Reductions, as well as gains or losses on disposals, are included in gains and losses from other securities.

(b) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income.

Under Swiss law, the majority of the Group's derivative instruments qualify for hedge accounting and are recorded on balance sheet at their fair values (gross positive and negative replacement values). Changes in fair values are accounted for in accordance with the accounting treatment of the item being hedged.

(c) Goodwill and Intangible Assets

Under both IFRS and under Swiss law, goodwill and intangibles resulting from acquisitions and mergers are capitalized in the balance sheet.

Under IFRS, goodwill is not amortized but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortized 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 amortization and accumulated impairment losses.

Under Swiss law, goodwill and intangibles are amortized over six, seven or ten years on a straight-line basis. The net carrying value of intangibles is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the income statement.

(d) Extraordinary income and expense

Under IFRS, items of income and expense can only be classified as extraordinary if they are clearly distinct from the ordinary activities and their occurrence is expected to be rare.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or directly related with the core business activities of the enterprise (e.g. realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

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

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes set out from pages 70 to 136) of EFG International for the year ended 31 December 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

J.C. Pernollet C. Kratzer

Geneva, April 5, 2006

EFG INTERNATIONAL
PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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NOTES

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 CHF '000
Income		
Interest income		925
Other income	13	6,232
Total income		**7,157**
Expenses		
Interest expenses		(4,152)
Staff expenses		(5,932)
Operating expenses		(630)
Depreciation		(4,999)
Tax expense		(250)
Total expenses		**(15,963)**
Net result		**(8,806)**

BALANCE SHEET AS AT 31 DECEMBER 2005

EFG INTERNATIONAL, ZURICH

	31 December 2005 CHF '000
Assets	
Due from subsidiaries	1,083,683
Accrued income and prepaid expenses	366
Other assets	188
Current assets	**1,084,237**
Investments in subsidiaries	703,549
Subordinated loans to subsidiaries	144,825
Tangible fixed assets	219
Formation costs	47,386
Non current assets	**895,979**
Total assets	**1,980,216**
Liabilities	
Accrued expenses and deferred income	1,892
Other liabilities	37
Current liabilities	**1,929**
Total liabilities	**1,929**
Equity	
Share capital	79,335
General legal reserve	1,405,625
Other reserves	502,133
Net result for the period	(8,806)
Total shareholders' equity	**1,978,287**
Total shareholders' equity and liabilities	**1,980,216**

EFG International Parent Company financial statements are prepared in accordance with Swiss Code of Obligations.

1. Contingent liabilities

There are no such liabilities.

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 218,750.00 and are covered by the fire insurance subscribed by EFG Bank for the Zurich premises for a total amount of CHF 5,000,000.00.

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 24 (page 107) to the consolidated financial statements.

8. Release of undisclosed reserves

There is no undisclosed reserves.

9. Revaluation of long-term assets to higher than cost

There was no such revaluation.

10. Own shares held by the company and by Group companies

At 31 December 2005, 4,865 Bons de participation “B” were held by a company of the Group.

11. Share capital

	31 December 2005
	CHF
146,670,000 registered shares at the nominal value of CHF 0.50	73,335,000
400,000 bons de participation "B" at the nominal value of CHF 15.–	6,000,000
Total share capital	**79,335,000**

12. Significant shareholders

As of December 31, 2005 the significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are :

	Shares	Participation of
EFG Bank European Financial Group, Geneva	71,492,153	48.74%
Mr. Lawrence D. Howell	8,352,000	5.70%

13. Other income

	CHF '000
Other income consists of the following:	
Other income from subsidiaries	6,085
Other income	147
Total	**6,232**

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

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes set out from pages 140 to 143) of EFG International for the year ended 31 December 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

J.C. Pernollet C. Kratzer

Geneva, April 5, 2006

CONTACTS AND ADDRESSES

A Global Footprint: Our Offices Around the World

Luleå
Stockholm
Helsinki
Göteborg
Malmö
Kristianstad
Birmingham
Guernsey
London
Jersey
Luxembourg
Switzerland: Zurich, Geneva, Valais
Liechtenstein
Monaco
Gibraltar
Dubai
Hong Kong
Taipei
Singapore
Jakarta

EUROPE

SWITZERLAND

Zurich

EFG International
Bahnhofstrasse 14
8001 ZURICH
Tel +41 44 226 18 50
Fax +41 44 226 18 55
www.efginternational.com

EFG Bank
Bahnhofstrasse 16
P.O.Box 2255
8022 ZURICH
Tel +41 44 226 17 17
Fax +41 44 226 17 26
www.efgbank.com

Geneva

EFG Bank
24 Quai du Seujet
P.O. Box 2391
1211 GENEVA 2
Tel +41 22 918 71 71
Fax +41 22 918 71 72

SIF Swiss Investment Funds SA
26 quai du Seujet, P.O. Box
1211 GENEVA 2
Tel +41 22 918 73 88
Fax +41 22 918 73 89

Sion

EFG Bank
Rue de Lausanne 15
P.O.Box 2026
1950 SION 2
Tel +41 27 327 77 77
Fax +41 27 327 77 70

Martigny

EFG Bank
Avenue de la Gare 8
P.O. Box 120
1920 MARTIGNY 1
Tel +41 27 721 78 78
Fax +41 27 721 78 70

Crans-Montana

EFG Bank
Immeuble Le Mérignou
P.O.Box 163
3963 CRANS-MONTANA
Tel +41 27 486 69 00
Fax +41 27 486 69 09

Verbier

EFG Bank
Immeuble La Datcha
P.O.Box 43
1936 VERBIER
Tel +41 27 775 69 50
Fax +41 27 775 69 64

LIECHTENSTEIN

Vaduz

Bank von Ernst (Liechtenstein) AG
Egertastrasse 10
FL-9490 VADUZ
Tel +423 265 53 53
Fax +423 265 53 63
www.bank-von-ernst.li

UNITED KINGDOM

London

EFG Private Bank Limited
12 Hay Hill
LONDON W1J 6DW
UK
Tel +44 20 7491 9111
Fax +44 20 7872 3706
www.efgl.com

EFG Asset Management Limited
12 Hay Hill
LONDON W1J 6DW
Tel +44 20 7 491 9111
Fax +44 20 7 872 3706

EFG Wealth Management Limited
12 Hay Hill
LONDON W1J 6DW
Tel +44 20 7 491 9111
Fax +44 20 7 872 3676

Birmingham
EFG Platts Flello Limited
Grosvenor House
97 Broad Street
BIRMINGHAM B15 1AU
Tel +44 121 248 45 50
Fax +44 121 248 45 49

CHANNEL ISLANDS
Jersey
EFG Offshore Limited
P.O.Box 641
1 Seaton Place
ST HELIER, JERSEY JE4 8YJ
CHANNEL ISLANDS
Tel +44 01534 605 600
Fax +44 01534 605 605

Guernsey
EFG Private Bank
(Channel Islands) Limited
P.O. Box 629
EFG House, St. Julian Avenue
St Peter Port
GUERNSEY GY1 4PR
CHANNEL ISLANDS
Tel +44 1481 730 859
Fax +44 1481 712 638

EFG Bank
P.O. Box 629
EFG House, St. Julian Avenue
St Peter Port
GUERNSEY GY1 4PR
CHANNEL ISLANDS
Tel +44 1481 730 859
Fax +44 1481 712 638

GIBRALTAR
EFG Bank (Gibraltar) Ltd
1, Corral Road / P.O.Box 561
PMB 6314 GIBRALTAR
Tel +350 40 117
Fax +350 40 110

LUXEMBOURG
EFG Bank (Luxembourg) S.A.
Villa Marconi, 14, Allée Marconi
Boîte postale 385
L-2013 LUXEMBOURG
Tel +352 26 454 1
Fax +352 26 454 500

MONACO
EFG Eurofinancière
d'Investissements SAM
Villa Les Aigles
15 avenue d'Ostende
MC 98001 MONACO
Tel +377 93 15 11 11
Fax +377 93 15 11 12

SWEDEN
Stockholm
EFG Investment Bank AB
Engelbrektsgatan 9-11
SE 114 32 STOCKHOLM
Tel +46 8 459 64 00
Fax +46 8 662 21 50
www.efgib.com

Göteborg
EFG Investment Bank AB
Lilla Nygatan 2
41109 GÖTEBORG
Tel +46 31 771 86 50
Fax +46 31 771 86 59

Malmö
EFG Investment Bank AB
Södergatan 26
21139 MALMÖ
Tel +46 40 23 86 90
Fax +46 40 23 86 59

Luleå
EFG Investment Bank AB
Aurorum 2
977 75 LULEA
Tel +46 920 754 10
Fax +46 920 754 09

Kristianstad
EFG Investment Bank AB
Tivoligatan 1
291 31 KRISTIANSTAD
Tel +46 44 121 790
Fax +46 40 121 791

FINLAND
Helsinki
EFG Investment Bank AB
Norra Esplanaden 25B
FI-00100 HELSINKI
Tel +358 9 6689 320
Fax +358 9 6689 3220

MIDDLE EAST

UNITED ARAB EMIRATES
Dubai
EFG Bank
Dubai International Financial Centre
Gate Precinct Building 5
P.O. Box 506502
Dubai
U.A.E.
Tel +971 4 362 1144
Fax +971 4 362 1176

ASIA

Hong Kong
EFG Bank
41st Floor, Two Exchange Square
8 Connaught Place, Central
HONG KONG
Tel +852 2298 3000
Fax +852 2298 3300

EFG Trust (HK) Limited
28/F Tesbury Centre
28 Queen's Road East
Wan Chai
HONG KONG
Tel +852 3102 0882
Fax +852 2214 0141

Singapore
EFG Bank
1 Raffles Place
#42-00 OUB Centre
SINGAPORE 048616
Tel +65 6438 2668
Fax +65 6438 1108

TAIWAN
Taipei
EFG Securities Investment
Consulting Co. Ltd.
Suite A-1, 14th Floor, Hung Tai Center
No. 168 Tun Hwa North Road
TAIPEI
TAIWAN
Tel +886 2 8175 0666
Fax +886 2 2718 1280

AMERICAS

USA
Miami
EFG Capital International Corp
777 Brickell Avenue
Suite 1150
MIAMI, FL 33131
Tel +1 305 777 2400
Fax +1 305 777 2600
New address as of July 1, 2006 :
701 Brickell Avenue 9th Floor
Miami, FL. 33131

New York
EFG Capital International Corp.
780 Third Avenue, Suite 4701
NEW YORK, NY 10017
Tel +1 212 753 5700
Fax +1 212 753 5770

ARGENTINA
Buenos Aires
EFG Bank
Torre Madero
Avenida Madero No 942, Piso 16
C1106ACW BUENOS AIRES
Tel +54 11 4878 3220
Fax +54 11 4878 3228

BAHAMAS
Nassau
EFG Bank & Trust (Bahamas) Ltd
East Bay Street, P.O. Box SS-6289
NASSAU
Tel +1 242 502 5400
Fax +1 242 502 5428

BERMUDA
C.M. Advisors Limited
Wessex House, 45 Reid Str.
Hamilton
HM12 BERMUDA
Tel +1 441 295 59 29

PERU
Lima
EFG Asesores Financieros (Peru)
Calle Amador Medina Reina 259
Of. 501, San Isidro
LIMA 27
Tel +511 212 5060
Fax +511 422 9769

VENEZUELA
Caracas
EFG Bank
Edificio Bancaracas
Av. San Felipe con Segunda Transversal
Piso 9, Plaza la Castellana
CARACAS 106
Tel +58 212 2654815
Fax +58 212 2652918

FORWARD LOOKING STATEMENTS

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

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

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

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

IMPRESSUM

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This Annual Report also appears in German and French.

CONTACTS

ADDRESS
EFG International
Bahnhofstrasse 14
P.O.Box 2255
8001 ZURICH
Telephone +41 44 226 18 50
Fax +41 44 226 18 55
www.efginternational.com

INVESTOR RELATIONS
Telephone +41 44 212 73 77
investorrelations@efginternational.com

MEDIA RELATIONS
Telephone +41 44 212 73 87
mediarelations@efginternational.com