EFG International

ANNUAL REPORT 2012

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

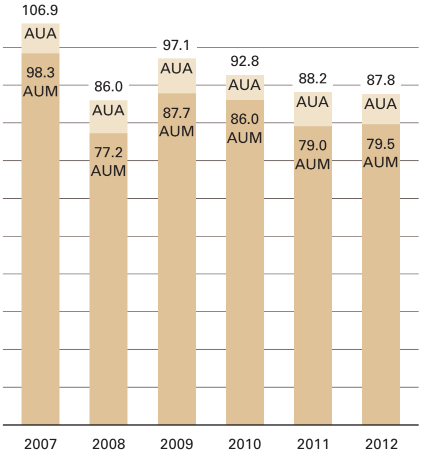
The essence of private banking is relationships; at EFG International, our role is to provide the conditions for these to flourish. Courtesy of an entrepreneurial business model, our business attracts professionals of the highest calibre, who enjoy the controlled freedom to operate in their clients'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

EFG International's global family of private banking businesses operates in around 30 locations worldwide. The business benefits from the resources of EFG Bank European Financial Group, based in Geneva, which is EFG International's largest shareholder with 56.28%.

EFG INTERNATIONAL PERFORMANCE EVOLUTION

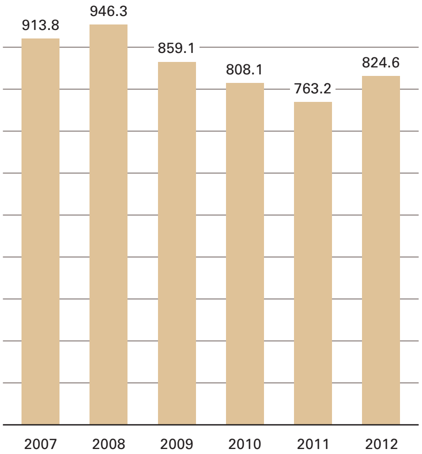
AUM and AUA [1]

in CHF billions



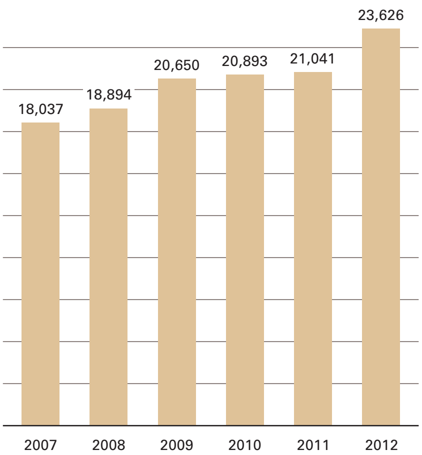
Operating income

in CHF millions



Total Balance Sheet

in CHF millions



EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

in CHF millions	31 December 2012
Income	
Operating income	824.6
IFRS net profit	111.0
Underlying IFRS net profit [2]	142.5
Balance Sheet	
Total Assets	23,626
Shareholders' Equity	1,316
Market Capitalisation	
Share Price (in CHF)	8.90
Market Capitalisation (ordinary shares)	1,305
BIS Capital	
Total BIS Capital	1,096
Total BIS Capital Ratio	18.1%

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

Personnel	
Total number of CROs	477
Total number of employees	2,260

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

(1) Including announced acquisitions.
(2) Excluding impact of one-off items.

International practitioners
of the craft of private banking

CONTENTS

CHAIRMAN'S LETTER

Jean Pierre Cuoni

Dear shareholders, dear clients,

There was no shortage of uncertainty in the global economy during 2012, but conditions were less volatile than in previous years. Indeed, there is a growing sense that we may have turned a corner, based on emerging market growth, signs of recovery in the US, and concerted policy action in the eurozone and beyond. While it remains too early to make assumptions about lasting economic recovery, there have been some encouraging signals and this has started to be reflected, as of early 2013, in increased client confidence and activity.

Pressures continue to bear down on traditional Swiss private banking, but it is not all doom and gloom. Private banking still represents a substantial and growing opportunity, and even the offshore segment continues to grow, albeit slower than onshore and with a changing composition. Furthermore, one of EFG International's great strengths is its highly diversified business model, which is well suited to regional HNWI growth trends. We have long operated onshore as well as offshore, and our established and profitable operations in fast-developing markets such as Asia and Latin America equip us with a strong platform for further growth.

EFG International produced a much improved performance in 2012. IFRS net profit was CHF 111.0 million (compared with a loss of CHF 294.1 million in 2011) on operating income for the year of CHF 824.6 million, up 8%. Underlying net profit was CHF 142.5 million, up 71%. Revenue-generating Assets under Management were CHF 78.7 billion, up slightly notwithstanding the impact of operations being exited as part of the business review. Net new assets were CHF 3.0 billion for continuing businesses, up from CHF 0.6 billion a year earlier. Moreover, net new assets improved in the second half compared to the first. A number of very positive achievements included a transformed capital position (BIS capital ratio of 18.1% at end-2012, up from 12.9% a year earlier; common equity ratio (CET I) of 11.9%, up from 4.1%); the IPO of EFG Financial Products; and the successful implementation of the business review, with the re-setting phase now complete. The business is on track to deliver financial benefits of CHF 35 million, as articulated in the business review, in full from 2013.

Following on from the successful implementation of its business review, EFG International has a renewed and single-minded focus on private banking. Put simply, we are back to what we do best: enabling high quality Client Relationship Officers to forge lasting relationships with clients. Going forward, we are concentrating on delivering controlled, profitable growth, and are building on the practical accomplishments of 2012 with a range of initiatives designed to capitalise on the significant upside revenue potential of our business.

We have much to do, and much to look forward to. My thanks, as always, to all employees for their continued hard work and professionalism.

Jean Pierre Cuoni,
Chairman of the Board

LETTER FROM THE CEO

John Williamson

In the year ended 31 December 2012, financial highlights for EFG International were as follows:

- EFG International made an IFRS net profit of CHF 111.0 million in 2012, compared with CHF (294.1) million a year earlier. Excluding non-recurring expenses, underlying net profit was CHF 142.5 million, up 71%. Operating income was CHF 824.6 million, up 8%.

- Revenue-generating Assets under Management were CHF 78.7 billion as at 31 December 2012, up CHF 300 million from a year earlier.

- Net new assets for continuing businesses were CHF 3.0 billion (annualised growth of 4%), up from CHF 0.6 billion a year earlier.

- The number of Client Relationship Officers (CROs) stood at 477 at end 2012, down from 567 as at end-2011.

REVIEW OF BUSINESS

A significant improvement in performance in 2012

EFG International's performance in 2012 was much improved compared to a year earlier on account of the steps taken to reset the business and solid performances from most businesses. EFG International made an IFRS net profit of CHF 111.0 million in 2012 (would have been CHF 2.4 million higher if the stake in EFG Financial Products had not been reduced as part of its IPO), compared with a loss of CHF 294.1 million a year earlier. Underlying IFRS net profit was CHF 142.5 million – after adding back CHF 11.4 million in relation to Greek sovereign exposure and CHF 20.1 million on account of business review measures (a gain of CHF 3.3 million from business disposals, less net closure costs of CHF 9.9 million, and net operating losses of CHF 13.5 million from businesses being exited) – up 71% from CHF 83.5 million in 2011.

Operating income was CHF 824.6 million in 2012, up 8% on a year earlier. The Swiss business was impacted by outflows and subdued client activity, but all other businesses delivered stronger revenues, with specialist business relating to large clients being a feature throughout the year. The revenue margin stood at 105bps, compared with 94bps a year earlier.

Operating expenses were CHF 658.3 million in 2012, down 8% from CHF 713.7 million a year earlier, reflecting cost savings derived from the business review. Underlying cost savings in excess of CHF 40 million were achieved, before costs relating to EFG Financial Products, businesses being exited and bonuses as a result of improved operating performance. The cost-income ratio stood at 79.2%, compared with 91.6% in 2011 (and 101.1% for the second half of 2011).

Revenue-generating Assets under Management were CHF 78.7 billion at end-2012, compared with CHF 78.4 billion a year earlier. There was an outflow of CHF 3.7 billion in relation to exited operations (taking the total, including outflows during H2 2011, to CHF 5.5 billion, with a further CHF 2.2 billion to come – slightly above the AUM impact anticipated in the business review), offset by CHF 1.0 billion from FX and market effects and net new assets of CHF 3.0 billion from continuing businesses.

Capital position transformed

EFG International significantly improved both the level and composition of its capital during 2012. In addition to business profits, this reflected a number of specific initiatives: the conversion exercises in relation to the Bons de Participation; the sale of treasury shares; and the successful IPO of EFG Financial Products. EFG International's BIS capital ratio stood at 18.1% at end-December 2012, up from 12.9% at end-2011. Over the same period, the common equity ratio (CET I) improved from 4.1% to 11.9%. EFG International has already exceeded the upper end of the target range of 14–16% for BIS capital as detailed in its business review in October 2011. Indeed, even factoring in changes as a result of Basel III (fully phased in) and IAS 19 Revised, the BIS capital ratio would still be 15.9% on a pro-forma basis. Further strengthening of EFG International's capital position is envisaged as a result of profit generation.

Successful implementation of business review – resetting phase complete

In addition to improving its capital position, EFG International has also made good progress in relation to the other objectives set out in its business review:

– *Reinforce focus on private banking*
  EFG International has now returned to its traditional focus on private banking. Non-private banking businesses have been exited, culminating with the recent agreement to sell OnFinance, its Lugano-based financial services boutique, to its management team. The IPO of EFG Financial Products was successfully concluded in October 2012, and EFG Asset Management is clearly positioned as an integral part of private banking.

– *Address factors that served to obscure the underlying strength of EFG International as a private bank*
  Exposure to GIIPS more than halved during 2012 (CHF 138 million at year-end, just 0.6% of total balance sheet assets) and direct exposure to Greece was eliminated. A more conservative treatment of life settlement policies was adopted, and misconceptions relating to Greece were conclusively allayed.

– *Exit loss-making or marginal businesses/locations*
  All loss-making businesses have been exited, with the number of locations reduced by 20.

– *Improve productivity*
  Unproductive Client Relationship Officers (CROs) have been addressed, with the number of CROs down by 23% and CRO productivity (AUM per CRO) up by 27% since September 2011.

And on track to deliver anticipated financial benefits in full from 2013

Since September 2011, total headcount excluding EFG Financial Products has reduced by 14%, compared with a reduction targeted in the business review of 10–15%. For the same period, the number of private banking CROs was down by 23%, compared with a business review objective of 15%.

In its business review, EFG International targeted a net P&L benefit of CHF 35 million, realised in part in 2012 and in full from 2013, as a result exiting under-performing businesses and employees, as well as measures taken to improve operational efficiency. EFG International has delivered on this, and indeed now expects to realise a net P&L benefit in excess of CHF 40 million as a result of business review measures. However, savings realised in H2 2012 were less than anticipated, on account of some businesses taking longer to close than had been envisaged in mid-2012: specifically, France, Sweden and Gibraltar.

Positive net new assets for continuing businesses, with an improving trend

Net new assets relating to continuing businesses were CHF 3.0 billion (annualised growth of 4%), compared with CHF 0.6 billion in 2011. Excluding EFG Financial Products, net new assets relating to continuing businesses increased from CHF (0.2) billion to CHF 2.6 billion (annualised growth of 4%).

Although net new asset growth was below EFG International's target range of 5–10%, it represented a significant turn-around from the second half of 2011, when continuing businesses experienced outflows due to the time and resources that had to be devoted to resetting the business. Furthermore, the position improved in the second half of 2012 compared to the first, with annualised growth of 5% in H2 versus 3% in H1; and, excluding EFG Financial Products, 4% versus 3%.

With the exception of Switzerland, businesses performing strongly

Three of the four regional private banking businesses delivered strong performances in 2012 compared with a year earlier. The UK and Asia increased their pre-tax profit contributions by more than 50% and achieved net new asset growth within EFG International's target range of 5–10%. The Americas also delivered an increase in pre-tax profit contribution of more than 50%. EFG Asset Management had a very strong year, achieving a net new asset growth rate of circa 30%. EFG Financial Products (in which EFG International reduced its stake from 56.7% to just over 20% following its IPO) also performed strongly, delivering a net profit of CHF 21.8 million, compared with CHF 15.4 million a year earlier. As a public company, EFG Financial Products now reports its financial results separately – see its annual results announcement, dated 21 February.

The one disappointing area was the Swiss business, which experienced an outflow, only partially offset by inflows from other businesses in Continental Europe. Monaco and Luxembourg both delivered record performances; AyG in Spain increased its contribution notwithstanding a challenging domestic economic backdrop; and all have positive momentum going into 2013. In Switzerland, while costs have been reduced substantially, the focus now is on rediscovering growth, and the business is targeting a significant improvement in profitability in 2013. A number of organisational changes are being made in support of this – see below.

Strong emphasis on CRO productivity; becoming a more active hirer

The total number of CROs stood at 477 at end-2012, compared with 567 a year earlier. The number of CROs (excluding EFG Financial Products) was 414, down from 508 at end-2011 (531 at the time of the business review in October 2011), and from 440 at mid-2012. The reduction in CROs in H2 2012, over and above the 11 CROs identified in EFG International's half-year results, reflected further consolidation in relation to marginal CROs, notably in Asia, where the emphasis in 2012 was on improving profitability. With AUM and revenues proving resilient, it was decided that a final round of rationalisation made commercial sense, so as to enable businesses to approach 2013 with a clear hiring focus. To illustrate EFG International returning to a more proactive approach: there were 24 private banking hires in H2 2012, up from 19 in H1, and it envisages returning to a net hiring mode during 2013.

Focus now fully on delivering controlled, profitable growth

EFG International's business has been simplified, and the challenge now is clear: to deliver controlled, profitable growth. In this respect, the business has a solid platform to build on, having demonstrated that its capacity to generate net new assets from existing resources is intact. Although short of its target range, the trend in net new assets is a positive one, and should benefit from the completion of the resetting phase. In addition, EFG International sees the potential for revenue upside across a number of business drivers:

- The process of rationalising CROs is complete, and the business has returned to hiring mode in all of its private banking businesses, with a clear focus on high quality individuals and, in particular, teams.

- A more systematic approach is being adopted in relation to markets where EFG International has traction and sees scope for significant growth. This encompasses Asia, the Americas and Central and Eastern Europe, as well as the Global Indian segment. In Asia and the Americas in particular, EFG International has well established businesses which are profitable and growing, and it is intent on capitalising on these advantages.

- There is significant scope to broaden and deepen client relationships, as demonstrated by the performance of EFG Asset Management. In relation to the latter, positive momentum seen in 2012 should continue to build, with EFG Asset Management now clearly positioned, for the purposes of private banking, as Investment Solutions. Significant enhancements are planned in terms of practical support for CROs, and additional services are planned for the coming months, particularly on the advisory side. A similar approach is being taken in relation to wealth structuring, with EFG International's various capabilities being brought together as EFG Wealth Solutions.

- UHNWIs have been an important source of new business, and EFG International is committed to upgrading further its ability to cater for this segment, from its offering to hiring additional bankers with a strong UHNWI focus.

At the same time, EFG International is committed to maintaining strong cost discipline. The hiring freeze remains in place, other than to meet industry-wide regulatory and risk management requirements and the selective hiring of high quality CROs.

In relation to regulatory compliance, EFG International is engaging an external party to provide an objective assessment of the effectiveness and efficiency of its current approach. Having a robust approach is now more important than ever: indeed, EFG International is in no doubt that regulatory compliance is a pre-requisite to growth.

Changes to organisation and leadership in keeping with focus on optimising and growing the business

To reinforce the focus on delivering controlled profitable growth, a number of changes will be taken, effective 1 April 2013:

- The executive committees of EFG International and EFG Bank are to be aligned. As well as being EFG International's principal Swiss subsidiary, EFG Bank acts as an operations and IT hub for the entire business. Furthermore, Asia is a separate geographical business but legally part of EFG Bank, and the Americas uses EFG Bank extensively for booking purposes. Individuals with EFG International functional responsibilities will in future have the same responsibilities for EFG Bank, ensuring clarity, efficiency and the removal of duplication.

- Switzerland (plus Liechtenstein) will in future constitute a business in its own right, recognising the industry-wide challenges impacting Switzerland and the scope to improve business performance. This means that Continental Europe will in future comprise Luxembourg, Monaco and Spain.

- Ludovic Chechin-Laurans will be responsible for private banking in Switzerland, and will be taking steps to strengthen management and client relationship teams. Alain Diriberry will continue to be responsible for Continental Europe, and will additionally assume responsibility for developing the group's activities in Central and Eastern European markets.

- The EFG International/EFG Bank executive committees will comprise: John Williamson (CEO); Giorgio Pradelli (CFO); Fred Link (Chief Risk Officer); Mark Bagnall (COO); Henric Immink (Group General Legal Counsel); Jim Lee (Head of Investment Solutions); Keith Gapp (Head of Strategy and Marketing); and Ludovic Chechin-Laurans (Head of Private Banking, Switzerland). The Global Business Committee (which additionally includes CEOs of the regional businesses) will remain unchanged.

LOOKING AHEAD

Remain committed to delivering medium-term targets

With the resetting of the business complete, we are intent on keeping things relatively simple at EFG International. The focus is organic growth, with business growth flowing through with minimal dilution to productivity and profits. EFG International would benefit significantly from market and foreign exchange tailwinds, but these are not to be assumed – although 2013 has started encouragingly.

We remain committed to delivering EFG International's medium-term objectives:

- Net new assets in the range 5–10% per annum.
- A reduced cost-income ratio – to below 75% by 2014.
- Gross margin to remain broadly at the level prevailing at the time of the business review (circa 94 bps–84bps excluding EFG Financial Products).
- As a result, delivering strong double-digit growth in profit and a double-digit return on shareholders' equity. EFG International has a target of achieving an IFRS net profit of CHF 200 million. It had hoped to achieve this in 2014, although this is now challenging on account of industry conditions and net new asset development over the past 18 months. However, this should be achievable in 2015.

John Williamson,
Chief Executive Officer

A modern, progressive private bank.

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

INTERNATIONAL PRESENCE

A global footprint

EFG International benefits from its geographical diversification, and long-standing commitment to onshore as well as international businesses. Regional operations are run by practitioners with long experience of their local markets. In this way, relationships with clients are rooted at ground level, while augmented by the full global resources of EFG International.

Booking centres
Other offices

* Birmingham region includes: Bridgnorth, Worcester, Wolverhampton.

* Switzerland includes: Geneva, Zurich.

FINANCIAL REVIEW

Giorgio Pradelli
Chief Financial Officer

In 2012, EFG International delivered a much improved financial performance, achieving an IFRS net profit of CHF 111.0 million on increased operating income, up 8% to CHF 824.6 million. Revenue-generating Assets under Management were CHF 78.7 billion and net new assets from continuing businesses rose to CHF 3.0 billion.

This performance is testimony to the fact that, despite market challenges and the impact of the business review, EFG International's core private banking business has remained intact, with a clear focus on profitable growth. In parallel, various actions for strengthening the group's capital base and optimising risk-weighted assets have been implemented, improving the BIS total capital ratio from 12.9% (2011) to 18.1% at end-2012 and the core equity tier 1 (CET1) from 4.1% to 11.9%.

The significant organic increase in net profit in 2012, along with additional actions taken – including the Bons de Participation exchange, the sale of treasury shares and the successful IPO of EFG Financial Products – increased the group's regulatory capital by CHF 374 million to CHF 1,095.7 million.

FACTORS AFFECTING RESULTS OF OPERATIONS

In 2012, EFG International successfully concluded the business review commenced in October 2011, exiting and disposing non-profitable and marginal businesses, improving operational efficiency, de-risking the balance sheet and strengthening the capital base. Furthermore in October 2012 EFG Financial Products, a 57%-held subsidiary specialising in structured products, was listed on the SIX Swiss Exchange and EFG International decreased its stake to just over 20%.

Revenue-generating Assets under Management (AUM) increased to CHF 78.7 billion at end-2012, from CHF 78.4 billion a year earlier. Average revenue-generating AUM were down 3% to CHF 78.8 billion at the year end.

The number of Client Relationship Officers (CROs) decreased by 90 to 477 at the end of 2012, reflecting the departure of 159 CROs as part of the business review, with very limited negative impact on AUM and revenues. At the same time, all regions were focused on recruiting seasoned CROs, with 69 new CROs joining EFG International during the year.

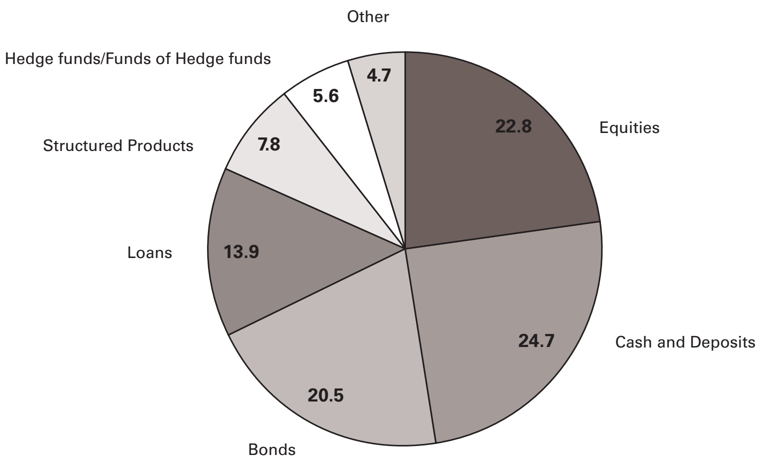
CONSOLIDATED ASSETS UNDER MANAGEMENT

Revenue-generating AUMs were CHF 78.7 billion at end-2012, up marginally from CHF 78.4 billion at end-2011. This reflected net positive market movements of CHF 1.6 billion; a decrease from foreign exchange effects of CHF 0.6 billion; net new asset inflows of CHF 3.0 billion for continuing businesses; and net outflows of CHF 3.7 billion on businesses being exited or sold/earmarked for sale as non-core businesses. Net new asset inflows accelerated in the second half of the year, with an increase of CHF 1.8 billion versus CHF 1.2 billion in the first half.

Exchange rates were more stable than over the past few years, with year-end rates showing a strengthening of the Swiss franc relative to the US dollar and euro of 3% and 1% respectively, and a decrease against pounds sterling by 2%, resulting in AUM decreasing by a net CHF 0.6 billion.

AUM by category

in %



CONSOLIDATED FINANCIALS

Operating income

Operating income was CHF 824.6 million in 2012, compared to CHF 763.2 million in 2011. The year-on-year increase in operating income was due to strong performances from most private banking businesses (with the exception of Switzerland), EFG Asset Management and EFG Financial Products. Along with positive foreign exchange impacts and an improvement in the loan margin, this more than offset the decline from businesses being exited.

The continued strength of the Swiss franc, EFG International's reporting currency, resulted in average US dollar and pound sterling rates being up by 6% and 5% respectively, while the euro was 2% lower year-on-year, increasing like-for-like operating income by approximately CHF 30 million. Growth in operating income in the Americas and UK businesses was broadly offset by lower operating income in the Continental European businesses, which included a decline of about CHF 18 million year-on-year for the businesses being exited. EFG Financial Products increased operating income by CHF 17 million.

The return on AUM increased to 105 basis points, from 94 in the prior year, as revenues increased and average AUM declined by 3%. This demonstrates the resilience of EFG International's core private banking business, despite challenging market conditions and the reduction of non-profitable locations and CROs.

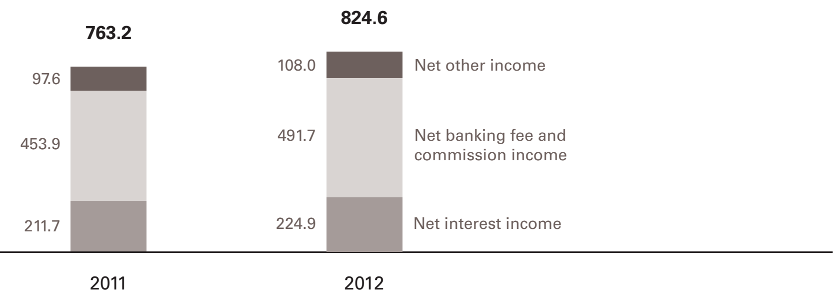
Net interest income was CHF 224.9 million, an increase of 6% or CHF 13.2 million year-on-year. This was driven up mainly by the improvement of the margin on loans increasing year-on-year net interest by approximately CHF 12 million; foreign exchange effects; and a year-on-year negative impact of CHF 7.7 million from the issuance of Basel III-compliant Tier 2 debt in January 2012 as part of the exchange of Bons de Participation (however this decrease needs to be considered in the context of the CHF 7.8 million lower 2012 dividend to holders of Bons de Participation holders which goes directly through equity and not through the income statement).

Net commission income was CHF 491.7 million, up 8%, with foreign exchange effects and big ticket transactional revenues the primary drivers. AUM are the key driver for commission revenues: approximately 50% of AUM are in US dollars (average exchange rate 6% higher year-on-year); 20% in euros (2% lower); and 15% in pounds sterling (5% higher). The business benefitted from some large client transactions that have been the primary driver of the residual year-on-year increase.

Net other income was CHF 108.0 million, compared to CHF 97.6 million in 2011. In 2011 there was a net negative mark to market on the investment portfolio.

Operating income

in CHF millions



Operating expenses

Operating expenses were CHF 658.3 million, down CHF 55.4 million from 2011. This reflected the reduction of the costs of the businesses being exited and the general cost control focus in 2012; acquisition-related intangible asset amortisation of CHF 9.4 million; depreciation of fixed assets of CHF 6.2 million; and the decrease in net legal costs. Variable compensation increased by CHF 10 million following the increase in net operating income.

The cost-income ratio, which is the ratio of operating expenses (including amortisation expense of software and tangible fixed assets) to operating income, decreased from 92% to 79%. Higher operating income and lower operating expenses helped to move the ratio towards EFG International's target of 75%.

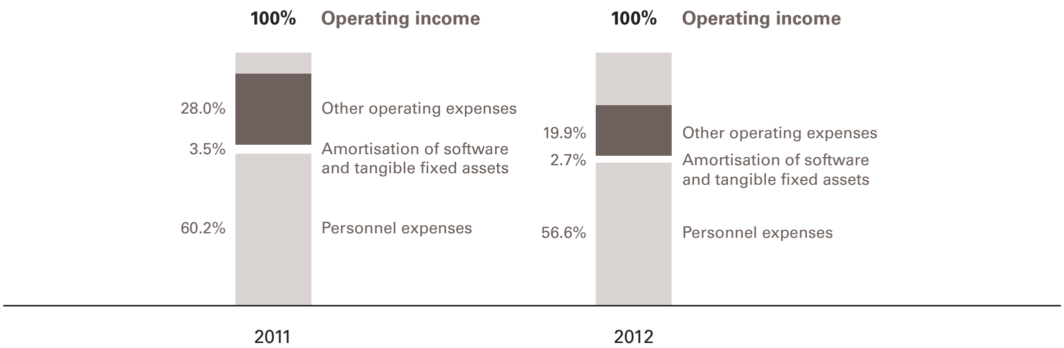
Personnel expenses increased by CHF 7.7 million to CHF 467.0 million. Variable compensation (linked to higher overall revenues) increased by CHF 10 million, with increases in pension costs and new CRO hiring (and in EFG Financial Products) offsetting the impacts arising from the overall headcount decrease of 287 to 2,260 employees. This decrease in headcount reflects the significant repositioning of the business mainly in Europe, with declines of 202, offset by continued investments in personnel in selected growth businesses (private banking CRO new hires of 43, EFG Financial Products up 32 and EFG Asset Management up 19).

Other operating expenses decreased by CHF 63.1 million to CHF 191.3 million at end-2012, reflecting lower net litigation provisions and legal fees of CHF 36 million relative to 2011 costs; lower costs in businesses being exited of CHF 10 million; and CHF 12 million lower costs in the continuing private banking business.

Provisions for restructuring costs of CHF 11.7 million have been made to cover the costs of closing the French, Swedish and Gibraltar operations, where operations are expected to cease in mid-2013.

The tax line reflects a net charge of CHF 20.1 million compared to CHF 2.1 million in the previous year. This relates primarily to ordinary current tax charges of CHF 11.4 million, and deferred tax charges of CHF 8.7 million primarily due to deferred tax asset write-offs related to the disposal of EFG International's holding in the MBAM revenue share agreement in early 2012 and through the utilisation of tax losses recognised in prior years.

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



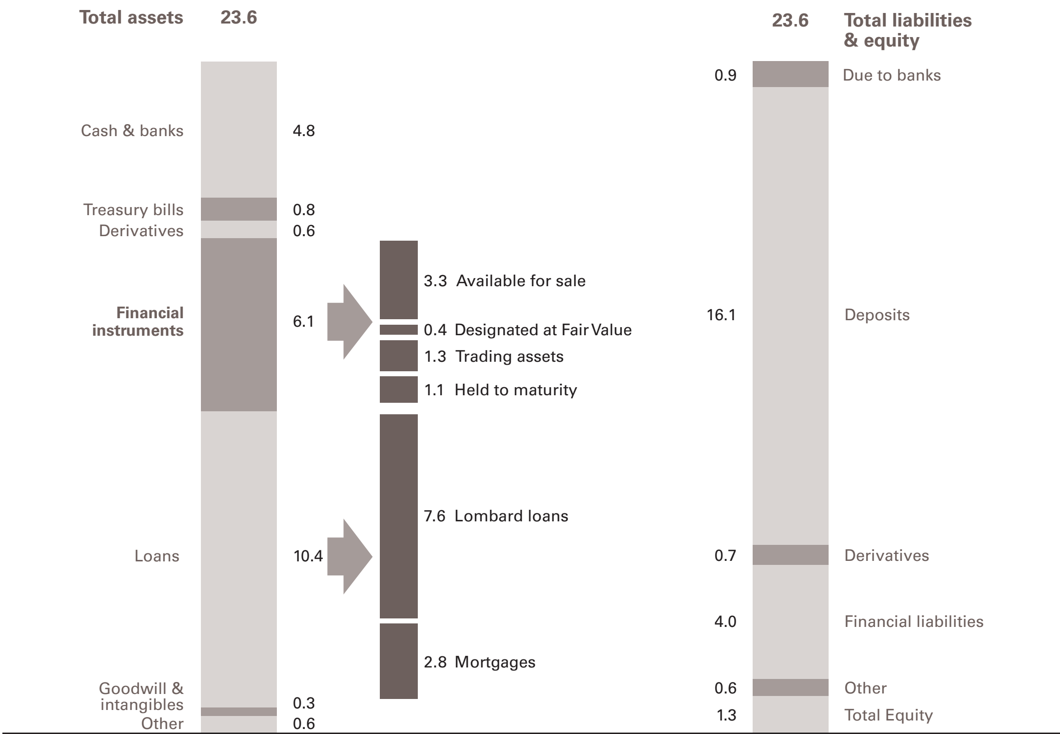
EFG International earned net revenues on the life settlement portfolio of CHF 38.3 million in 2012 (2011: CHF 17.7 million). Net revenues in 2011 were impacted by negative adjustments due to yield adjustments.

BALANCE SHEET

The consolidated balance sheet total increased to CHF 23.6 billion (2011: CHF 21.0 billion). Loans to customers increased by 9% to CHF 10.4 billion. These comprised CHF 7.6 billion of loans to customers almost entirely backed by collateral of diversified liquid/marketable securities, and mortgages totalling CHF 2.8 billion.

Breakdown of balance sheet

in CHF billions



Customer deposits increased by CHF 1.7 billion or 12% to CHF 16.1 billion due to three factors which had approximately equal positive impacts. These were currency impacts, new net inflows and transfers from external fiduciary deposits to on-balance sheet deposits (due to low interest rate environment making fiduciary deposits in certain currencies less attractive).

The majority of tangible assets remain callable or disposable within 3 months, with the exception of life settlement policies of CHF 0.7 billion and CHF 2.8 billion mortgages. The customer deposit to loan ratio of 189% improved marginally from the prior year and remains at a very healthy level (including funding from structured products issuances).

CAPITAL

Shareholders' equity totalled CHF 1.3 billion, up from CHF 1.0 billion at end-2011, with changes year-on-year primarily as a result of the following:

Increases from:

- CHF 123.7 million net profit attributable to Group and non-controlling shareholders;
- CHF 120.6 million net increase from the sale of EFG Financial Products, and the new shares issued by EFG Financial Products via its Initial Public Offering in October;
- CHF 76.1 million from the sale of treasury shares;
- CHF 41.0 million positive net revaluation of available-for-sale securities; and
- CHF 6.2 million in net gains from currency translation adjustments on consolidation of foreign currency denominated subsidiaries.

Decreases from shareholder transactions as follows:

- CHF 51.9 million from the repurchase of Bons de Participation as part of the exchange in January 2012, when EUR 67.6 million of Basel III-compliant Tier II debt was issued;
- CHF 13.4 million paid on ordinary dividend; and
- CHF 9.4 million paid on Bons de Participation dividend.

The BIS Total Capital Ratio was 18.1% at 31 December 2012, up from 12.9% at end-2011, after including CHF 14.6 million anticipated ordinary 2012 dividend, to be approved by the 2012 Annual General Meeting. Risk-weighted assets increased to CHF 6.0 billion as of 31 December 2012 from CHF 5.6 billion. This comprised the following (CHF billion):

	2011	2012
Credit Risk	3.6	**4.0**
Operational Risk	1.4	**1.4**
Market Risk, Settlement Risk, Non-Counterparty Related	0.6	**0.6**
Total BIS Risk Weighted Assets	5.6	**6.0**

Total Tier 1 capital amounted to CHF 1,037.1 million at 31 December 2012, including anticipated 2012 ordinary dividend, expected to be approved by the 2012 Annual General Meeting. Total Tier 2 capital was up to CHF 58.6 million from CHF 3.5 million at end-2011 as a result of the January 2012 exchange of Bons de Participation for Tier 2 debt instruments. Total BIS capital of CHF 1,095.7 million was up significantly from the CHF 722.7 million at end-2011, driving up the BIS total capital ratio to EFG International's target levels.

Total BIS capital represented 4.7% of total assets net of intangibles.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.10 per share, representing a dividend payout of approximately CHF 14.6 million, will be proposed to the Annual General Meeting scheduled for 26 April 2013 and payable on 7 May 2013.

RATINGS

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

The current ratings are:

EFG International
Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1.
Moody's: Long-Term issuer rating of A3.

EFG Bank
Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1.
Moody's: Long-Term Bank Deposit rating of A2 and the Short-Term Bank Deposit rating of P1.

Resolute experts.

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

EFG INTERNATIONAL
BOARD AND MANAGEMENT

BOARD OF DIRECTORS EFG INTERNATIONAL AG

Jean Pierre Cuoni Chairman
Emmanuel L. Bussetil Member
Erwin Richard Caduff Member
Michael N. Higgin (appointed 27 April 2012) Member
Spiro J. Latsis Member
Hugh Napier Matthews Member
Hans Niederer Member
Pericles Petalas Member

EXECUTIVE COMMITTEE EFG INTERNATIONAL AG

John Williamson Chief Executive Officer
Giorgio Pradelli (appointed 1 June 2012) Chief Financial Officer
Mark Bagnall Global Chief Operating Officer
Henric Immink Group General Legal Counsel
Frederick Link Chief Risk Officer

Former members:
Lukas Ruflin (until 31 December 2012) Deputy Chief Executive Officer
Jean-Christophe Pernollet (until 30 May 2012) Chief Financial Officer

GLOBAL BUSINESS COMMITTEE (GBC) EFG INTERNATIONAL AG

Executive Committee EFG International AG +
Keith Gapp Head of Strategic Marketing & Communications
Alain Diriberry CEO, Continental Europe
Ludovic Chechin-Laurans Continental Europe
Albert Chiu CEO, Asia
Robert Chiu Executive Chairman, Asia
Anthony Cooke-Yarborough CEO, UK
Sixto Campano CEO, Americas
Victor M. Echevarria Chairman, Americas
James T. H. Lee CEO, Asset Management
Michael Hartweg EFG Financial Products (attendee)

Photo: EFG International Global Business Committee.

A question of chemistry.

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

"I'VE SEEN THINGS WHICH REFUGEES COULD VERY MUCH BENEFIT FROM…THERE IS A SOCCER FIELD FOR CHILDREN. PEOPLE AT THE CAMP ARE IMMENSELY HAPPY. CHILDREN COME TO PLAY SOCCER, VOLLEYBALL AND SEPAK TAKRAW AT RIGHT TO PLAY'S OFFICE. IT IS INDEED A MAGNIFICENT PICTURE FOR ME." MR. SAW O'CLAY, MASTER TRAINER, THAM HIN CAMP.

Coaches lead children in a warm-up before a Red Ball Child Play activity at Mae La Camp.

RIGHT TO PLAY

EFG International is proud to support Right To Play, an international humanitarian and development organisation that improves the lives of children in some of the poorest countries in the world. Right To Play uses sport and play-based programmes to build essential skills among children in communities affected by war, poverty and disease.

Thanks to donations from its employees, EFG International provides support to certain specific projects – formerly in Uganda, and more recently in Thailand. Started in 2002, the latter benefits seven refugee camps in the north west of the country, which are home to people seeking refuge from ethnic and political persecution in Burma.

More people than ever were reached by the Thailand project in 2012. Some 30,000 young people from 62 schools within the refugee camps participated in school-based sport and play activities, with another 16,000 children taking part in monthly Play Days and community sport leagues. Right To Play also trained around 300 new leaders and teachers in child-centred learning techniques, equipping them with practical strategies to encourage the development of young people. In terms of investment, a new multipurpose training space was constructed to serve nearly 14,000 camp residents.

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

RISK MANAGEMENT

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

EFG International's primary activities performed through its business units reflect the execution of client related activities, with the customers carrying the risk. Within the risk appetite framework agreed and approved by the Board of Directors and related Risk Committees, the Group also maintains "nostro" positions in a number of selected areas. Consequently, the Group takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients as well as exposures to banks and financial institutions. EFG International is exposed to limited market risk (price and liquidity), which is mainly restricted to foreign exchange, interest rate gapping and life insurance positions maintained within defined parameters as well as market risks incurred by EFG Financial Products. EFG International is also exposed to operational and reputational risks. Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which sets policies and risk appetite. The Board of Directors has delegated certain review and approval functions to its Risk Committee.

Implementation of policies and compliance with procedures are the responsibility of the EFG International Executive Committee, the EFG International Management Risk Committee and the EFG International Executive Credit Committee, assisted by internal auditors.

RISK MANAGEMENT ORGANISATION

The EFG International Board of Directors determines the overall risk appetite for EFG International.

The Board has delegated responsibilities for Risk Management as follows:

– The Risk Committee has responsibility for determining direction of risk profile and the organisation of risk supervision.

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

– The Executive Committee has assigned responsibility for the implementation of its market risk policies to the Management Risk Committee. This Committee monitors market, country and liquidity risks, including compliance with policies and procedures, as well as exposures relative to limits. In addition, the Management Risk Committee has credit approval authorities delegated from the Risk Committee for custodian relationships, counterparty credit risk up to predefined limit guidelines and parameters for banks, financial institutions, insurance companies, plus selected corporate names, as well as country limits.

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

In addition, the Product Approval Committees and/or procedures within various EFG International subsidiaries review applications for the offer and sale of new investment products to clients and ensure compliance with internal and external rules and regulations.

CREDIT RISK

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

CREDIT RISKS RELATED TO CLIENTS

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by CROs and must be supported by Regional Business Heads.

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

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

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

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

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

CREDIT RISKS RELATED TO FINANCIAL INSTITUTIONS

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG Group level, subject to country limits. Limits for exposure to counter-parties are granted based upon internal analysis. Up to a certain absolute size or ceiling, depending on each counterparty's S&P ratings and on its total equity, the limits are set by the EFG International Management Risk Committee. Limits for exposures to Insurance companies and selected corporate names are granted in cooperation with the Executive Credit Committee based on a predefined matrix which sets maximum limits criteria based on the company's long – term ratings and consolidated net worth.

COUNTRY RISK

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

EFG International measures country risk based on internal country ratings, predominantly derived from information provided by external rating agencies such as S&P, and enhanced by in-house analysis, which is divided into two components: (1) quantitative economic risk and (2) qualitative examination of political and socio-economic trends.

Management of country risk is based on a centralised process at the EFG International level.

EFG International's Management Risk Committee monitors country risk exposures within these limits.

MARKET RISK

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

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper, and precious metals on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami and Zurich. In the case of foreign exchange, EFG Bank maintains proprietary positions in linear foreign exchange measured against overnight, stress test and Value at Risk (VaR) limits. Foreign exchange is also subject to daily and ten sliding day stop loss monitoring. Furthermore, the activity of issuing and marketing alternative and structured products is being performed by EFG Financial Products. Specific market risk limits have also been approved for their activities, properly risk managed by an independent Risk Control Unit within EFG Financial Products and overseen by the Chief Risk Officer of EFG International and his team. Adherence to all limits is monitored independently by the Global Risk Management Division, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market, counterparty and country risks throughout the Group.

MARKET RISK MEASUREMENT AND LIMITS IN TRADING

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports and sensitivity to stress tests. VaR is not used for regulatory reporting of risks. It is published internally, within the EFG Group, as an indication only. VaR is calculated using statistically expected changes in market parameters for a given holding period probability for a given confidence level. EFG Group's self developed internal VaR model, which has been implemented on an EFG Group-wide basis taking into account relevant market risk takers and units.

In general, the internal model is based on a historical approach and uses a 99% one-tailed confidence level. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in the Group's risk management needs. Where appropriate, if specific models are required, these are developed, tested and approved by the EFG International Quantitative Models Department within the Global Risk Management Division.

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

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

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

Daily risk reports are produced which review compliance with nominal and sensitivity limits and stop loss limits. Detailed disclosures on market risk measures and exposures can be found in the Consolidated Financial Report, Note 4, Financial Risk Assessment and Management, page 95.

CURRENCY RISK

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

ASSET/LIABILITY MANAGEMENT

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

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

LIQUIDITY RISK

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

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

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

OPERATIONAL RISK

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

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

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

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

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

Operational risk management framework

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

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

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

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

COMPLIANCE RISK

The Compliance Department is responsible for ensuring EFG International's observance of applicable rules and regulations. Changes in the regulatory environment are monitored and directives and procedures are adapted as required. Global compliance is centrally managed from Geneva with local compliance officers situated in virtually all of EFG International's booking centre subsidiaries around the world.

LEGAL RISK

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

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

REPUTATION RISK

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

- potential non-compliance with increasingly complex regulatory requirements.
- its dealings with politically exposed persons or other clients with prominent public profiles.
- its involvement in transactions executed on behalf of clients other than standard investment products.
- potential malfeasance by its employees.

These reputation risks are managed and controlled through EFG International's compliance and other policies, including, in particular, EFG International's know-your-customer and anti-money laundering policies, its transaction reputation risk policy and EFG International's staff recruitment procedures.

PARENT COMPANIES

PARENT COMPANIES

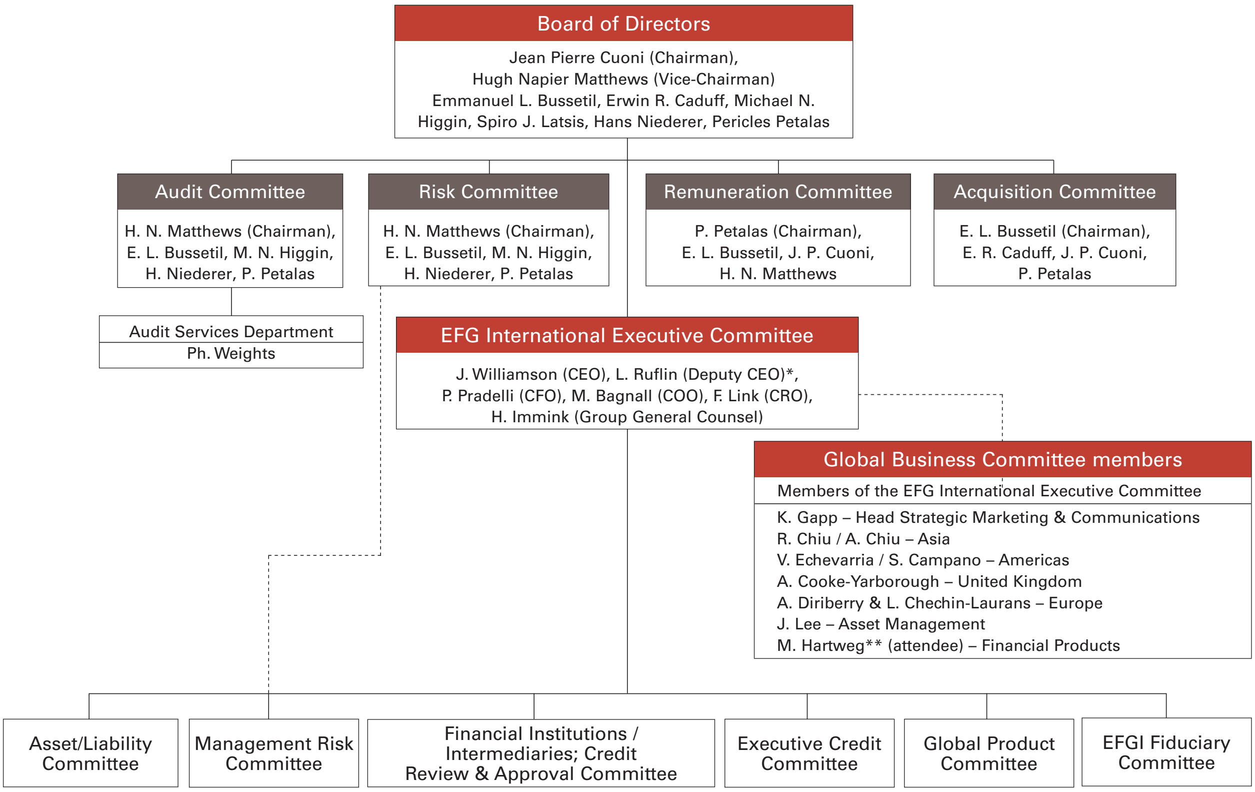
EFG International's largest shareholder is EFG Bank European Financial Group SA, the regulated parent company of the EFG Group based in Geneva, with 56.28%.

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

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

CORPORATE GOVERNANCE

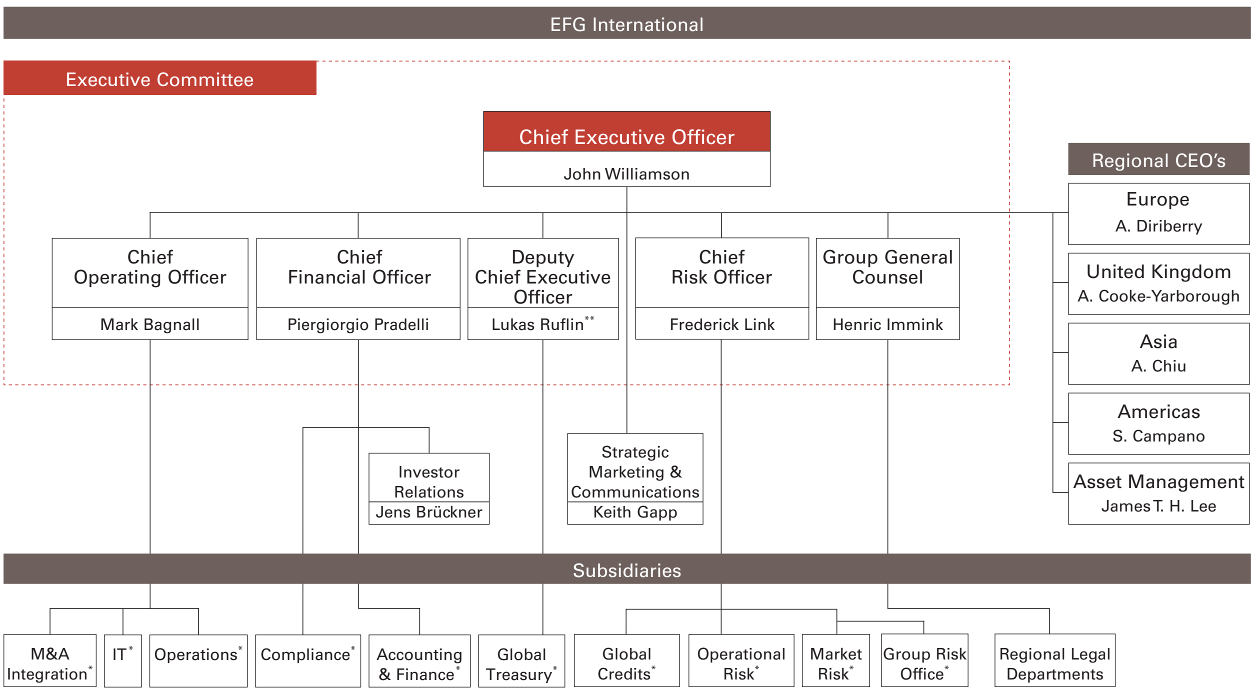
EFG International Board and Committees



* Lukas Ruflin stepped down as Deputy CEO effective 31 December 2012

** Michael Hartweg will be replaced by Jan Schoch (CEO EFG Financial Products) from 2013 onwards

Management-Structure



* Located at EFG Bank but reporting to EFG International

** Lukas Ruflin stepped down as Deputy CEO effective 31 December 2012; from 2013 onwards, Global Treasury reports to the CFO

— Advisory function

--- Reporting line to Risk Committee due to Market Risk Limits approvals above a certain threshold

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

The following information corresponds to the situation as at 31 December 2012, unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International

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

The structure of the central management of EFG International as of 31 December 2012 is outlined on the previous page.

1.2 Group entities

The main consolidated entities are listed on page 134. Within EFG International group only EFG International and – since 19 October 2012 – EFG Financial Products Holding AG are listed companies:

- EFG International's registered shares are traded on the main standard of the SIX Swiss Exchange AG in Zurich (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalization was CHF 1,305,363,000 on 31 December 2012.

- EFG Financial Products Holding AG, with its registered offices in Zurich, launched its initial public offering (IPO) on 19 October 2012; its registered shares are also traded on the main standard of the SIX Swiss Exchange AG in Zurich (security no. 19089118; ISIN CH0190891181, symbol FPHN). EFG Financial Products Holding AG's market capitalization was CHF 300,666,592 on 31 December 2012.

As a result of EFG Financial Product Holding AG's IPO, EFG International reduced its participation to 20.25% (from 58.3% as at 5 October 2012).

1.3 Significant shareholders

The shareholding structure of EFG International as of 31 December 2012 is shown in the table below.

As of 31 December 2012	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA*	82,545,117	56.28%
Lawrence D. Howell and children	8,052,705	5.49%
Cuoni Family Interests	6,909,500	4.71%
Other Shareholders	49,162,678	33.52%
Total	146,670,000	100.00%

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies.

On 21 May 2012 EFG International announced to sell its stake of EFG International registered shares to its main shareholder EFG Bank European Financial Group SA with a pro-rata claw-back right for other shareholders at a price of CHF 7.43 per share. On 1 June 2012 existing shareholders have exercised their rights in relation to 68,188 shares and a total of 10,107,780 shares were sold to EFG Bank European Financial Group SA.

For notifications received by EFG International in 2012 according to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 see the published reports on the Disclosure Office's publication platform of the SIX Swiss Exchange AG (see http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=14226).

1.4 Lock-up agreements

Currently there are no lock-up agreements in place.

1.5 Cross-shareholdings

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

2. CAPITAL STRUCTURE

2.1 Capital

2.1.1 Share capital

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

The authorized capital amounts to CHF 25,000,000 and the conditional share capital amounts to CHF 12,282,500.

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

2.1.2 Participation capital

The outstanding participation capital of the company amounts to CHF 3,971,715, consisting of 264,781 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 initial issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005 (for details about the reduction of EFG International's participation capital see below chapter 2.3. Changes in capital structure).

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

2.2 Authorized and conditional capital in particular

2.2.1 Authorized capital

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

In addition, the Board of Directors is authorized to withdraw the preferred subscription rights of the shareholders and the participants and to allocate them to third parties for the financing of the acquisition of all or part of an enterprise or of an investment in another company, or for new investments purposes for EFG International at market conditions at the moment of the issuance, as well as, in particular, for direct or indirect fund raising purposes on the international capital markets.

2.2.2 Conditional capital

The share capital may be increased by no more than CHF 2,282,500 by issuing no more than 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights 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 favor of the holders of the option rights. The conditions for the allocation and the exercise of the option rights are set by the Board of Directors. The shares may be issued at a price below the market price.

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

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

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

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

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

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

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

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

2.3 Changes in capital structure

There have been no changes in the capital structure of EFG International since the IPO which took place in October 2005.

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

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

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

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

On 12 December 2012 EFG Funding (Guernsey) Limited, a wholly owned subsidiary of EFG International, offered to the holders of the outstanding EUR 400,000,000 EFG Fiduciary Certificates (ISIN: XS0204324890) of which EUR 264,781,000 in principal amount were outstanding, issued on a fiduciary basis by Banque de Luxembourg, to buy any and all of the EFG Fiduciary Certificates for cash and to approve by Extraordinary Resolutions, inter alia, the proposed amendments to the Conditions of the EFG Fiduciary Certificates. A total of 251,399 EFG Fiduciary Certificates, or EUR 251,399,000 of the principal amount of the outstanding EFG Fiduciary Certificates – representing 94.95% – were validly tendered and accepted by EFG Funding (Guernsey) Ltd.

EFG Funding (Guernsey) Ltd's offer was conditional on the successful issuance of CHF Notes (in January 2013) qualifying as Tier 2 capital under Basel III and with the benefit of a subordinated guarantee from EFG International and on approval by Extraordinary Resolutions, inter alia, the proposed amendments to the Conditions of the EFG Fiduciary Certificates by the holders of the EFG Fiduciary Certificates.

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

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2012:

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

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

Participation certificates

Number of participation certificate as of 31 December 2012:

Preference Class B Bons de Participation of CHF 15.00 par value	264,781

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see section 2.1 and 2.3 above). They do not confer voting rights.

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

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

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

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

2.7 Convertible bonds and warrants/options

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

In addition to the amounts disclosed in Note 55 to the consolidated financial statements EFG International has issued options and restricted stock units in relation to its employee equity incentive plan and has outstanding an amount of 42,000 options with a strike price of CHF 49.25 per share, 413,070 options with a strike price of CHF 24.00 per share and 16,457 restricted stock units with a zero exercise price as of December 31, 2012. Each option and restricted stock unit entitles to the purchase of one EFG International restricted share. Further details can be found under section 5.1 below.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

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

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

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

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

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

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

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 a member of the Board of European Financial Group EFG (Luxembourg) SA. He also is a member of the Board of Lamda Developments Limited, a property company listed at the Athens Exchange and of other principal commercial holding and operating companies controlled by Latsis family interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that he was an Audit Manager at Pricewaterhouse, in the UK, where he was employed from 1976 to 1982.

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

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

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

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

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

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 non-executive member of the Board of Directors of EFG Bank since 1997. Mr. Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chairman since 1997. In addition, he is a non-executive director of European Financial Group EFG (Luxembourg) SA (since 2009; as Chairman). Mr. Latsis is also President of SETE SA, Geneva, and Chairman of Paneuropean Oil and Industrial Holdings SA, Luxembourg.

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

Hans Niederer is a Swiss and Paraguayan citizen and was born in 1941. He was appointed a member of the Board of Directors of EFG International effective as of 5 October 2005. Mr. Niederer is an Advisor at Niederer Kraft & Frey AG, attorneys-at-law and a member of the Board of Directors of various companies. He is Vice-Chairman of the Board of Frankfurter Bankgesellschaft (Schweiz) AG as well as a member of the Boards of Algerian Foreign Commerce Bank Ltd., Sberbank (Schweiz) AG and LB(Swiss) Investment AG.

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

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

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

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

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

3.3 Elections and terms of office

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

The tenure of all the current members of the Board of Directors will expire at the 2013 Annual General Meeting, at which time all directors will be subject to re-election by the shareholders.

3.4 Internal organisational structure

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

The Board of Directors met five times in 2012. Meetings typically last half a day; see the details in the table below:

#	Date	J. P. Cuoni (Chairman)	H. N. Matthews (Vice-Chairman)	E. L. Bussetil	E. R. Caduff	S. J. Latsis	H. Niederer	P. Petalas	M. N. Higgin*
1	28.02.2012	X	X	X	X	X	E	X	
2	27.04.2012	X	X	X	X	E	X	X	
3	24.07.2012	X	X	X	X	X	X	X	X
4	12.10.2012	X	X	X	X	X	X	X	X
5	04.12.2012	X	X	X	X	X	X	X	X

"X" – present, "E" – excused.

* Mr. Higgin was elected to the Board of Directors at the Annual General Meeting on 27 April 2012.

The Board of Directors has established an audit committee, a risk committee, a remuneration committee and an acquisition committee according to the terms of the Organizational Regulations:

Audit committee

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

(i) the financial and business reporting processes,
(ii) the risk domination process,
(iii) the monitoring of compliance with laws and regulations and the own Code of Conduct,
(iv) the monitoring of operational risk,
(v) the integrated internal control systems, and
(vi) the internal and external audit processes.

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

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

The audit committee meets at least four times a year and as often as business requires, as well as for the review of the financial statements and related reports before these are approved by the Board of Directors. Meetings typically last three to four hours and are also attended by members of the executive management responsible for areas supervised by the audit committee. During 2012, the audit committee met six times. See the details in the table below:

#	Date	H. Matthews (Chairman)	E.L. Bussetil	M. N. Higgin*	H. Niederer	P. Petalas
1	16.02.2012	X	X		E	X
2	27.02.2012	X	X		E	X
3	05.06.2012	X	X		X	X
4	23.07.2012	X	X		X	X
5	11.09.2012	X	E	X	X	X
6	13.11.2012	X	E	X	E	X

"X" – present, "E" – excused.

* Mr Higgin was formally appointed as member of the Audit Committee on 24 July 2012 but was attending the meetings in June and July.

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

Risk committee

The risk committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to the monitoring of credit, market and bank and country risk. The risk committee may also recommend to the Board of Directors changes in its risk limits and policies. However, the role of the risk committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role.

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

The risk committee meets quarterly. Meetings typically last three to four hours and are attended by members of the executive management responsible for risk management. During 2012, the risk committee met four times. See the details in the table below:

#	Date	H. Matthews (Chairman)	E.L. Bussetil	M. N. Higgin*	H. Niederer	P. Petalas
1	16.02.2012	X	X		E	X
2	05.06.2012	X	X		X	X
3	11.09.2012	X	E	X	X	X
4	13.11.2012	X	E	X	E	X

"X" – present, "E" – excused.
* Mr Higgin was formally appointed as member of the Risk Committee on 24 July 2012 but he was attending the meeting in June.

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

Remuneration committee

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

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

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

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

The remuneration committee meets annually in the first quarter to review salary and bonus decisions as well as when necessary. Meetings typically last two to three hours and are attended by the Chief Executive Officer (CEO) and the Group Human Resources officer. During 2012, the remuneration committee met four times: see the details in the table below:

#	Date	P.P. Petalas (Chairman)	J.P. Cuoni	H. N. Matthews	E.L. Bussetil	I.R. Cookson*	CEO EFG International**	Group HR Officer**
1	02.02.2012	X	X	X	E	X	X	X
2	04.06.2012	X	X	X	X	X	X	X
3	10.09.2012	X	X	X	X	X	X	X
4	04.12.2012	X	X	X	X	X	X	X

"X" – present, "E" – excused.
* Secretary to the Committee.
** Attendee.

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

Acquisition committee

The acquisition committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in evaluating and approving acquisitions made by the EFG International group. The acquisition committee has the power to approve any acquisition for which the purchase price is less than or equal to CHF 150 million. Acquisitions with a value of more than CHF 150 million must be approved by the full Board of Directors upon proposal of the acquisition committee.

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

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

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

The acquisition committee met once during 2012. The meeting took place on 10 September 2012 in connection with the proposed IPO of EFG Financial Products (review of the transaction and proposal to approve by the full Board of Directors). All members of the acquisition committee were present and several members of the management as well as an external consultant were attending the meeting. Additionally, the acquisition committee has reviewed several transactions and passed various circular resolutions and released memorandums regarding the closing and selling of businesses.

3.5 Definition of areas of responsibility

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

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

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

EFG International Executive Committee

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

The titles and brief job descriptions for members of senior management are set forth as follows:

Chief Executive Officer

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

Deputy Chief Executive Officer

The Deputy Chief Executive Officer assists the CEO in all of his tasks. He has prime oversight responsibilities for selected operating businesses. He is also responsible for intra-group capital allocation and funding and – together with the Chief Financial Officer – for capital raising.

After the stepping down of Mr. Ruflin as Deputy CEO as at 31 December 2012 and the decision of EFG International not to replace this role, the responsibilities of the Deputy CEO were re-allocated to other senior executives of the EFG International group, primarily to the CFO.

Chief Financial Officer

The Chief Financial Officer (CFO) has overall responsibility for the financial management of the EFG International group. He is responsible for EFG International accounting policies as well as for the preparation of the group's financial statements and management accounts. The CFO is also responsible for regulatory reporting, financial, liquidity[1] and capital management as well as investor relations. He is the designated Executive Committee member responsible for Compliance and is in charge of regulatory relations on a global basis.

Chief Operating Officer

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

Chief Risk Officer

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

Group General Counsel

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

EFG International Global Business Committee

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

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

The Board of Directors supervises the management of EFG International through various meetings with management, including meetings of the Board and its committees.

Members of the Executive Committee attend each of the Board meetings during the year and are available to answer questions from the Board. The CEO provides a written report to the Board of Directors at each regular meeting summarizing developments in the business; including, financial reporting, business reporting, business proposals/ approval, staff matters, credit approvals, risk management and audit, regulatory and compliance issues, a report on claims and litigation, a risk report, an annual external activities report and any other business matters. The CEO is also readily available to answer questions from the Board. In addition, the CFO reports on the financial results to the Board of Directors at each regular meeting.

1 Assuming responsibility for liquidity management from 1 January 2013 onwards after Mr. Ruflin stepped down as Deputy CEO.

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

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

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

4 EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

John Williamson is the CEO of EFG International, effective June 2011. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank Ltd, London and EFG Asset Management Holding AG, Zurich as well as EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG, Zurich. He was formerly the CEO of EFG Private Bank Ltd., EFG International's UK and Channel Islands business, from 2002–2011. During this time he transformed the business into one of the most significant contributors to EFG International performance, and oversaw the merger of EFG Private Bank Ltd. with EFG International ahead of the latter going public.

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

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

He is also currently a Trustee of the Southbank Sinfonia.

Lukas Ruflin was appointed as Deputy CEO of EFG International as of June 2009; he stepped down as Deputy CEO effective as of 31 December 2012. In the year 2010 he also acted as CEO of EFG Bank. Mr. Ruflin was one of the founding partners of EFG Financial Products in 2007, where he ran its issuing entity in Guernsey (2007–2009); he is currently a member of the Board of Directors of EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG and since 1 January 2013 acts as advisor to John Williamson, CEO of EFG International, on capital market issues. He joined EFG Bank in 2004 and held different management positions within EFG Bank and EFG International in Zurich and in London. Lukas Ruflin started his career at Lehman Brothers (2000–2004), JP Morgan (1999–2000) and PricewaterhouseCoopers.

He is a Swiss citizen, was born in 1975 and holds a Master in Economics from University of St. Gallen as well as a CEMS Master in International Management.

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

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

Frederick Link served as Group General Counsel of EFG International from March 2006 until 31 December 2010. He was appointed as CRO in July 2008 and continues in that role. As CRO he is responsible for risk assessment, management and controlling throughout the EFG International Group. He is also a member of the Board of Directors of EFG Financial Products Holding AG (listed at SIX Swiss Exchange AG) and its subsidiary EFG Financial Products AG in Zurich. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products.

Mr. Link is a US citizen and was born in 1975. He is a member of the New York bar and holds a Ph.D. in Economics from the Massachusetts Institute of Technology, a J.D. from Harvard Law School and an A.B. in Economics from the University of Michigan.

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

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

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

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

Member who stepped down during the reporting period:
Jean-Christophe Pernollet (CFO) stepped down from the Executive Committee effective 31 May 2012.

Jean-Christophe Pernollet was appointed as CFO of EFG International in October 2010. Prior to joining EFG International Mr. Pernollet worked for over 17 years for PricewaterhouseCoopers in Geneva and New York. Partner in charge of their Geneva office since 2005, he was also a Business Unit Leader since 2008. He started his career in 1990 as an auditor with Deloitte & Touche in Paris.

Mr. Pernollet is a French citizen, was born in 1966, completed the Columbia Business School Senior Executive Program and holds a Master in Management of the EDHEC Business School and a Bachelor of Science in Economics and Politics. He was a Lead-Bank auditor accredited by the Swiss regulator (FINMA) and is a member of the American Institute of CPAs.

4.2 Other activities and vested interests

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

4.3 Management contracts

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

4.4 Changes to the EFG International Executive Committee in 2013

Effective April 1, 2013, the Executive Committees of EFG International and of its principal Swiss subsidiary, EFG Bank, will be aligned and will comprise the following members: CEO (John Williamson), CFO (Piergiorgio Pradelli), CRO (Frederick Link), COO (Mark Bagnall), Group General Counsel (Henric Immink), Head of Investment Solutions (James Lee), Head of Strategy and Marketing (Keith Gapp), and Head of Private Banking, Switzerland (Ludovic Chechin-Laurans). The Global Business Committee (which additionally includes CEOs of the regional businesses) will remain unchanged.

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

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

James Lee is responsible for the group's investment solutions activities integral to the private banking business. He remains CEO of EFG Asset Management (having been appointed in June 2009). Previously, he was the Deputy CEO of EFG International and EFG Bank (2003–2009). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee in January 2002 and a member of the management. Prior to 2001, Mr. Lee worked for UBS on strategic and tactical acquisitions in the field of private banking (1999–2000), and was the Global Head of International Private Banking for Bank of America (1997–1998). Between 1973–1997 he held various positions at Citigroup in Corporate, Investment and Private Banking, including being responsible for the Private Bank's Ultra-High Net Worth business in Asia and for the Global Investment Advisory business of the Private Bank. In 2000, Mr. Lee acted as advisor to several start-up businesses active in the fields of e-commerce and healthcare and co-founded an e-commerce company in the UK to build portals for specific industries in which he no longer holds any interest.

Mr. Lee is a UK citizen and was born in 1948. He obtained a Bachelors of Science (Honours) degree in Electrical Engineering in 1970 and a Master degree in Management Science and Operational Research, both from Imperial College, University of London.

Keith Gapp is responsible for the group's corporate strategy, marketing, branding and communication. He joined EFG International in July 2007 as Head of Strategic Marketing & Communications. Previously (1999–2007), he was a co-founder and managing partner of GMQ, a strategic consulting boutique serving a blue chip client base of leading private banks/wealth managers in Europe, the Middle East and US. He was also co-author of leading industry journal The Wealth Partnership Review. Before founding these businesses, Keith spent 13 years at Barclays Group. He held a variety of management roles, including Head of Premier International, and Head of Finance, Planning & Compliance, Barclays Offshore Services.

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

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

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

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

General

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

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

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

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

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

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

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

- It ensures that management of EFG International and its subsidiaries maintain and observe an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed.

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

Fixed Compensation

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

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

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

Variable Compensation

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

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

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

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

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

Variable Compensation Instruments

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

Equity Incentive Plan

The EFG International group has adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the “Employee Equity Incentive Plan”) in order to strengthen the group’s ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan has been reviewed and amended in 2011 and will cover any options granted during the financial years 2005 to2012 and which last up to the point in time that all options and restricted stock units granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

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

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

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

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

Other Variable Compensation

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

Members of the Board of Directors

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

Details of the compensations paid to the members of the Board of Directors in 2012 and 2011 can be found in Note 21 to the parent company financial statements included in this annual report.

Executive Committee and other Members of the senior Management

The compensation of the members of the Executive Committee and other members of senior management is determined by the Remuneration Committee. The following elements of compensation are applied at the level of the Executive Committee and senior management:

- Base salary in cash,
- Variable compensation defined annually,
- Other cash compensations (expenses allowances, etc.),
- EFG International Employee Equity Incentive Plan,
- Pension fund.

Variable compensation for members of the Executive Committee and senior management other than the CEO is determined entirely within the discretion of the Remuneration Committee based upon recommendations of the CEO (except in relation to his own variable compensation). The Committee has defined a minimum of 60% of the variable remuneration of the members of the Executive Committee (50% for senior management) to be taken under the form of restricted stock units and deferred over a period of a minimum three years with progressive vesting. On an exceptional basis the Committee may approve modifications of this rule for specific individual events.

Variable Compensation is based on several factors discussed by the Remuneration Committee, including personal performance, subordinates' performance, sound management, budget control, and the realization of defined objectives, realization of last minute projects/objectives and any other contributions to the benefit of EFG International.

The variable component of pay to members of the executive committee amounted from 0 to 93% of the fixed component, averaging at 51.7%.

The average variable component to total compensation is 27%, of which average deferral for a Committee member is 75.3%.

There is one member of the Executive Committee who benefits from the date of hiring until 31st March 2014 of automatic vesting of Stock Options or Restricted Stock awards.

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

EFG International is currently paying a severance package to a former Executive Committee member until 30 June 2013.

The Remuneration Committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure

Details of the compensations paid to the members of the Executive Committee in 2012 and 2011 can be found in Note 21 to the parent company financial statements included in this annual report.

Client Relationship Officers

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

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

Employees in control functions

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

External advice

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

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

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

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

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

6.4 Agenda

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

6.5 Registrations in the share register

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Duty to make an offer

EFG International has not taken any defense measures against take-over attempts. Therefore, there are no statutory rules on "opting up" and "opting out". The articles of association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 33⅓% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Art. 22 para. 2 Stock Exchange Act) or which would increase such threshold to 49% of the voting rights (opting up provision pursuant to Art. 32 para. 1 Stock Exchange Act). "Opting up" is a rule based on which the triggering threshold would be lifted to a higher percentage, while "opting out" is a rule waving the legal duty to submit an offer.

7.2 Clauses on changes of control

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

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

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

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

8.2 Auditing fees

PwC received fees totaling CHF 4.3 million for audits the 2012 of EFG International and its subsidiaries.

8.3 Additional fees

For additional audit-related services covering topics such as accounting, control reporting as well as tax and project analysis, the EFG International group paid PwC fees totalling CHF 1.4 million during the 2012 financial year.

For additional consulting-related services comprising legal, IT, compliance and other project-related counseling, the EFG International group paid PwC fees totaling CHF 1.2 million during the 2012 financial year.

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

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

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

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

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

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

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

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

9. INFORMATION POLICY

EFG International informs its shareholders and the public each year by means of the annual and half-year reports, as well as press releases, presentations and brochures as needed. The documents are available to the public, in both electronic form at
www.efginternational.com/financial-reporting
and
www.efginternational.com/press-releases
as well as in print form.

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

Important Dates
An updated list can be found on our investor relations homepage at
www.efginternational.com/investors (see Financial calendar).

Contact address can be found on the back cover.

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

EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 CHF millions	Year ended 31 December 2011 CHF millions
Interest and discount income		437.9	419.5
Interest expense		(213.0)	(207.8)
Net interest income	5	**224.9**	211.7
Banking fee and commission income		628.0	561.1
Banking fee and commission expense		(136.3)	(107.2)
Net banking fee and commission income	6	**491.7**	453.9
Dividend income	7	24.2	19.3
Net trading income	8	70.4	83.1
Net gain/(loss) from financial instruments designated at fair value	9	10.3	(10.8)
Gains less losses from investment securities	10	(1.9)	5.1
Other operating income		5.0	0.9
Net other income		**108.0**	97.6
Operating income		**824.6**	763.2
Operating expenses	12	(658.3)	(713.7)
Impairment of intangible assets and goodwill	14	(1.4)	(244.4)
Impairment on available-for-sale investment securities	15		(72.5)
Provision for restructuring costs	42	(11.7)	(10.0)
Currency translation losses transferred from the Statement of Other Comprehensive Income		(3.3)	(10.0)
Loss on disposal of subsidiaries	16	(1.7)	
Impairment on loans and advances to customers	11	(4.4)	(1.9)
Profit / (loss) before tax		**143.8**	(289.3)
Income tax expense	17	(20.1)	(2.1)
Net profit / (loss) for the period		**123.7**	(291.4)
Net profit / (loss) for the period attributable to:			
Net profit/(loss) attributable to owners of the Group		111.0	(294.1)
Net profit attributable to non-controlling interests		12.7	2.7
		123.7	(291.4)

		CHF	CHF
Earnings per ordinary share			
Basic	52.1	0.73	(2.32)
Diluted	52.2	0.70	(2.32)

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 CHF millions	Year ended 31 December 2011 CHF millions
Net profit / (loss) for the period		**123.7**	(291.4)
Other comprehensive income			
Fair value gains / (losses) on available-for-sale investment securities, before tax	31	49.0	(50.1)
Tax effect on changes in fair value of available-for-sale investment securities	31	(9.9)	7.4
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax, with no tax effect	31	1.9	(5.1)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income, with no tax effect	15		72.5
Currency translation differences, before tax, with no tax effect		2.9	(15.8)
Currency translation losses transferred to the Statement of Comprehensive Income with no tax effect		3.3	10.0
Other comprehensive income for the period, net of tax		**47.2**	18.9
Total comprehensive income for the period		**170.9**	(272.5)
Total comprehensive income for the period attributable to:			
Owners of the Group		158.4	(274.4)
Non-controlling interests		12.5	1.9
		170.9	(272.5)

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012

	Note	31 December 2012 CHF millions	31 December 2011 CHF millions
Assets			
Cash and balances with central banks	20	**1,364.4**	1,079.3
Treasury bills and other eligible bills	22	**816.8**	823.9
Due from other banks	23	**3,393.3**	2,206.9
Loans and advances to customers	24	**10,434.1**	9,548.2
Derivative financial instruments	27	**563.2**	537.5
Financial assets at fair value:			
Trading assets	28	**1,340.0**	813.9
Designated at inception	29	**381.4**	367.2
Investment securities:			
Available-for-sale	30	**3,297.8**	3,984.3
Held-to-maturity	32	**1,093.6**	1,098.3
Intangible assets	34	**294.6**	300.6
Property, plant and equipment	35	**33.0**	38.2
Deferred income tax assets	18	**32.1**	48.6
Other assets	36	**581.6**	194.0
Total assets		**23,625.9**	21,040.9
Of which assets to significant shareholders		*9.7*	*8.7*
Liabilities			
Due to other banks	37	**885.3**	779.0
Due to customers	38	**16,084.0**	14,398.4
Subordinated loans	39	**57.0**	
Derivative financial instruments	27	**728.6**	603.3
Financial liabilities designated at fair value	40	**1,131.3**	490.7
Other financial liabilities	41	**2,938.1**	3,356.5
Current income tax liabilities		**2.1**	11.4
Deferred income tax liabilities	18	**40.3**	37.6
Provisions	42	**11.5**	37.3
Other liabilities	43	**431.3**	315.2
Total liabilities		**22,309.5**	20,029.4
Equity			
Share capital	46.1	**77.2**	73.1
Share premium	46.2	**1,239.0**	1,154.3
Other reserves	47	**120.9**	77.8
Retained earnings		**(225.0)**	(318.3)
		1,212.1	986.9
Non-controlling interests		**104.3**	24.6
Total shareholders' equity		**1,316.4**	1,011.5
Total equity and liabilities		**23,625.9**	21,040.9
Of which liabilities to significant shareholders		*25.6*	*9.3*

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

		Attributable to owners of the Group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2011		73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7
Net loss for the period					(294.1)	(294.1)	2.7	(291.4)
Currency translation differences, net of tax				(15.3)		(15.3)	(0.5)	(15.8)
Currency translation losses transferred from the Statement of Other Comprehensive Income				10.0		10.0		10.0
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income				72.5		72.5		72.5
Fair value gains/(losses) on available-for-sale investment securities, net of tax				(47.5)		(47.5)	(0.3)	(47.8)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		-	-	19.7	(294.1)	(274.4)	1.9	(272.5)
Dividend paid on ordinary shares	53				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	53				(17.2)	(17.2)		(17.2)
Net distributions to non-controlling interests						-	(0.1)	(0.1)
Ordinary shares sold	46		0.5			0.5		0.5
Employee equity incentive plans	55			15.5		15.5		15.5
Balance at 31 December 2011		73.1	1,154.3	77.8	(318.3)	986.9	24.6	1,011.5

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

		Attributable to owners of the group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2012		73.1	1,154.3	77.8	(318.3)	986.9	24.6	1,011.5
Net profit for the period					111.0	111.0	12.7	123.7
Currency translation differences, net of tax				3.0		3.0	(0.1)	2.9
Currency translation losses transferred from the Statement of Other Comprehensive Income				3.3		3.3		3.3
Fair value gains/(losses) on available-for-sale investment securities, net of tax				41.1		41.1	(0.1)	41.0
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		**-**	**-**	**47.4**	**111.0**	**158.4**	**12.5**	**170.9**
Dividend paid on ordinary shares	53				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	53				(9.4)	(9.4)		(9.4)
Ordinary shares sold	46	5.1	71.0			76.1		76.1
Employee equity incentive plan amortisation	55			12.0		12.0		12.0
Employee equity incentive plans exercised		1.0	14.4	(20.5)	5.1	-		-
Repurchase of Bons de Participation	46	(2.0)	(0.7)	(49.2)		(51.9)		(51.9)
Partial disposal of subsidiary				53.4		53.4	67.2	120.6
Balance at 31 December 2012		**77.2**	**1,239.0**	**120.9**	**(225.0)**	**1,212.1**	**104.3**	**1,316.4**

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 CHF millions	Year ended 31 December 2011 CHF millions
Cash flows from operating activities			
Interest received		**410.8**	388.8
Interest paid		**(196.1)**	(196.8)
Banking fee and commission received		**599.8**	540.2
Banking fee and commission paid		**(134.7)**	(103.8)
Dividend received	7	**24.2**	19.3
Net trading income		**75.5**	68.6
Other operating receipts		**4.9**	1.0
Staff costs paid		**(489.4)**	(434.1)
Other operating expenses paid		**(178.6)**	(150.0)
Income tax paid		**(8.7)**	(0.5)
Cash flows from operating activities before changes in operating assets and liabilities		**107.7**	132.7
Changes in operating assets and liabilities			
Net decrease in treasury bills		**122.1**	828.8
Net (increase) in due from other banks		**(55.5)**	(27.7)
Net decrease/(increase) in derivative financial instruments		**95.8**	(214.1)
Net (increase) in loans and advances to customers		**(865.2)**	(679.0)
Net (increase) in other assets		**(361.1)**	(20.1)
Net increase in due to other banks		**99.7**	434.0
Net increase/(decrease) in due to customers		**1,716.0**	(463.7)
Net increase in other liabilities		**95.8**	52.6
Net cash flows from operating activities		**955.3**	43.5
Cash flows from investing activities			
Proceeds from disposal of business, net of cash disposed		**0.7**	0.1
Purchase of securities		**(9,785.3)**	(9,609.3)
Proceeds from sale of securities		**9,966.9**	9,062.8
Purchase of property, plant and equipment	35	**(7.5)**	(9.2)
Purchase of intangible assets	34	**(15.3)**	(10.3)
Proceeds from sale of property, plant and equipment		**0.3**	0.2
Net cash flows used in investing activities		**159.8**	(565.7)
Cash flows from financing activities			
Dividend paid on Bons de Participation	53	**(9.4)**	(17.2)
Dividend paid on ordinary shares	53	**(13.4)**	(13.4)
Distributions to non-controlling interests	46		(0.1)
Ordinary shares sold	46	**76.1**	0.5
Partial disposal of subsidiary		**128.7**	
Issuance of structured products		**10,077.1**	7,810.7
Redemption of structured products		**(9,802.6)**	(7,344.7)
Net cash flows from financing activities		**456.5**	435.8
Effect of exchange rate changes on cash and cash equivalents		**(40.6)**	(12.8)
Net change in cash and cash equivalents		**1,531.0**	(99.2)
Cash and cash equivalents at beginning of period	21	**2,815.6**	2,914.8
Net change in cash and cash equivalents		**1,531.0**	(99.2)
Cash and cash equivalents	21	**4,346.6**	2,815.6

The notes on pages 82 to 165 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in Bahamas, Cayman, Channel Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2012 was 2,260 (31 December 2011: 2,547).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange with its registered office at Bahnhofstrasse 12, 8001 Zurich. For details of significant shareholders, refer to note 12 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 26 February 2013.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2012. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective or issued and early adopted which are applicable for the year ended 31 December 2012. These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates is presented in notes 3 and 34.

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

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on 1 January 2012. These are as follows:

New and amended standards adopted by the Group:
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them:

- Amendment to IAS 1, 'Financial statement presentation' regarding Other Comprehensive Income
  The main change resulting from these amendments is a requirement for entities to group items presented in the Statement of Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to the Statement of Comprehensive Income subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- Amendment to IAS 19, 'Employee benefits'
  These amendments eliminate the corridor approach and calculate finance costs on a net funding basis i.e. an immediate recognition of all past service costs, the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. The estimated impact of this amendment will be to reduce equity as of 1 January 2013 by approximately CHF 28.1 million, related to recognising the actuarial loss of CHF 33.4 million (see note 45), net of the deferred tax liability of CHF 5.3 million.
- IAS 28 (revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
  The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. It is not expected to have any impact on the Group's financial statements.
- IFRS 9, 'Financial instruments', (effective 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
  IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in Other Comprehensive Income rather than in the Statement of Comprehensive Income, unless this creates an accounting mismatch.
- On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2015.
  The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in Other Comprehensive Income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The classification of Life insurance policies in the held-to-maturity portfolio will cease, entailing a potential decrease of CHF 205.6 million in shareholders equity. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10, 'Consolidated financial statements'
  The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It also defines the principle of control, and establishes controls as the basis for consolidation. The Standard details how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements.
  The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements apart from a disclosure stand point.
- IFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group will apply this standard for the financial reporting period commencing on 1 January 2013.
  It is not expected to have a material impact on the Group's financial statements apart from a disclosure stand point.

(b) Consolidation

(i) Subsidiaries

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

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

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

A listing of the Company's main subsidiaries is set out in note 33.

(ii) Non-controlling interests

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

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

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

Put options over non-controlling interests

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

(iii) Associates

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

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's presentation currency, as the functional currency of the parent Company and of its major operating subsidiaries, EFG Bank AG and EFG Financial Products Holdings AG.

Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and Statement of Comprehensive Income items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in other reserves.

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

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

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

	2012 Closing rate	2012 Average rate	2011 Closing rate	2011 Average rate
USD	0.915	0.938	0.940	0.887
GBP	1.481	1.486	1.451	1.422
EUR	1.208	1.205	1.216	1.233
SEK	0.141	0.139	0.136	0.137

(ii) Transactions and balances

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 27.

(e) Offsetting financial instruments

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

(f) Statement of Comprehensive Income

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

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

(g) Property, plant and equipment

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

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

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

(h) Intangible assets

(i) Goodwill

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

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

(ii) Other intangible assets – Client Relationships

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

(iii) Other intangible assets – Trademarks

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

(iv) Other intangible assets – Non-compete agreements

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

(v) Other intangible assets – Computer software

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

(i) Financial assets and liabilities

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

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

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

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

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

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

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

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

(i) Financial assets at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

(iv) Held-to-maturity

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

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

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

(i) Available-for-sale assets

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

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

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

(ii) Assets carried at amortised cost

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

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

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

(k) Debt securities in issue

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

(l) Leases

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

(m) Deferred income tax

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

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

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

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

(n) Employee benefits

(i) Pension obligations

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

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

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

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

The pension expense recognised in the Statement of Comprehensive Income for these plans considered as defined benefits for IAS 19 purposes is the actuarially determined expense less the amount of employee contributions.

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

(ii) Short-term employee benefits

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

(iii) Share based compensation

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

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

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

(o) Related party transactions

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis.

(p) Provisions

Provisions are recognised when:

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

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Share Capital

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

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(r) Fiduciary activities

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

(s) Cash and cash equivalents

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

(t) Comparatives

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of intangible assets

The Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are determined based on the maximum of value in use and fair value less costs to sell which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. The value in use is determined by using a discounted cash-flow calculation based on the operating cash-flows of the asset and its future sale after the utilisation period (not exceeding 5 years). An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 34.

(b) Fair value of financial instruments

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

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

The Group follows the guidance of IAS 39 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (29.4) million through the Statement of Comprehensive Income (2011: loss of CHF (1.1) million), and a 3 month increase in actual life expectancies would result in a loss of CHF (9.7) million (2011: loss of CHF (16.1) million).

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

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF (0.8) million through the Statement of Other Comprehensive Income (2011: loss of CHF (1.1) million), and a 3 month increase in actual life expectancies would result in a loss of CHF (1.2) million (2011: loss of CHF (2.1) million).

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

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

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

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

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

(g) Held-to-maturity investments – Others

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

(h) Income taxes

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

(i) Legal provisions

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

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

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

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

4.1 Credit risk

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

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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

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

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

(b) Debt securities and other bills

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

4.1.2 Risk limit control and mitigation policies

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

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

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

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

The principal collateral types for loans and advances are:

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

(b) Derivatives

The Group maintains a strict monitoring of credit risk exposure induced by over-the-counter derivatives transactions vs. dedicated limits granted. Credit risk exposure considers the current credit risk exposure through the Mark-to-Market of the transactions and the potential future exposure through dedicated add-on factors applied to the notional of the transactions. While being ignored in the computation of credit risk, EFGI Business units have signed mitigating agreements with its most important financial institutions counterparties; collateral paid or received being taken into consideration.

(c) Credit related commitments

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

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2012 and 2011, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2012 CHF millions	2011 CHF millions	**2012 CHF millions**	2011 CHF millions
Cash and balances with central banks	**1,364.4**	1,079.3	**1,364.4**	1,079.3
Treasury bills and other eligible bills	**816.8**	823.9	**816.8**	823.9
Due from other banks	**3,393.3**	2,206.9	**1,966.8**	1,770.2
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	**7,651.3**	7,265.4	**78.8**	68.7
Mortgages	**2,782.8**	2,282.8		
Derivative financial instruments	**563.2**	537.5	**463.2**	389.2
Financial assets at fair value:				
Trading Assets – Debt securities	**283.8**	114.1	**283.8**	114.1
Designated at inception – Debt securities	**381.0**	350.7	**87.0**	87.5
Investment securities – Debt securities	**4,363.6**	5,049.4	**4,363.6**	5,049.4
Other assets	**581.6**	197.0	**581.6**	197.0
On-balance sheet assets	**22,181.8**	19,907.0	**10,006.0**	9,579.3
Financial guarantees	**285.9**	322.4	**6.8**	4.0
Loan commitments, and other credit related guarantees	**219.8**	130.4	**38.1**	27.2
Off-balance sheet assets	**505.7**	452.8	**44.9**	31.2
Total	**22,687.5**	20,359.8	**10,050.9**	9,610.5

See note 26 Collateral for loans and advances to customers which shows that collateral comprised 99.0% (2011: 99.1%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2012 based on Moody's ratings:

	Aaa–Aa CHF millions	A CHF millions	Baa–Ba CHF millions	B–C CHF millions	Unrated CHF millions	Total CHF millions
Cash and balances with central banks	1,364.4					1,364.4
Treasury bills and other eligible bills	816.8					816.8
Due from other banks	699.7	945.1	5.3	0.8	315.9	1,966.8
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans			77.3	1.5		78.8
Mortgages						
Derivative financial instruments	22.5	141.7	4.0		295.0	463.2
Financial assets at fair value:						
Trading Assets – Debt securities	145.1	34.1	104.6			283.8
Designated at inception – Debt securities	29.4	31.4	26.2			87.0
Investment securities – Debt securities	3,267.8	874.1	209.6		12.1	4,363.6
Other assets					581.6	581.6
Total on-balance sheet assets 2012	**6,345.7**	**2,026.4**	**427.0**	**2.3**	**1,204.6**	**10,006.0**
Total on-balance sheet assets 2011	6,344.5	2,089.0	432.3	93.3	620.2	9,579.3
Financial guarantees					6.8	6.8
Loan commitments, and other credit related guarantees					38.1	38.1
Total off-balance sheet assets 2012	**-**	**-**	**-**	**-**	**44.9**	**44.9**
Total off-balance sheet assets 2011					31.2	31.2

Selected European credit risk exposures

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

	Sovereign CHF millions	Financial Institution CHF millions	Other CHF millions	Total CHF millions
31 December 2012				
Spain	64.7	39.5		104.2
Greece		0.2		0.2
Portugal		20.0		20.0
Italy	12.5	1.2		13.7
Ireland				-
Total	**77.2**	**60.9**		**138.1**
31 December 2011				
Spain	240.3	24.8	2.1	267.2
Greece	22.2	66.9	0.3	89.4
Portugal		22.3		22.3
Italy	12.1	1.2	0.7	14.0
Ireland				-
Total	274.6	115.2	3.1	392.9

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

Concentration of risks of financial assets with credit risk exposure

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

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		31 December 2012		31 December 2011	
		Loans and advances to customers CHF millions	Due from other banks CHF millions	Loans and advances to customers CHF millions	Due from other banks CHF millions
Neither past due nor impaired	a)	10,379.7	3,393.3	9,518.7	2,206.9
Past due but not impaired	b)	54.4		29.5	
Impaired		10.3		8.4	
Gross		10,444.4	3,393.3	9,556.6	2,206.9
Less: allowance for impairment		(10.3)		(8.4)	
Net		**10,434.1**	**3,393.3**	9,548.2	2,206.9

The total impairment provision for loans and advances of CHF 10.3 million (2011: CHF 8.4 million) comprises specific provisions against individual loans. Note 25 relates to the impairment allowance for loans and advances to customers.

(a) Loans and advances neither past due nor impaired

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

	Loans and advances to customers		
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2012			
Grade 1–2	5,629.6	279.0	5,908.6
Grade 3	1,828.7	2,063.7	3,892.4
Grade 4–5	190.2	386.0	576.2
Grade 6–7	1.0		1.0
Grade 8			
Grade 9–10	1.5		1.5
	7,651.0	**2,728.7**	**10,379.7**
31 December 2011			
Grade 1–2	5,470.8	244.0	5,714.8
Grade 3	1,591.1	1,641.0	3,232.1
Grade 4–5	200.9	369.0	569.9
Grade 6–7	1.9		1.9
Grade 8			
Grade 9–10			
	7,264.7	2,254.0	9,518.7

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

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

	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2012			
Greater than 180 days, past due	0.3	50.5	50.8
Less than 180 days, past due		3.6	3.6
Total	**0.3**	**54.1**	**54.4**
Fair value of collateral	1.9	80.2	82.1
31 December 2011			
Greater than 180 days, past due		25.3	25.3
Less than 180 days, past due	0.7	3.5	4.2
Total	0.7	28.8	29.5
Fair value of collateral	1.6	31.8	33.4

4.1.5 Impairment and provisioning policies

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

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

Grade descriptions	2012 Loans and advances %	2012 Impairment provision %	2011 Loans and advances %	2011 Impairment provision %
Grade 1–2	56.4		59.8	
Grade 3	37.2		33.9	
Grade 4–5	5.9		6.0	
Grade 6–7	0.4		0.2	
Grade 8	0		0.0	
Grade 9–10	0.1	100.0	0.1	100.0
	100.0%	**100.0**	100.0	100.0

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

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

The table below presents an analysis of debt securities, treasury bills, other eligible bills and investment securities subject to credit risk, by rating agency designation at 31 December 2012, based on internal ratings:

	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
31 December 2012						
Grade 1–2	816.8	145.1	146.1	2,823.6	444.1	4,375.7
Grade 3		34.1	193.8	323.8	550.3	1,102.0
Grade 4–5		104.6	39.8	113.0	96.7	354.1
Unrated			1.3	9.6	2.5	13.4
Total	**816.8**	**283.8**	**381.0**	**3,270.0**	**1,093.6**	**5,845.2**
31 December 2011						
Grade 1–2	823.9	3.4	109.6	3,248.1	453.4	4,638.4
Grade 3		22.9	215.1	569.7	597.5	1,405.2
Grade 4-5		87.8	15.0	123.6	47.4	273.8
Unrated			11.0	9.7		20.7
Total	823.9	114.1	350.7	3,951.1	1,098.3	6,338.1

4.2 Market risk

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

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

Both interest rate and foreign exchange exposures are strictly limited by sensitivity, Value at Risk (VaR) and stress test limits. Foreign exchange is also subject to daily and 10 sliding days stop loss monitoring. Adherence to all limits is monitored independently by the internal Market Risk Control & Reporting Department.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to credit spread related risk induced by bonds position holding for Asset & Liability management purposes while currency risk exposure is induced by the capital of our subsidiaries that are denominated in local currencies and the carrying value of life insurance policies.

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

IFRS 7 requires classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

	31 December 2011				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	29.4	160.2		189.6	
Interest rate derivatives		60.7		60.7	
Other derivatives		232.1	3.7	235.8	
Life insurance related			51.4	51.4	
Total derivatives assets					**537.5**
Financial assets at fair value:					
Equity	699.8			699.8	
Debt	88.1	26.0		114.1	
Total trading assets					**813.9**
Designated at inception:					
Equity		1.4		1.4	
Debt	51.3			51.3	
Life Insurance related			299.4	299.4	
Other			15.1	15.1	
Total financial assets designated at inception					**367.2**
Investment securities: Available-for-sale					
Equity	4.4		28.8	33.2	
Debt	3,190.1	716.7		3,906.8	
Life Insurance related			44.3	44.3	
Total investment securities available-for-sale					**3,984.3**
Total assets measured at fair value	**4,063.1**	**1,197.1**	**442.7**	**5,702.9**	**5,702.9**
Derivative financial instruments (liabilities):					
Currency derivatives	37.7	89.5		127.2	
Interest rate derivatives	0.6	66.1		66.7	
Other derivatives	326.6	75.1	7.7	409.4	
Total derivatives liabilities					**603.3**
Financial liabilities designated at fair value:					
Equity	148.2		18.0	166.2	
Debt	20.1			20.1	
Hybrid		25.1		25.1	
Life Insurance related			279.3	279.3	
Total financial liabilities designated at fair value					**490.7**
Total liabilities measured at fair value	**533.2**	**255.8**	**305.0**	**1,094.0**	**1,094.0**
Assets less liabilities measured at fair value	**3,632.5**	**838.7**	**137.7**	**4,608.9**	**4,608.9**

* *Level 3 equity related financial liabilities designated at fair value of CHF 17.9 million comprises put options held by non-controlling interests with valuations based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.*

(b) Movements of Level 3 instruments

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

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilitites in Level 3 CHF millions
At 1 January 2012	7.7	297.3	305.0
Total gains or losses			
in the Statement of Comprehensive Income	(0.7)	16.1	15.4
in the Statement of Other Comprehensive Income			-
Purchases/Premiums paid		30.8	30.8
Disposals/Premiums received		(7.6)	(7.6)
Exchange differences		(7.2)	(7.2)
At 31 December 2012	**7.0**	**329.4**	**336.4**
Total gains or losses for the period included in the Statement of Comprehensive Income for liabilities held at the end of the reporting period	(0.7)	16.1	15.4

	Assets in Level 3			
	Derivative financial instruments CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2011	47.5	307.0	76.7	431.2
Total gains or losses				
in the Statement of Comprehensive Income	7.3	(26.6)	5.9	(13.4)
in the Statement of Other Comprehensive Income			(11.5)	(11.5)
Purchases/Premiums paid		33.5	5.0	38.5
Disposals/Premiums received		(1.1)	(1.7)	(2.8)
Exchange differences	0.3	1.7	(1.3)	0.7
At 31 December 2011	**55.1**	**314.5**	**73.1**	**442.7**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	7.3	(26.6)	5.8	(13.5)

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilitites in Level 3 CHF millions
At 1 January 2011	3.3	289.2	292.5
Total gains or losses			
in the Statement of Comprehensive Income	4.5	(20.5)	(16.0)
in the Statement of Other Comprehensive Income			-
Purchases/Premiums paid		29.0	29.0
Disposals/Premiums received		(1.4)	(1.4)
Exchange differences	(0.1)	1.0	0.9
At 31 December 2011	**7.7**	**297.3**	**305.0**
Total gains or losses for the period included in the Statement of Comprehensive Income for liabilities held at the end of the reporting period	4.5	(20.5)	(16.0)

The total gains or losses for the period included in the Statement of Comprehensive Income for assets and liabilities in Level 3 held at the end of the reporting period is composed of CHF 9.6 million recorded in Net interest income (2011: CHF 9.2 million) and CHF (1.0) million recorded in Net gain/(loss) from financial instruments designated at fair value (2011: CHF (6.6) million).

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

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

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

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

Valuation technique		31 December 2012 CHF millions	31 December 2011 CHF millions
Recent arm's length transactions	**Products**		
Available-for-sale – Equity securities	Unquoted equity holding		2.2
Discounted cash flow analysis			
Derivatives	Credit default swaps	(2.4)	(4.0)
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	26.6	26.6
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(17.9)	(18.0)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	53.6	51.4
Financial assets at fair value	Physical life settlement policies	35.9	36.2
Financial assets at fair value	Physical life settlement policies*	294.0	263.2
Financial assets at fair value	Contractual right to perpetual revenue stream		15.1
Available-for-sale	Physical life settlement policies	44.8	44.3
Financial liabilities designated at fair value	Synthetic life settlement policies*	(311.5)	(279.3)
Total		**123.1**	137.7

* *Assets valued at CHF 294.0 million (2011: CHF 263.2 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.*

4.2.2 Assets and liabilities not measured at fair value

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

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2012				
Financial Assets				
Due from other banks	(i)	3,393.3	3,396.6	3.3
Loans and advances to customers	(ii)	10,434.1	10,500.5	66.4
Investment securities – Held-to-maturity – Life insurance related	(iii)	682.4	476.8	(205.6)
Investment securities – Held-to-maturity – Debt	(iv)	411.2	363.9	(47.3)
		14,921.0	**14,737.8**	**(183.2)**
Financial Liabilities				
Due to other banks	(v)	885.3	882.1	3.2
Due to customers	(vi)	16,084.0	16,083.0	1.0
Other financial liabilities	(vii)	2,938.1	2,964.2	(26.1)
		19,907.4	**19,929.3**	**(21.9)**
Net financial instruments		**(4,986.4)**	**(5,191.5)**	**(205.1)**
31 December 2011				
Financial Assets				
Due from other banks		2,206.9	2,213.4	6.5
Loans and advances to customers		9,548.2	9,602.2	54.0
Investment securities – Held-to-maturity – Life insurance related		680.8	471.7	(209.1)
Investment securities – Held-to-maturity – Debt		417.5	349.5	(68.0)
		12,853.4	12,636.8	(216.6)
Financial Liabilities				
Due to other banks		779.0	778.8	0.2
Due to customers		14,398.4	14,396.4	2.0
Other financial liabilities		3,356.5	3,382.1	(25.6)
		18,533.9	18,557.3	(23.4)
Net financial instruments		(5,680.5)	(5,920.5)	(240.0)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows, which have been adjusted downwards to reflect actual versus expected mortality experience in the life settlement industry. These adjusted cash flows have been discounted at an Internal Rate of Return ("IRR") of 12.3%. This IRR is equivalent to an IRR of 16% using unadjusted cash flows (2011: 16.0%). The carrying value is derived from an acquisition value (based on an IRR at acquisition of 10.7%) and an accrual on an effective interest rate using a basis of 4.7% (2011: 8.1%) on life insurance policies outstanding at year end.

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

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

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

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

(vii) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	1.7	1.8
Recognised in the Statement of Comprehensive Income	(0.2)	(0.1)
At 31 December	1.5	1.7

4.2.4 Market risk measurement techniques

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

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

(a) Value at Risk

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

The Group' subsidiary EFG Financial Products AG computes VaR figures and assumes a 1-day holding period with a 301-day observation period using a commercial tool (Sophis®). While the rest of the Group produces its VaR figures with an In-house tool using a 10-day holding period with a 201-day observation period. EFG Financial Products AG also computes a Commodity VaR, while the Group does not compute or report Commodity VaR; therefore the EFG Financial Products AG Commodity VaR figures are added to the Group's Equity price risk VaR.

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

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2012				
Interest rate risk	1.9	4.1	5.6	1.9
Currency risk	0.5	0.5	1.0	0.4
Equity price risk	3.8	4.4	5.4	3.7
VaR	**6.2**	**9.0**	**12.0**	**6.0**
2011				
Interest rate risk	5.1	5.3	7.1	2.8
Currency risk	1.0	1.4	2.4	0.5
Equity price risk	4.3	3.8	5.4	1.8
VaR	10.4	10.5	14.9	5.1

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

(b) Alternative sensitivity analysis

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

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

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

The following risks exist for positions at 31 December 2012 for which VaR is not calculated above.

Risk Category	Product	Impact from	Market value CHF millions	Comprehensive Income CHF millions	Other Comprehensive Income CHF millions
i) Price risk					
Available-for-sale	Unquoted equities	10% price decrease	26.6		(2.7)
Financial assets at fair value	Life insurance companies	10% price decrease	294.0*	(29.4)	
Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(311.5)*	31.2	
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(17.9)	–	
ii) Interest rate risk					
Financial assets at fair value	Life insurance policies	100 bps increase in IRR**	35.9	(1.3)	
Available-for-sale	Life insurance policies	100 bps increase in IRR**	44.8		(0.8)
iii) Life expectancy (actual changes based on actuarial evidence)					
Financial assets at fair value	Life insurance policies	3 month increase	329.9	(9.7)	
Available-for-sale	Life insurance policies	3 month increase	44.8		(1.2)
Financial liabilities at fair value	Synthetic life insurance exposure	3 month increase	(311.5)	8.2	

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

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

(c) Stress tests

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

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

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

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

(d) Earnings at risk

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

4.2.5 Interest rate risk

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

31 December 2012	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
Assets						
Cash and balances with central banks					1,364.4	1,364.4
Treasury bills	639.4	177.4				816.8
Due from other banks	2,978.9	98.8	52.6	8.2	254.8	3,393.3
Loans and advances to customers	8,636.9	1,014.5	743.3	6.8	32.6	10,434.1
Derivative financial instruments	149.3	2.3	42.2	4.9	364.5	563.2
Financial assets at fair value:						
Trading Assets	51.1	2.9	165.1	79.8	1,041.1	1,340.0
Designated at inception	12.6	38.4		330.0	0.4	381.4
Investment securities:						
Available-for-sale	1,696.0	200.2	1,286.6	72.3	42.7	3,297.8
Held-to-maturity		411.2		682.4		1,093.6
Other assets					581.6	581.6
Total financial assets	**14,164.2**	**1,945.7**	**2,289.8**	**1,184.4**	**3,682.1**	**23,266.2**
Liabilities						
Due to other banks	820.5	0.1	48.3		16.4	885.3
Due to customers	14,816.9	1,180.4	58.7		28.0	16,084.0
Subordinated loans			57.0			57.0
Derivative financial instruments	75.1	2.1	25.6	3.7	622.1	728.6
Financial liabilities designated at fair value	148.3	358.2	446.1	117.9	60.8	1,131.3
Other financial liabilities	579.9	743.0	1,444.8	170.4		2,938.1
Provisions					11.5	11.5
Other liabilities					431.3	431.3
Total financial liabilities	**16,440.7**	**2,283.8**	**2,080.5**	**292.0**	**1,170.1**	**22,267.1**
On-balance-sheet interest repricing gap	(2,276.5)	(338.1)	209.3	892.4	2,512.0	999.1
Off-balance-sheet interest repricing gap	751.4	(19.6)	(704.5)	(27.3)		
31 December 2011						
Total financial assets	14,321.8	2,198.8	1,735.9	1,056.4	1,340.6	20,653.5
Total financial liabilities	15,320.7	1,640.5	1,543.8	592.2	883.2	19,980.4
On-balance-sheet interest repricing gap	(998.9)	558.3	192.1	464.2	457.4	673.1
Off-balance-sheet interest repricing gap	394.2	(55.6)	(255.0)	(11.8)		71.8

4.2.6 Foreign exchange risk

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

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

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

4.3 Liquidity risk

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

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

4.3.1 Liquidity risk management process

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

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

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

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

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

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

4.3.2 Funding approach

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

4.3.3 Financial liabilities cash flows

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

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2012						
Liabilities						
Due to other banks	745.5	47.2	45.8	48.3		886.8
Due to customers	12,644.6	1,187.2	621.5	1,639.1		16,092.4
Derivative financial instruments	6,528.0	2,487.9	1,251.1	247.5	24.9	10,539.4
Financial liabilities designated at fair value	44.3	21.3	307.6	322.0	436.0	1,131.2
Other financial liabilities	316.2	197.6	753.5	1,456.9	240.1	2,964.3
Provisions	2.9	0.9	2.8	4.9		11.5
Other liabilities	364.0	8.1	48.1	4.3	6.8	431.3
Total financial liabilities	**20,645.5**	**3,950.2**	**3,030.4**	**3,723.0**	**707.8**	**32,056.9**
Total off balance-sheet	**32.9**	**18.9**	**164.1**	**226.5**	**63.3**	**505.7**
31 December 2011						
Liabilities						
Due to other banks	643.6	34.9	55.1	48.8		782.4
Due to customers	12,625.4	1,170.9	497.0	116.6		14,409.9
Derivative financial instruments	5,617.3	4,265.3	1,913.2	101.9	19.1	11,916.8
Financial liabilities designated at fair value	156.5	1.5	6.1	11.5	315.1	490.7
Other financial liabilities	869.8	294.4	718.6	1,466.5	34.1	3,383.4
Provisions		5.7	31.6			37.3
Other liabilities	255.1	25.2	28.7	1.8	4.4	315.2
Total financial liabilities	20,167.7	5,797.9	3,250.3	1,747.1	372.7	31,335.7
Total off balance-sheet	15.1	32.8	170.4	170.0	64.4	452.7

4.3.4 Summary of Liquidity

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

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

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

4.4 Capital Management

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

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

The Group's eligible capital comprises two tiers:

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2012 and 2011. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2012 CHF millions	31 December 2011 CHF millions
Tier 1 capital		
Share capital	77.2	73.1
Share premium	1,239.0	1,154.3
Other reserves	120.9	77.8
Retained earnings	(225.0)	(318.3)
Non-controlling interests	104.3	24.6
IFRS: Total shareholders' equity	**1,316.4**	1,011.5
Less: Proposed dividend on Ordinary Shares (note 53)	(14.6)	(13.4)
Less: Accrual for estimated expected future dividend on Bons de Participation	(1.3)	(2.3)
Less: Available-for-sale investment securities revaluation reserve	(17.6)	(7.8)
Less: Loans to employees	(0.5)	(0.4)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(245.3)	(254.8)
Less: Financial asset at fair value related to MBAM net of non-controlling interests		(13.6)
Total qualifying Tier 1 capital	**1,037.1**	719.2
Tier 2 capital		
Subordinated loans	50.7	
Available-for-sale investment securities revaluation reserve (45% weighted)	7.9	3.5
Total regulatory capital	**1,095.7**	722.7
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,977.5	3,588.7
Non-counterparty related risk	55.7	56.7
Market risk*	620.7	610.9
Operational risk*	1,392.3	1,357.6
Total risk-weighted assets	**6,046.2**	5,613.9

	31 December 2012 %	31 December 2011 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**18.1**	**12.9**

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

5. NET INTEREST INCOME

	31 December 2012 CHF millions	31 December 2011 CHF millions
Interest and discount income		
Banks and customers	282.3	262.5
Available-for-sale securities	63.5	72.7
Financial assets at fair value	51.9	48.9
Held-to-maturity	37.7	27.8
Treasury bills and other eligible bills	2.5	7.6
Total interest and discount income	**437.9**	419.5
Interest expense		
Banks and customers	(166.2)	(159.0)
Financial liabilities	(46.8)	(48.8)
Total interest expense	**(213.0)**	(207.8)
Net interest income	**224.9**	211.7

Interest income accrued on impaired financial assets is CHF 0.2 million (2011: CHF 0.9 million).

6. NET BANKING FEE AND COMMISSION INCOME

	31 December 2012 CHF millions	31 December 2011 CHF millions
Banking fee and commission income		
Securities and investment activities commission	567.8	484.8
Other services commission	60.2	76.3
Total banking fee and commission income	**628.0**	561.1
Banking fee and commission expense	(136.3)	(107.2)
Net banking fee and commission income	**491.7**	453.9

7. DIVIDEND INCOME

	31 December 2012 CHF millions	31 December 2011 CHF millions
Trading assets	23.0	18.2
Available-for-sale investment securities	1.2	1.1
Dividend income	**24.2**	19.3

8. NET TRADING INCOME

	31 December 2012 CHF millions	31 December 2011 CHF millions
Foreign exchange	70.4	83.2
Equity securities		(0.1)
Net trading income	**70.4**	83.1

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
Equity securities	(20.5)	(2.5)
Debt securities	6.3	3.1
Derivatives instruments	10.1	
Life insurance related	0.5	(11.4)
Disposal of MBAM revenue share	13.9	
Net gain / (loss) from financial instruments designated at fair value	**10.3**	(10.8)

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Gain on disposal of Available-for-sale investment securities –		
Transfer from the Statement of Other Comprehensive Income		
Debt securities	(0.3)	4.8
Life insurance related	(1.6)	0.3
Gains less losses from investment securities	**(1.9)**	5.1

11. IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Impairments on amounts due from customers	(4.7)	(2.5)
Reversal of impairments on amounts due from customers	0.3	0.6
Impairment on loans and advances to customers (note 25)	**(4.4)**	(1.9)

12. OPERATING EXPENSES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Staff costs (note 13)	(467.0)	(459.3)
Professional services	(20.0)	(22.6)
Advertising and marketing	(11.7)	(11.4)
Administrative expenses	(66.5)	(72.1)
Operating lease rentals	(31.5)	(33.9)
Depreciation of property, plant and equipment (note 35)	(11.8)	(18.0)
Amortisation of intangible assets		
Computer software and licences (note 34)	(10.4)	(8.6)
Other intangible assets (note 34)	(4.9)	(14.3)
Legal and litigation expenses	(6.5)	(6.7)
Provision for litigation risks (note 42)	9.9	(26.0)
Other	(37.9)	(40.8)
Operating expenses	**(658.3)**	(713.7)

13. STAFF COSTS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Wages, salaries and staff bonuses	(385.2)	(379.2)
Social security costs	(30.0)	(32.3)
Pension costs		
Defined benefits (note 45)	(9.0)	(8.8)
Other net pension costs	(9.5)	(2.4)
Employee Equity Incentive Plans (note 48)	(12.0)	(15.5)
Other	(21.3)	(21.1)
Staff costs	**(467.0)**	(459.3)

As at 31 December 2012 the number of employees of the Group was 2,260 and the average for the year was 2,357 (31 December 2011: 2,547 and average for the year 2,532).

14. IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

	31 December 2012 CHF millions	31 December 2011 CHF millions
Impairment of intangible assets		(74.3)
Impairment of goodwill	(1.4)	(170.1)
Impairment of intangible assets and goodwill	**(1.4)**	(244.4)

See note 34.1

15. IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENT SECURITIES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Debt securities – Governments		(67.5)
Debt securities – Banks		(5.0)
Impairment of available-for-sale investment securities	**-**	(72.5)

16. LOSS ON DISPOSAL OF SUBSIDIARIES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Loss on disposal of subsidiaries	(1.7)	
Total	**(1.7)**	**-**

The net loss of CHF 1.7 million reflects losses on the disposal of EFG Wealth Management (India) Private Ltd and Quesada Kapitalförvaltning AB.

17. INCOME TAX EXPENSE

	31 December 2012 CHF millions	31 December 2011 CHF millions
Current tax expense	(11.4)	(9.7)
Deferred tax (expense)/gain (note 18)	(8.7)	7.6
Total income tax expense	**(20.1)**	(2.1)

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
Operating profit/(loss) before tax	143.8	(289.3)
Tax at the weighted average applicable rate of 15% (2011: 11%)	(21.6)	31.8
Tax effect of:		
Impairment of deferred tax assets	(4.8)	(7.7)
Different tax rates in different countries	(3.2)	13.4
Income/(loss) not subject to tax	8.3	(2.9)
Current year losses not recognised	(3.0)	(14.5)
Future years profits recognised	2.8	(8.0)
Release of prior years tax over-provisions	2.2	1.2
Impairments not deductible for tax		(19.4)
Prior years losses recognised		4.3
Other differences	(0.8)	(0.3)
Total income tax expense	**(20.1)**	(2.1)

The weighted average tax rate of 15% is based on the operating entities local tax rates relative to the taxable income in these jurisdictions.

18. DEFERRED INCOME TAXES

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

Deferred income tax assets and liabilities comprise the following:

	31 December 2012 CHF millions	31 December 2011 CHF millions
Deferred income tax assets	32.1	48.6
Deferred income tax liabilities	(40.3)	(37.6)
Net deferred income tax (liabilities) / assets	**(8.2)**	11.0

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

At 1 January	11.0	(3.9)
(Income) / expense for period in the Statement of Comprehensive Income	(8.7)	7.6
Available-for-sale adjustment through Other Comprehensive Income	(9.9)	7.4
Decrease on sale of subsidiary	(0.5)	
Exchange differences	(0.1)	(0.1)
At 31 December	**(8.2)**	11.0

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

Tax losses carried forward	30.9	43.0
Temporary differences – income under IFRS not recognised in taxable income*	1.2	5.6
Deferred income tax assets	**32.1**	48.6
Arising from acquisition of intangible assets	(26.8)	(25.9)
Temporary differences – expenses under IFRS not recognised in taxable income**	(13.5)	(11.7)
Deferred income tax liabilities	**(40.3)**	(37.6)
Net deferred income tax (liabilities) / assets	**(8.2)**	11.0

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

Utilisation of tax losses carried forward	(2.5)	(8.4)
Creation of deferred tax assets	2.8	1.7
Impairment of deferred tax assets	(4.8)	(7.7)
Deferred tax liabilities related to intangibles impaired		17.7
Deferred tax liabilities related to intangibles amortised	0.8	3.5
Other temporary differences	(5.0)	0.8
Deferred tax (expense) / gain	**(8.7)**	7.6

** Temporary differences resulting in deferred tax assets of CHF 1.2 million (2011: CHF 5.6 million) relate to differences between local tax rules and accounting standards of CHF 0.9 million (2011: CHF 4.8 million) and CHF 0.3 million (2011: CHF 0.8 million) relate to valuation adjustments made to financial assets and liabilities only reflected in local tax accounts.*

*** Temporary differences resulting in deferred tax liabilities of CHF 13.5 million (2011: CHF 11.7 million) relate to valuation of financial assets not reflected in local tax accounts of CHF 6.7 million (2011: CHF 6.7 million), pension assets recognised for IFRS but not for local tax purposes of CHF 5.3 million (2011: CHF 4.2 million) timing of recognition of income of CHF nil (2011: CHF 0.7 million) and CHF 1.5 million (2011: CHF 0.1 million) relate to sundry other differences between local tax rules and accounting standards.*

The Group has deferred tax assets related to tax losses carried forward of CHF 30.9 million (2011: CHF 43 million) as a result of subsidiaries with tax losses of CHF 178.7 million (2011: CHF 263 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 42.2 million will expire in less than 3 years, CHF 136.4 million will expire in more than 3 but less than 7 years and CHF 0.1 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2012			
Interest and discount income	150.5	287.4	437.9
Interest expense	(88.2)	(124.8)	(213.0)
Net interest income	**62.3**	**162.6**	**224.9**
Banking fee and commission income	315.4	312.6	628.0
Banking fee and commission expense	(76.5)	(59.8)	(136.3)
Net banking fee and commission income	**238.9**	**252.8**	**491.7**
Dividend income	24.0	0.2	24.2
Net trading income	(24.5)	94.9	70.4
Net gain/(loss) from financial instruments designated at fair value	31.6	(21.3)	10.3
Gains less losses from investment securities	0.4	(2.3)	(1.9)
Other operating income/(loss)	20.6	(15.6)	5.0
Net other income	**52.1**	**55.9**	**108.0**
Operating income	**353.3**	**471.3**	**824.6**
Operating expenses	(310.9)	(347.4)	(658.3)
Impairment of intangible assets and goodwill	(0.7)	(0.7)	(1.4)
Provision for restructuring costs		(11.7)	(11.7)
Currency translation loss transferred from the Statement of Other Comprehensive Income		(3.3)	(3.3)
Loss on disposal of subsidiary		(1.7)	(1.7)
Impairment on loans and advances to customers	(2.7)	(1.7)	(4.4)
Profit before tax	**39.0**	**104.8**	**143.8**
Income tax expense	(4.8)	(15.3)	(20.1)
Net profit for the period	**34.2**	**89.5**	**123.7**
Net profit for the period attributable to:			
Net profit attributable to owners of the Group	22.4	88.6	111.0
Net profit attributable to non-controlling interests	11.8	0.9	12.7
	34.2	**89.5**	**123.7**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2011			
Interest and discount income	168.7	250.8	419.5
Interest expense	(101.5)	(106.3)	(207.8)
Net interest income	67.2	144.5	211.7
Banking fee and commission income	258.3	302.8	561.1
Banking fee and commission expense	(71.0)	(36.2)	(107.2)
Net banking fee and commission income	187.3	266.6	453.9
Dividend income	19.1	0.2	19.3
Net trading income	38.7	44.4	83.1
Net (loss)/gain from financial instruments designated at fair value	(9.6)	(1.2)	(10.8)
Gains less losses from investment securities	1.3	3.8	5.1
Other operating income/(loss)	30.2	(29.3)	0.9
Net other income/(loss)	79.7	17.9	97.6
Operating income	334.2	429.0	763.2
Operating expenses	(359.2)	(354.5)	(713.7)
Impairment of intangible assets and goodwill	(28.0)	(216.4)	(244.4)
Impairment on available-for-sale investment securities		(72.5)	(72.5)
Provision for restructuring costs	(2.5)	(7.5)	(10.0)
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)	(10.0)
Impairment on loans and advances to customers	(0.2)	(1.7)	(1.9)
Loss before tax	(55.7)	(233.6)	(289.3)
Income tax (expense)/gain	(11.1)	9.0	(2.1)
Net loss for the period	(66.8)	(224.6)	(291.4)
Net (loss)/profit for the period attributable to:			
Net loss attributable to owners of the Group	(79.3)	(214.8)	(294.1)
Net profit/(loss) attributable to non-controlling interests	7.8	(5.1)	2.7
	(71.5)	(219.9)	(291.4)

20. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Cash in hand	9.8	9.2
Balances with central banks	1,354.6	1,070.1
Cash and balances with central banks	**1,364.4**	1,079.3

21. CASH AND CASH EQUIVALENTS

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
Cash and balances with central banks	1,364.4	1,079.3
Treasury bills and other eligible bills	184.1	69.1
Due from other banks – At sight	1,103.1	800.8
Due from other banks – At term	1,695.0	866.4
Cash and cash equivalents with less than 90 days maturity	**4,346.6**	2,815.6

22. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Treasury bills	738.1	620.6
Other eligible bills	78.7	203.3
Treasury bills and other eligible bills	**816.8**	823.9
Pledged treasury bills with central banks and clearing system companies.	*-*	*56.8*

23. DUE FROM OTHER BANKS

	31 December 2012 CHF millions	31 December 2011 CHF millions
At sight	1,103.1	800.8
At term – with maturity of less than 90 days	1,695.0	866.4
At term – with maturity of more than 90 days	595.2	539.7
Due from other banks	**3,393.3**	2,206.9
Pledged due from other banks	*353.1*	*354.5*

24. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Due from customers	7,660.4	7,271.7
Mortgages	2,784.0	2,284.9
Gross loans and advances	**10,444.4**	9,556.6
Less: Provision for impairment losses (note 25)	(10.3)	(8.4)
Loans and advances to customers	**10,434.1**	9,548.2

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

	31 December 2012		31 December 2011	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,977.1	28.6	2,883.5	30.2
Asia and Oceania	2,462.6	23.6	2,497.5	26.2
Europe (other)	1,902.0	18.2	1,933.6	20.2
United Kingdom	1,440.2	13.8	1,237.8	13.0
Luxembourg	671.9	6.4	179.7	1.9
Africa and Middle East	416.3	4.0	292.4	3.0
United States and Canada	349.4	3.3	304.1	3.2
Switzerland	214.6	2.1	219.6	2.3
Total	**10,434.1**	**100.0**	9,548.2	100.0

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

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	8.4	6.1
Impairment on loans and advances to customers (note 11)	4.4	1.9
Utilisation of provision	(2.4)	
Exchange differences	(0.1)	0.4
At 31 December	**10.3**	8.4

26. COLLATERAL FOR LOANS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Loans and advances to customers		
Mortgages	2,782.8	2,282.8
Secured by other collateral	7,572.5	7,196.7
Unsecured*	78.8	68.7
Total loans and advances to customers	**10,434.1**	9,548.2
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	460.8	421.6
Contingent liabilities unsecured	44.9	31.2
Total off-balance sheet commitments	**505.7**	452.8

* *The unsecured loans include CHF 30.0 million (2011: 23.0 million) of loans made with no collateral and CHF 48.8 million (2011: CHF 45.7 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured", however within approved unsecured lending limits for the customer.*

See note 4.1 for further details on collateral.

27. DERIVATIVE FINANCIAL INSTRUMENTS

27.1 Derivatives

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

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

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

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

			31 December 2012			31 December 2011
	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	10,340.2	79.7	69.6	13,873.4	159.8	98.9
OTC currency options	1,935.0	19.7	21.1	2,232.9	29.8	26.0
Futures	1.5	0.1		30.7		2.3
		99.5	**90.7**		189.6	127.2
Interest rate derivatives						
Interest rate swaps	5,425.4	64.7	45.4	2,853.7	52.8	31.7
OTC interest rate options	191.2	7.7	0.3	131.2	5.9	0.3
Interest rate futures	895.6	0.5	0.3	291.4	0.6	0.6
		72.9	**46.0**		59.3	32.6
Other derivatives						
Equity options and index futures	6,848.0	328.3	505.9	4,582.6	228.7	399.3
Credit default swaps	300.8	4.6	7.1	160.8	3.7	7.7
Total return swaps	123.6	53.6		126.9	51.4	
Commodity options and futures	33.9	2.2	0.9	74.0	3.4	2.4
		388.7	**513.9**		287.2	409.4
Total derivative assets/liabilities held for trading		**561.1**	**650.6**		536.1	569.2
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	905.5	2.1	78.0	654.9	1.4	34.1
Total derivative assets/liabilities held for hedging		**2.1**	**78.0**		1.4	34.1
Total derivative assets/liabilities		**563.2**	**728.6**		537.5	603.3

27.2 Hedging activities

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

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2012 was negative CHF 75.9 million (2011: negative CHF 32.7 million).

28. FINANCIAL ASSETS AT FAIR VALUE – TRADING ASSETS

		31 December 2012 CHF millions	31 December 2011 CHF millions
Issued by public issuers:	Government	123.5	42.7
Issued by non public issuers:	Banks	145.3	90.6
Issued by non public issuers:	Other	1,071.2	680.6
Total		**1,340.0**	813.9

The movement in the account is as follows:

At 1 January	**813.9**	624.7
Additions	8,027.2	7,296.9
Disposals (sale and redemption)	(7,483.4)	(7,104.9)
Losses from changes in fair value	(17.7)	(2.8)
At 31 December	**1,340.0**	813.9

29. FINANCIAL ASSETS AT FAIR VALUE – DESIGNATED AT INCEPTION

		31 December 2012 CHF millions	31 December 2011 CHF millions
Issued by public issuers:	Government	51.1	51.1
Issued by non public issuers:	Others	0.4	1.6
Issued by other issuers:	US life insurance companies*	294.0	263.2
Issued by other issuers:	US life insurance companies	35.9	36.2
Other	MBAM revenue share		15.1
Total		**381.4**	367.2

Equity securities	Unlisted but quoted	0.4	1.4
Debt securities	Listed	51.1	51.3
Life insurance policies securities	Unquoted – Discounted cash flow analysis*	294.0	263.2
Life insurance policies securities	Unquoted – Discounted cash flow analysis	35.9	36.2
Other	Unquoted – Discounted cash flow analysis		15.1
Total		**381.4**	367.2

The movement in the account is as follows:

At 1 January	**367.2**	370.8
Additions	33.8	123.2
Disposals (sale and redemption)	(25.3)	(119.9)
Gains/(losses) from changes in fair value	13.8	(5.5)
Exchange differences	(8.1)	(1.4)
At 31 December	**381.4**	367.2

* See note 40.

30. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

		31 December 2012 CHF millions	31 December 2011 CHF millions
Issued by public bodies:	Government	**1,796.8**	1,857.8
Issued by public bodies:	Other public sector	**381.2**	286.0
Issued by other issuers:	Banks	**1,047.6**	1,762.4
Issued by other issuers:	US life insurance companies	**44.8**	44.3
Issued by other issuers:	Other	**27.4**	33.8
Total		**3,297.8**	3,984.3

Debt securities:	Listed/Quoted	**2,858.7**	3,182.1
Debt securities:	Unlisted	**37.5**	8.0
Debt securities:	Unquoted – Discounted cash flow analysis	**329.0**	716.7
Equity securities:	Listed/Quoted	**1.0**	4.4
Equity securities:	Unquoted – Other valuation Models	**26.8**	28.8
Life insurance related:	Unquoted – Discounted cash flow analysis	**44.8**	44.3
Total		**3,297.8**	3,984.3
*Pledged securities with central banks, clearing system companies or third party banks**		***2,590.2***	*2,502.0*

The movement in the account is as follows:

At 1 January	**3,984.3**	3,690.3
Exchange differences	**(21.9)**	40.1
Additions	**1,680.0**	2,136.0
Disposals (sale and redemption)	**(2,392.9)**	(1,841.8)
Gains/(losses) from changes in fair value	**49.1**	(50.3)
Accrued interest	**(0.8)**	10.0
At 31 December	**3,297.8**	3,984.3

* *The Group has pledged Financial Investments as collateral for CHF 2,383.7 million (2011: CHF 2,090.0 million). This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.*

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

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

The movement of the reserve is as follows:

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	(117.8)	(142.8)
Fair value gain/(losses) on available-for-sale investment securities, before tax net of non-controlling interests	49.1	(50.3)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income		72.5
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	1.9	(4.6)
Tax effect on changes in fair value of available-for-sale investment securities	(9.9)	7.4
At 31 December	**(76.7)**	(117.8)

32. INVESTMENT SECURITIES – HELD-TO-MATURITY

		31 December 2012 CHF millions	31 December 2011 CHF millions
Issued by public bodies:	Government	108.8	109.7
Issued by public bodies:	Other public sector	302.4	304.8
Issued by other issuers:	US Life insurance companies	685.2	685.2
Issued by other issuers:	Financial services		3.0
Gross investment securities – Held-to-maturity		**1,096.4**	1,102.7
Impairment on financial assets held-to-maturity		(2.8)	(4.4)
Total		**1,093.6**	1,098.3

The movement in the account is as follows:

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	**1,098.3**	1,024.5
Exchange differences	(20.8)	(5.0)
Additions/premiums paid	44.3	53.2
Redemptions	(65.3)	(3.8)
Accrued interest	37.1	29.4
At 31 December	**1,093.6**	1,098.3
Pledged securities with central banks and clearing system companies.	-	-

33. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2012:

Name	Line of business	Country of incorporation	% Ownership*		Share Capital (000s)
Main Subsidiaries					
EFG Bank AG, Zurich	Bank	Switzerland	100	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	100	EUR	26,944
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	100	USD	32,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	100	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	100	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	100	GBP	1,596
PRS Investment Services (Cayman) Ltd, George Town	Investment Advisory & Fund Administration	Cayman Islands	100	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	100	USD	-
EFG Capital International Corp, Miami	Broker dealer	USA	100	USD	12,200
EFG Finance (Guernsey) Ltd, Guernsey	Finance Company	Guernsey	100	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	100	CHF	3
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	100	EUR	579,803
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	100	CHF	600
Asesores Y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	72.0	EUR	92
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	20.25	CHF	13,333
LFS Investment VII AB, Stockholm	Investment Company	Sweden	10.7	SEK	100

* *All the subsidiaries above have the same ownership and voting rights, with the exception of EFG Financial Products Holding AG (20.25% ownership but effective control) and LFS Investment VII AB (10.7% and control).*

Following the Initial Public Offering, the Group continues to control EFG Financial Products Holding AG, Zurich ("EFG FP") pursuant to the Shareholders' Agreement while EFG FP's other shareholders, in general, will not be able to affect the outcome of any shareholder vote. The Group will continue fully to consolidate EFG FP from an accounting, regulatory supervision and regulatory capital point of view for as long as the Group holds at least 20% of the share capital of the company and a majority of the Board of Directors has been appointed by the Group pursuant to the Shareholders' Agreement.

34. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2011				
Cost	40.8	296.5	805.9	1,143.2
Accumulated amortisation	(24.8)	(165.0)	(374.6)	(564.4)
Net book value	16.0	131.5	431.3	578.8
Year ended 31 December 2011				
Opening net book amount	16.0	131.5	431.3	578.8
Acquisition of computer software and licences	10.3			10.3
Amortisation charge for the year – Computer software and licences (note 12)	(8.6)			(8.6)
Amortisation charge for the year – Other intangible assets (note 12)		(14.3)		(14.3)
Impairment charge for the year		(74.3)	(170.1)	(244.4)
Disposal as part of MBAM restructuring			(14.7)	(14.7)
Exchange differences		(1.9)	(4.6)	(6.5)
Closing net book value	17.7	41.0	241.9	300.6
At 31 December 2011				
Cost	51.6	190.8	616.8	859.2
Accumulated amortisation and impairment	(33.9)	(149.8)	(374.9)	(558.6)
Net book value	17.7	41.0	241.9	300.6
Year ended 31 December 2012				
Opening net book amount	17.7	41.0	241.9	300.6
Acquisition of computer software and licences	15.3			15.3
Amortisation charge for the year – Computer software and licences (note 12)	(10.4)			(10.4)
Amortisation charge for the year – Other intangible assets (note 12)		(4.9)		(4.9)
Impairment charge for the year (note 34.1)			(1.4)	(1.4)
Revaluation of earn out obligations (note 34.2)			3.5	3.5
Disposal of Goodwill			(8.1)	(8.1)
Exchange differences		0.2	(0.2)	-
Closing net book value	**22.6**	**36.3**	**235.7**	**294.6**
At 31 December 2012				
Cost	66.9	190.8	611.7	869.4
Accumulated amortisation and impairment	(44.3)	(154.5)	(376.0)	(574.8)
Net book value	**22.6**	**36.3**	**235.7**	**294.6**

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

The accounting for these business combinations was dependent on the accounting standard in force at the time of the acquisition, as described below.

34.1 Impairment charge for the year

31 December 2011	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Derivative Structured Asset Management, Sweden/Cayman	(6.7)	(57.6)	(64.3)
Asesores y Gestores Financieros S.A., Spain	(24.9)	(21.9)	(46.8)
PRS International Consulting Inc, USA	(27.0)	(12.0)	(39.0)
EFG Bank von Ernst AG, Liechtenstein	(1.9)	(27.5)	(29.4)
EFG Banque Privée, France	(5.3)	(17.0)	(22.3)
On Finance S.A., Switzerland	(3.1)	(17.2)	(20.3)
Bansabadell Finance, Switzerland		(7.4)	(7.4)
EFG Wealth Management Chiltern, United Kingdom	(1.8)	(5.1)	(6.9)
EFG Wealth Management (India) Private Limited, India	(2.5)	(0.6)	(3.1)
EFG Bank (Gibraltar) Ltd, Gibraltar		(2.4)	(2.4)
Bull Wealth Management Group Inc, Canada	(1.1)	(1.1)	(2.2)
Bruxinter, Switzerland		(0.3)	(0.3)
Total	**(74.3)**	**(170.1)**	**(244.4)**

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

34.2 Revaluation of earn out obligations

In the period a net credit adjustment of CHF 3.5 million was made to earn out obligations as a result of the annual reassessment of these liabilities. These liabilities are based on the levels of profit generated by subsidiaries post acquisition.

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

34.3 Impairment tests

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

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2012 balances of Intangibles allocated to all its cash generating units remain recoverable.

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

Where the carrying values have been compared to "fair value less costs to sell", the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles based on comparable market transactions (2% to 4% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 11 and 12.3) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

The carrying amounts of goodwill and intangible assets at 31 December 2012 allocated to each cash generating unit are as follows:

Segment	Cash generating unit	Discount rate/ Growth rate	Period	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Value in use						
United Kingdom	Harris Allday	4.5%/3.5%	5 years	20.0	36.1	56.1
Continental Europe	PRS Group	6.0%/1.0%	5 years	0.8	33.9	34.7
Continental Europe	Asesores y Gestores Financieros SA	5.5%/1.0%	5 years	2.5	21.9	24.4
Continental Europe	EFG Bank von Ernst AG	4.6%/1.0%	5 years	0.2	4.7	4.9
Fair value less costs to sell		P/E	AuM multiple			
Continental Europe	Banque Edouard Constant	12.3	3.1%		76.3	76.3
Continental Europe	Banque Monégasque de Gestion	11.0	3.8%	4.9	23.3	28.2
Other						
Various	Other Cash Generating Units	Various*		7.9	39.5	47.4
Total carrying values				**36.3**	**235.7**	**272.0**

* *Discount rates for Value in use approach are between 4.6% and 5.8% P/E are between 11 and 12.3 based on earnings.*

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations, to determine whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles and goodwill remained recoverable at 31 December 2012.

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

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

Cash generating unit	Impairment impact of 20% decline in forecast profit CHF millions	Impairment impact of 50% decline in forecast profit CHF millions	Impairment impact of 100 bp increase on discount rate CHF millions	Required decline in forecast profit to equal carrying value CHF millions
Banque Edouard Constant	0.4	28.9	-	20%
Harris Allday	-	-	-	55%
PRS Group	-	10.0	-	30%
Banque Monégasque de Gestion	2.9	12.3	-	11%
Asesores y Gestores Financieros SA	-	-	-	69%
EFG Bank von Ernst AG	-	2.8	-	42%

35. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2011					
Cost	3.8	40.2	21.4	39.1	104.5
Accumulated depreciation	(0.5)	(18.0)	(11.7)	(26.8)	(57.0)
Net book value	3.3	22.2	9.7	12.3	47.5
Year ended December 2011					
Opening net book amount	3.3	22.2	9.7	12.3	47.5
Additions		1.4	1.7	6.1	9.2
Depreciation charge for the year (note 12)	(0.1)	(7.8)	(3.1)	(7.0)	(18.0)
Disposal and write-offs		(0.1)	(0.1)		(0.2)
Exchange differences			(0.2)	(0.1)	(0.3)
Closing net book value	3.2	15.7	8.0	11.3	38.2
At 31 December 2011					
Cost	3.8	41.0	21.7	44.8	111.3
Accumulated depreciation	(0.6)	(25.3)	(13.7)	(33.5)	(73.1)
Net book value	3.2	15.7	8.0	11.3	38.2
Year ended December 2012					
Opening net book amount	3.2	15.7	8.0	11.3	38.2
Additions		1.3	1.0	5.2	7.5
Depreciation charge for the year (note 12)		(3.8)	(2.4)	(5.6)	(11.8)
Disposal of subsidiary		(0.1)	(0.2)		(0.3)
Disposal and write-offs		(0.3)	(0.3)	(0.1)	(0.7)
Exchange differences	0.1				0.1
Closing net book value	**3.3**	**12.8**	**6.1**	**10.8**	**33.0**
At 31 December 2012					
Cost	4.0	40.9	20.1	47.2	112.2
Accumulated depreciation	(0.7)	(28.1)	(14.0)	(36.4)	(79.2)
Net book value	**3.3**	**12.8**	**6.1**	**10.8**	**33.0**

36. OTHER ASSETS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Prepaid expenses and accrued income	98.4	65.4
Settlement balances*	407.4	55.0
Current income tax assets	3.5	15.7
Other assets	72.3	57.9
Other assets	**581.6**	194.0

* *Settlement balances reflect trade date versus settlement date accounting principle application on the issuance of structured products and is dependent on transactions executed over the year-end period.*

37. DUE TO OTHER BANKS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Due to other banks at sight	817.1	528.8
Due to other banks at term	68.2	250.2
Due to other banks	**885.3**	779.0

38. DUE TO CUSTOMERS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Non interest bearing	9,023.2	7,343.5
Interest bearing	7,060.8	7,054.9
Due to customers	**16,084.0**	14,398.4

39. SUBORDINATED LOANS

EUR 67.6 million note (CHF 81.6 million equivalent) due 13 January 2022 with a fixed annual coupon for the first 5 years paying 8%, net of unamortised discount on issuance of CHF 24.6 million.

40. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

		31 December 2012 CHF millions	31 December 2011 CHF millions
Structured products	Unquoted – Recent arm's length transactions	742.2	
Synthetic life insurance	Unquoted – Discounted cash flow analysis	311.5	279.3
Equities securities (short positions)	Listed/Quoted	30.8	148.2
Equities securities (liabilities to purchase non-controlling interests)	Discounted cash flow analysis	17.9	18.0
Debt securities (short positions)	Listed/Quoted	2.9	20.1
Hybrid securities	Unquoted – Recent arm's length transactions	26.0	25.1
Total other liabilities		**1,131.3**	490.7

Credit rating impact

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

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is economically hedged by a portfolio of life insurance policies classified as financial asset – life insurance related at fair value of CHF 294.0 million (2011: CHF 263.2 million, see note 29).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. As of 31 December 2012, the financial liability was valued at CHF 17.9 million (2011: CHF 18.0 million).

41. OTHER FINANCIAL LIABILITIES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Structured products issued	2,938.1	3,356.5
Total other financial liabilities	**2,938.1**	3,356.5

42. PROVISIONS

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2011	-	-	6.9	6.9
Increase in provisions recognised in the Statement of comprehensive income	26.0	10.0	0.7	36.7
Release of provisions recognised in the Statement of comprehensive income			(0.4)	(0.4)
Provisions used during the year		(2.5)	(3.3)	(5.8)
Exchange differences			(0.1)	(0.1)
At 31 December 2011	**26.0**	**7.5**	**3.8**	**37.3**

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2012	26.0	7.5	3.8	37.3
Increase in provisions recognised in the Statement of comprehensive income	1.2	12.0	0.8	14.0
Release of provisions recognised in the Statement of comprehensive income	(11.1)	(0.3)	(0.3)	(11.7)
Provisions used during the year	(12.8)	(12.4)	(3.2)	(28.4)
Exchange differences	0.2	0.1		0.3
At 31 December 2012	**3.5**	**6.9**	**1.1**	**11.5**
Expected payment within 12 months		5.5	1.1	6.6
Expected payment thereafter	3.5	1.4		4.9
	3.5	**6.9**	**1.1**	**11.5**

Provision for litigation risks

The provision for litigation risks at December 2011 comprised primarily provisions of CHF 16.0 million for a complaint relating to an investment product sold to a Scandinavian client and CHF 5.7 million related to a settlement reached in December 2011 related to a US Class Action related to the Madoff fraud.

In 2012 the case with the Scandinavian client went to arbitration and a settlement was reached resulting in a CHF 11.1 million release of excess provision, as the majority of the settlement was covered by an insurance policy.

The CHF 5.7 million was for a settlement reached in December 2011 related to a US Class Action related to the Madoff fraud and was utilised when settled in early 2012.

The residual CHF 3.5 million of provision for litigation at the end of 2012 are for numerous small provisions for litigation which are expected to be settled over the next two to three years.

Provision for restructuring

The Group made the decision to close the businesses in France, Sweden and Gibraltar. These provisions will primarily be utilised in the first 6 months of 2013 and relate to the closure costs of these entities which are part of the way through their closure programmes.

43. OTHER LIABILITIES

	31 December 2012 CHF millions	31 December 2011 CHF millions
Deferred income and accrued expenses	194.5	198.9
Settlement balances	206.6	75.8
Short term compensated absences	6.1	7.2
Contingent acquisition obligations		3.8
Other liabilities	24.1	29.5
Other liabilities	**431.3**	315.2

44. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

The following contingent liability that management is aware of is related to obligations which may result in outflows, but which cannot be reliably estimated. However and which management believe that this matter will not have a material financial effect on the Group.

The Swiss Federal Supreme Court decided on the question whether trailer fees and similar compensations, commonly referred to as "retrocessions", paid for the distribution/placement of financial products such as investment funds and structured products, belong to the client in a situation where the distributor is in a discretionary asset management relationship with the client. Pursuant to the Supreme Court ruling, distributors may not retain such retrocessions where a distributor has a discretionary asset management relationship with a client, unless such client validly waived its right to receive such retrocessions in a qualified manner. In doctrine it is disputed whether the statute of limitations for a client's claim for forwarding of retrocessions received in the past is five or ten years from receipt of the retrocession by the distributor or even longer. As a result of the decision and including the strict requirements for valid waivers, clients of the Group may seek to claim restitution of such retrocessions from the Group, which could impact its profitability. The effect of the decision on the Group's profitability will ultimately depend on a number of factors which cannot be predicted with certainty. As a result, the Group does not believe it can reliably estimate the potential outflows that it may incur. The Group does not believe that the financial effect on the Group of the Supreme Court decision will be material.

45. RETIREMENT BENEFIT OBLIGATIONS

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

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 4.5 million; the fair value of plan assets is CHF 4.6 million.

The disclosure below relates to the Switzerland plans.

The Group applies the corridor approach, whereby actuarial gains and losses are recognised over the remaining working lives of the employees as income or expense, if the net cumulative actuarial gains and losses exceed the greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets.

The Switzerland plan

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

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	196.4	184.6
Service cost	9.4	9.8
Employees contributions	7.3	7.4
Benefit payments	(21.1)	(3.8)
Interest cost	5.3	5.4
Settlements		(3.0)
Pension transfers	(2.6)	(3.1)
Plan amendments	(1.1)	
Actuarial loss/(gain) for the year	8.4	(0.9)
At 31 December	**202.0**	196.4

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

At 1 January	178.2	165.4
Employees contributions	7.3	7.4
Employer's contributions	15.5	14.4
Benefit payments	(21.1)	(3.8)
Expected return on plan assets	5.4	6.7
Actuarial gain/(loss) for the year	6.8	(6.0)
Settlements		(2.8)
Pension transfers	(2.6)	(3.1)
At 31 December	**189.5**	178.2

The movement in liability is as follows:

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 31 December		
Present value of funded obligation	202.0	196.4
Fair value of plan assets	(189.5)	(178.2)
Deficit	12.5	18.2
Unrecognised actuarial loss	(33.4)	(32.6)
Net asset recognised in balance sheet	**(20.9)**	(14.4)

Plan assets of CHF 3.7 million (2011: CHF 3.7 million) have been pledged as collateral to third parties who have provided employees with mortgages for financing their main residence.

The movement in the net asset recognised in the balance sheet, is as follows:

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	(14.4)	(8.8)
Net periodic pension cost	9.0	8.8
Employer's contributions	(15.5)	(14.4)
Pension prepaid	**(20.9)**	(14.4)
At 31 December	**(20.9)**	(14.4)

The movement in unrecognised actuarial loss is as follows:

At 1 January	32.6	28.0
Actuarial loss/(gain) for the year arising on defined benefit obligation	8.4	(0.9)
Actuarial (gain)/loss arising on the plan assets	(6.8)	6.0
Amortisation of the corridor's variance	(0.8)	(0.5)
At 31 December	**33.4**	32.6

The movement recognised in the Statement of comprehensive income, is as follows:

	31 December 2012 CHF millions	31 December 2011 CHF millions
Service cost	9.4	9.8
Interest cost	5.3	5.4
Expected return on plan assets	(5.4)	(6.7)
Settlements net of curtailments		(0.2)
Past service cost	(1.1)	
Amortisation of the corridor's variance	0.8	0.5
Total net periodic pension cost (note 13)	**9.0**	8.8

The asset allocation is as follows:

Debt instruments	55.9%	62.6%
Equity instruments	23.8%	25.2%
Cash	19.2%	11.4%
Other	1.1%	0.8%
	100.0%	100.0%

The actual return on plan assets was CHF 12.2 million in 2012 (2011: CHF 0.8 million).

	31 December 2012 CHF millions	31 December 2011 CHF millions	31 December 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions
Present value of Defined benefit obligation	202.0	196.4	184.6	182.4	189.0
Fair value of plan assets	189.5	178.2	165.4	163.1	167.3
Funded status: (Underfunding)/Surplus	(12.5)	(18.2)	(19.2)	(19.3)	(21.7)
Experience adjustments on plan assets	6.8	(6.0)	(7.9)	(8.3)	(21.6)
Experience adjustments on plan liabilities	8.4	(0.9)	(1.1)	(3.6)	(4.6)

The principal annual actuarial assumptions used, were as follows:

	31 December 2012	31 December 2011
Discount rate (p.a.)	1.90%	2.75%
Expected return on plan assets (p.a.)	3.00%	3.00%
Future salary increases (p.a.)	1.00%	1.00%
Future pension increases (p.a.)	0.00%	0.00%
Turnover (average) (p.a.)	15.00%	15.00%
Retirement age (Male/Female)	Age 65/64	Age 65/64

The assumptions regarding expected mortality rates are set based on advice, published statistics and experience. The average life expectancy at 31 December 2012 (based on the average age of 69.1) for current male pensioners is 16.2 years and for current female pensioners (based on the average age of 69.3) is 18.2 years (based on the LPP 2010 tables).

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and real estate investments reflect long-term real rates of return experienced in the respective markets.

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2013 are CHF 14.5 million.

46. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

The following is an analysis of the movement of share capital and share premium. The par value of EFG International's registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation "B" (Preference shares) is CHF 15. All of EFG International shares and Bons de Participation "B" are fully paid.

46.1 Share capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2011	73.3	6.0	(6.2)	-	73.1
Ordinary shares sold					
Ordinary shares repurchased					
At 31 December 2011	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**
Ordinary shares sold			5.1		5.1
Ordinary shares repurchased					-
Employee equity incentive plans exercised			1.0		1.0
Repurchase of Bons de Participation		(2.0)			(2.0)
At 31 December 2012	**73.3**	**4.0**	**(0.1)**	**-**	**77.2**

46.2 Share premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2011	1,330.6	2.0	(178.8)		1,153.8
Ordinary shares sold			0.5		0.5
Ordinary shares repurchased					-
At 31 December 2011	**1,330.6**	**2.0**	**(178.3)**	**-**	**1,154.3**
Ordinary shares sold			71.0		71.0
Employee equity incentive plans exercised			14.4		14.4
Repurchase of Bons de Participation		(0.7)			(0.7)
At 31 December 2012	**1,330.6**	**1.3**	**(92.9)**	**-**	**1,239.0**

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

46.3 Number of shares

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

	Ordinary shares with voting right	Bons de Participation without voting right*	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation B*	Net
Nominal	CHF 0.50	CHF 15.–	CHF 0.50	CHF 15.–	
At 1 January 2011	146,670,000	400,000	(12,412,211)		
Ordinary shares sold			54,007		
Ordinary shares repurchased			(579)		
At 31 December 2011	146,670,000	400,000	(12,358,783)	-	
Ordinary shares sold			12,085,620		
Ordinary shares repurchased			(2,445)		
Repurchase of Bons de Participation		(135,219)			
At 31 December 2012	**146,670,000**	**264,781**	**(275,608)**	**-**	
Net share capital (CHF millions)	**73.3**	**4.0**	**(0.1)**	**-**	**77.2**

All transactions in EFG International AG shares were traded at market prices.

The total number of shares sold during 2012 is 12,085,620 (2011: 54,007) at an average price per share of CHF 7.58 (2011: CHF 9.81). The total number of treasury shares acquired during 2012 is 2,445 (2011: 579) and the average purchase price of these shares in the period was CHF 8.16 per share (2011: CHF 12.97).

On 13 January 2012 the Group acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pays an annual interest coupon of 8%.

On 28 January 2013 the Group acquired 251,399,000 Bons de Participation for cash consideration, in conjunction with an issuance of CHF 180,000,000 of new subordinated Basel III compliant Tier 2 bonds by a wholly owned subsidiary at an annual coupon of 4.75% with an optional redemption call in 5 years and a final maturity of 10 years.

Conditional share capital

The share capital may be increased by a maximum of CHF 2,282,500 by issuing 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 27 April 2014, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

47. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2011	(142.8)	82.6	102.8	42.6
Employee equity incentive plans		15.5		15.5
Fair value losses on available-for-sale investment securities, before tax, net of non-controlling interests	(50.3)			(50.3)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	72.5			72.5
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(4.6)			(4.6)
Tax effect on changes in fair value of available-for-sale investment securities	7.4			7.4
Currency translation losses transferred to the Statement of Comprehensive Income			10.0	10.0
Currency translation differences, before tax			(15.3)	(15.3)
At 31 December 2011	(117.8)	98.1	97.5	77.8
Balance at 1 January 2012	(117.8)	98.1	97.5	77.8
Employee equity incentive plans		12.0		12.0
Employee equity incentive plans exercised		(20.5)		(20.5)
Repurchase of Bons de Participation			(49.2)	(49.2)
Partial disposal of subsidiary*			53.4	53.4
Fair value gains on available-for-sale investment securities, before tax, net of non-controlling interests	49.1			49.1
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income				
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	1.9			1.9
Tax effect on changes in fair value of available-for-sale investment securities	(9.9)			(9.9)
Currency translation losses transferred to the Statement of Comprehensive Income			3.3	3.3
Currency translation differences, before tax			3.0	3.0
At 31 December 2012	**(76.7)**	**89.6**	**108.0**	**120.9**

** In October 2012 the Group reduced its holding from 56.9% to 20.25% via the initial public offering of EFG Financial Products, realising a net gain of CHF 53.4 million.*

48. OFF-BALANCE SHEET ITEMS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Guarantees issued in favour of third parties	285.9	322.4
Irrevocable commitments	219.8	130.4
Operating lease commitments	110.7	172.4
Total	**616.4**	625.2

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

	Not later than 1 year CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2012				
Guarantees issued in favour of third parties	150.7	77.2	58.0	285.9
Irrevocable commitments	65.2	149.3	5.3	219.8
Operating lease commitments	29.7	57.8	23.2	110.7
Total	**245.6**	**284.3**	**86.5**	**616.4**
31 December 2011				
Guarantees issued in favour of third parties	189.3	68.7	64.4	322.4
Irrevocable commitments	29.1	101.3		130.4
Operating lease commitments	70.2	74.3	27.9	172.4
Total	**288.6**	**244.3**	**92.3**	**625.2**

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases are disclosed in the table above.

49. FIDUCIARY TRANSACTIONS

	31 December 2012 CHF millions	31 December 2011 CHF millions
Fiduciary transactions with third party banks	1,766.9	2,272.2
Loans and other fiduciary transactions	5.2	5.1
Total	**1,772.1**	2,277.3

50. SEGMENTAL REPORTING

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, Asset Management and Financial Products.

The Private Banking and Wealth Management business is managed on a regional basis and is split into Continental Europe, America's, United Kingdom and Asia. The Continental Europe region includes private banking operations in Switzerland (disclosed separately below due to its relative size) and Rest of Europe comprising, France, Gibraltar, Liechtenstein, Luxembourg, Monaco, On Finance, Spain, Sweden and the PRS business. The America's region includes United States of America, Canada, Bahamas and Cayman. The Asian region includes Hong Kong, Singapore and Taiwan.

The Asset Management segment includes EFG Asset Management business in all locations as it operates on a global basis. The Financial Products business is considered as a separate reportable segment.

The basis for expense allocation between segments follows the arm's length principle.

In 2012 the Corporate Centre took responsibility for managing the Life insurance policy related, certain investment portfolios, funding costs (including funding costs from EFG Financial Products), global brand related marketing and Swiss back-office and IT functions used on a global basis.

The comparatives for 31 December 2011 have been adjusted to reflect the composition of the segments resulting from changes in the structure of the internal organisation.

	Private Banking and Wealth management			
	Switzerland CHF millions	Rest of Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2012				
Segment revenue from external customers	155.9	122.8	113.0	154.1
Segment expenses	(123.8)	(100.4)	(77.4)	(107.8)
Tangible assets and software depreciation	(1.6)	(2.2)	(1.4)	(1.6)
Total Operating margin	**30.5**	**20.2**	**34.2**	**44.7**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(4.0)	(0.4)	(1.8)
(Impairment)/reversal of impairment on loans and advances to customers	(0.1)	(2.5)	(0.5)	(1.3)
Impairment on available-for-sale investment securities				
Provision for restructuring costs		(12.0)		
Gain on disposal of subsidiaries		0.1		
Currency translation loss transferred from the Statement of Other Comprehensive Income		(0.9)		
Segment profit before tax	30.3	0.9	33.3	41.6
Income tax (expense)/gain	(3.1)	0.9	(2.4)	(3.1)
Net profit/(loss) for the period	27.2	1.8	30.9	38.5
Net loss/(profit) attributable to non-controlling interests		(0.3)		
Net profit attributable to owners of the Group	**27.2**	**1.5**	**30.9**	**38.5**
Assets under management	15,297	14,678	12,093	16,359
Employees	473	306	247	483
At 31 December 2011				
Segment revenue from external customers	173.8	134.4	77.2	132.6
Segment expenses	(165.5)	(122.5)	(69.5)	(93.6)
Tangible assets and software depreciation	(6.3)	(3.6)	(2.0)	(1.5)
Total Operating margin	**2.0**	**8.3**	**5.7**	**37.5**
Cost to acquire intangible assets and impairment of intangible assets	(7.7)	(235.9)	(2.7)	(8.9)
(Impairment)/reversal of impairment on loans and advances to customers	(0.2)			(1.7)
Impairment on available-for-sale investment securities				
Provision for restructuring costs		(10.0)		
Gain on disposal of subsidiaries				
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)		
Segment profit before tax	(5.9)	(247.6)	3.0	26.9
Income tax (expense)/gain	(7.1)	13.3	(0.2)	(4.4)
Net profit/(loss) for the period	(13.0)	(234.3)	2.8	22.5
Net loss/(profit) attributable to non-controlling interests		5.4		
Net profit attributable to owners of the Group	**(13.0)**	**(228.9)**	**2.8**	**22.5**
Assets under management	15,318	17,705	11,777	14,802
Employees	557	426	265	505

* *External revenues from clients have been recognised in both the Asset Management and Private Banking segments related to asset management mandates for private banking clients. This double count is eliminated to reconcile to the total operating income.*

		Asset Management	Financial Products	Corporate Overheads	Eliminations*	Total
Asia CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
109.2	655.0	72.7	125.5	21.9	(50.5)	824.6
(73.3)	(482.7)	(30.4)	(92.9)	(40.7)	15.5	(631.2)
(1.9)	(8.7)	(0.1)	(9.3)	(4.1)		(22.2)
34.0	**163.6**	**42.2**	**23.3**	**(22.9)**	**(35.0)**	**171.2**
	(6.3)					(6.3)
	(4.4)					(4.4)
0.3	(11.7)					(11.7)
(1.8)	(1.7)					(1.7)
(2.4)	(3.3)					(3.3)
30.1	136.2	42.2	23.3	(22.9)	(35.0)	143.8
(4.6)	(12.3)	(6.6)	(1.5)	0.3		(20.1)
25.5	123.9	35.6	21.8	(22.6)	(35.0)	123.7
0.2	(0.1)	(0.9)	(11.7)			(12.7)
25.7	**123.8**	**34.7**	**10.1**	**(22.6)**	**(35.0)**	**111.0**
14,380	72,807	7,364	3,505	782	(4,989)	79,469
375	1,884	98	266	15	(3)	2,260
103.3	621.3	53.8	108.9	20.9	(41.7)	763.2
(81.5)	(532.6)	(28.0)	(85.2)	(40.0)	13.0	(672.8)
(2.3)	(15.7)	(0.2)	(6.1)	(4.6)		(26.6)
19.5	**73.0**	**25.6**	**17.6**	**(23.7)**	**(28.7)**	**63.8**
(3.5)	(258.7)					(258.7)
	(1.9)					(1.9)
				(72.5)		(72.5)
	(10.0)					(10.0)
	(10.0)					(10.0)
16.0	(207.6)	25.6	17.6	(96.2)	(28.7)	(289.3)
(3.3)	(1.7)	4.6	(2.2)	(2.8)		(2.1)
12.7	(209.3)	30.2	15.4	(99.0)	(28.7)	(291.4)
0.2	5.6	(0.5)	(7.8)			(2.7)
12.9	**(203.7)**	**29.7**	**7.6**	**(99.0)**	**(28.7)**	**(294.1)**
14,099	73,701	5,713	3,181	651	(4,213)	79,033
469	2,222	79	234	15	(3)	2,547

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2012			
Assets			
Cash and balances with central banks	1,129.3	235.1	1,364.4
Treasury bills and other eligible bills		816.8	816.8
Due from other banks	3,310.9	82.4	3,393.3
Loans and advances to customers	2,858.7	7,575.4	10,434.1
Derivative financial instruments	445.3	117.9	563.2
Financial assets at fair value:			
Trading Assets	1,340.0		1,340.0
Designated at inception		381.4	381.4
Investment securities:			
Available-for-sale	35.9	3,261.9	3,297.8
Held-to-maturity	48.4	1,045.2	1,093.6
Intangible assets	114.3	180.3	294.6
Property, plant and equipment	15.5	17.5	33.0
Deferred income tax assets	9.0	23.1	32.1
Other assets	425.7	155.9	581.6
Total assets	9,733.0	13,892.9	23,625.9
Liabilities			
Due to other banks	2,609.8	(1,724.5)	885.3
Due to customers	4,629.3	11,454.7	16,084.0
Subordinated loans	187.5	(130.5)	57.0
Derivative financial instruments	534.7	193.9	728.6
Financial liabilities designated at fair value	775.3	356.0	1,131.3
Other financial liabilities		2,938.1	2,938.1
Current income tax liabilities		2.1	2.1
Deferred income tax liabilities	33.5	6.8	40.3
Provisions		11.5	11.5
Other liabilities	260.9	170.4	431.3
Total liabilities	9,031.0	13,278.5	22,309.5
Equity			
Share capital	77.2		77.2
Share premium	1,239.0		1,239.0
Other reserves	763.8	(642.9)	120.9
Retained earnings	24.7	(249.7)	(225.0)
Total shareholders' equity	2,104.7	(892.6)	1,212.1
Non-controlling interests	97.8	6.5	104.3
Total shareholders' equity	2,202.5	(886.1)	1,316.4
Total equity and liabilities	11,233.5	12,392.4	23,625.9

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2011			
Assets			
Cash and balances with central banks	539.9	539.4	1,079.3
Treasury bills and other eligible bills	50.0	773.9	823.9
Due from other banks	5,632.6	(3,425.7)	2,206.9
Loans and advances to customers	3,092.3	6,455.9	9,548.2
Derivative financial instruments	411.2	126.3	537.5
Financial assets at fair value:			
Trading Assets	813.9		813.9
Designated at inception	51.2	316.0	367.2
Investment securities:			
Available-for-sale	76.9	3,907.4	3,984.3
Held-to-maturity	48.8	1,049.5	1,098.3
Intangible assets	105.7	194.9	300.6
Property, plant and equipment	15.5	22.7	38.2
Deferred income tax assets	19.3	29.3	48.6
Other assets	84.9	109.1	194.0
Total assets	10,942.2	10,098.7	21,040.9
Liabilities			
Due to other banks	3,565.5	(2,786.5)	779.0
Due to customers	3,618.3	10,780.1	14,398.4
Derivative financial instruments	548.5	54.8	603.3
Financial liabilities designated at fair value	168.3	322.4	490.7
Other financial liabilities	2,987.2	369.3	3,356.5
Current income tax liabilities	7.1	4.3	11.4
Deferred income tax liabilities	30.9	6.7	37.6
Provisions	16.2	21.1	37.3
Other liabilities	190.0	125.2	315.2
Total liabilities	11,132.0	8,897.4	20,029.4
Equity			
Share capital	73.1		73.1
Share premium	1,154.3		1,154.3
Other reserves	117.7	(39.9)	77.8
Retained earnings	(70.2)	(248.1)	(318.3)
Total shareholders' equity	1,274.9	(288.0)	986.9
Non-controlling interests	19.0	5.6	24.6
Total shareholders' equity	1,293.9	(282.4)	1,011.5
Total equity and liabilities	12,425.9	8,615.0	21,040.9

52. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

52.1 Basic

	31 December 2012 CHF millions	31 December 2011 CHF millions
Net profit/(loss) for the period	111.0	(294.1)
Estimated, pro-forma dividend on Bons de Participation	(8.1)	(16.8)
Net profit/(loss) for the period attributable to ordinary shareholders	**102.9**	(310.9)
Weighted average number of ordinary shares ('000s of shares)	141,213	134,278
Basic earnings per ordinary share (CHF)	0.73	(2.32)

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 5,456,715 (2011: 12,391,574). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1st January 2012 until 30 April 2012 of 2.840%, 2.462% from 1 May 2012 until 30 October 2012 and a rate of 2.096% thereafter.

52.2 Diluted

	31 December 2012 CHF millions	31 December 2011 CHF millions
Net profit/(loss) for the period	111.0	(294.1)
Estimated, pro-forma dividend on Bons de Participation	(8.1)	(16.8)
Net profit/(loss) for the period attributable to ordinary shareholders	**102.9**	(310.9)
Diluted-weighted average number of ordinary shares ('000s of shares)	146,076	134,278
Diluted earnings per ordinary share (CHF)	0.70	(2.32)

Pursuant to its employee stock option plan, EFG International issued in 2012 restricted stock units to purchase 1,069,992 (2011: 793,245) shares of EFG International which increased the diluted-weighted average number of ordinary shares of EFG International by 4,862,426 (2011: 6,016,501) shares to 146,075,710 (2011: 134,278,426) shares.

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. The impact of options and restricted stock units would have increased the diluted-weighted average number of ordinary shares of EFG International by 6,016,501 shares to 140,294,927 shares at year-end 2011. In 2011 weighted average number of shares of 134,278,426 shares was used on the basis that, where an entity has incurred a loss from continuing operations, options that are in the money would only be dilutive if they increased the loss per share from continuing operations.

For information regarding the EFG International stock option plan, see note 55.

53. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 26 April 2013. A dividend in respect of 2012 of CHF 0.10 (2011: CHF 0.10) per share amounting to approximately CHF 14.6 million (2011: CHF 13.4 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2012 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2013, with no tax effect for the Group.

	At 31 December 2012 CHF millions	At 31 December 2011 CHF millions
Dividends on ordinary shares		
CHF 0.10 per share related to 2011 paid in 2012	13.4	
CHF 0.10 per share related to 2010 paid in 2011		13.4
	13.4	13.4
Dividends on Bons de Participation		
For the period 1 November 2010 to 30 April 2011 at 3.036%		7.8
For the period 1 May 2011 to 30 October 2011 at 3.858%		9.4
For the period 1 November 2011 to 30 April 2012 at 2.840%	5.5	
For the period 1 May 2012 to 30 October 2012 at 2.462%	3.9	
	9.4	17.2

54. RELATED PARTY TRANSACTIONS

54.1 Transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2012		
Assets		
Due from other banks	0.5	
Loans and advances to customers		11.1
Other assets	0.5	
Liabilities		
Due to other banks	10.7	
Derivatives	0.4	
Due to customers		21.1
Year ended 31 December 2012		
Interest income		0.1
Commission income	1.0	0.3
Net other income	1.7	

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2011		
Assets		
Due from other banks	66.0	
Derivatives	0.1	
Loans and advances to customers		9.8
Investment securities	1.2	
Other assets	1.8	
Liabilities		
Due to other banks	8.2	
Due to customers	0.1	23.6
Year ended 31 December 2011		
Interest income	2.0	0.2
Commission income	1.0	0.3
Commission expense	(1.0)	
Net other income	2.4	
Impairment on available-for-sale investment securities	(5.0)	

A number of banking transactions are entered into with related parties. These include loan, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits, which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis.

In 2011, the Group considered Eurobank Ergasias S.A. ("Eurobank") as a related party, as Eurobank was 44.7% controlled by EFG Group. EFG Group is a significant shareholder in EFG International AG. In 2012 Eurobank announced that the EFG Group transferred 43.55% to nine younger members of the Latsis family and to the John S Latsis Public Benefit Foundation, each of whom will hold approximately 4.4% of Eurobank shares, while the EFG Group will retain 1.15%. This share transfer, an anticipated development in the context of the natural succession of generations and the coming of age of the younger members of the Latsis family, took place in order to satisfy the regulatory authorities. As a result, Eurobank is no longer consolidated into the financial statements of the EFG Group and the EFG Group nominated Board members of Eurobank resigned from its Board and vice versa. On this basis Eurobank is no longer considered as a related party in 2012.

During the year, the Group sold investment securities with a carrying value of CHF 2.2 million to a former key member of management for its book value.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2011: Nil).

54.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2012 comprised of cash compensation of CHF 5,464,658 (2011: CHF 10,185,223), pension contributions of CHF 353,368 (2011: CHF 387,660) and restricted stock units valued at approximately CHF 1,800,000 (2011: CHF 895,000). Other compensation of CHF 1,822,571 (2011: CHF 3,159,440) includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years (2011: CHF 1,628,571).

The compensation of the members of the Board of Directors relating to the year 2012 comprised of cash compensation of CHF 1,336,680 (2011: CHF 1,190,016). No pension contributions paid to Directors.

For additional details required under Swiss Law (Swiss Code of Obligations art. 663b bis) see note 21 of the parent company financial statements on page 176.

55. EMPLOYEE EQUITY INCENTIVE PLANS

The EFG International Employee Equity Incentive Plan (the "Plan") has different classes of options and restricted stock units, which have a vesting period of three years and different classes, have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

The expense recorded in the Statement of Comprehensive Income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of Comprehensive Income for the period ended 31 December 2012 was CHF 12.0 million (2011: CHF 15.5 million).

The Plan has been developed internally by the Group without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2012 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Exercised	Outstanding
2006	In-the-money	25.33	754,746				754,746
2007	In-the-money	32.83	954,255				954,255
2007	At-the-money	49.25	1,229,953				1,229,953
2008	In-the-money	24.00	502,268		9,949		492,319
2008	At-the-money	35.95	757,378				757,378
2008	Restricted stock units with 5 year lock-up	0	773,800		3,952		769,848
2009	In-the-money	5.00	1,199,069				1,199,069
2009	Restricted stock units with 3 year lock-up	0	2,129,609		24,082	1,890,773	214,754
2009	Restricted stock units with 5 year lock-up	0	1,120,533				1,120,533
2010	In-the-money	12.19	91,036				91,036
2010	Restricted stock units with 3 year lock-up	0	695,776		10,787		684,989
2010	Restricted stock units with 5 year lock-up	0	68,540		160		68,380
2011	Restricted stock units with 3 year lock-up	0	729,288		3,940		725,348
2011	Restricted stock units with 5 year lock-up	0	63,957		679		63,278
2012	**Restricted stock units with 3 year lock-up**	**0**		**1,032,813**	**30,389**		**1,002,424**
2012	**Restricted stock units with 5 year lock-up**	**0**		**67,568**			**67,568**
			11,070,208	**1,100,381**	**83,938**	**1,890,773**	**10,195,878**

55.1 2012 incentive plan

EFG International granted 1,100,381 options and restricted stock units in 2012. There are two classes of restricted stock units. Those with a 3 year lock-up ("Restricted stock units with 3 year lock-up") vesting pro-rata temporis over 3 years with one third each year and with a 5 year lock-up ("Restricted stock units with 5 year lock-up") vesting over 3 years. The deemed value of each Restricted stock unit with 3 year lock-up is CHF 7.46 and each Restricted stock unit with 5 year lock-up is CHF 6.84. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 8.62), dividend payout rate (30%) and the expected life of the restricted stock units (36 and 60 months). Dividend yield has been calculated according to management's estimates of the long term dividend payments.

55.2 2013 incentive plan

EFG International will grant restricted stock units in March 2013 at prices to be determined based on the relevant valuation inputs on the date of issue.

56. INFORMATION RELATING TO THE EFG FIDUCIARY CERTIFICATES IN CIRCULATION

In connection with the EUR 400,000,000 EFG Fiduciary Certificates, which were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates, Banque de Luxembourg acquired 400,000 Class B Bons de Participation issued by EFG International and 400,000 Class B Shares issued by EFG Finance (Guernsey) Limited. The proceeds of issue of the Class B Shares issued by EFG Finance (Guernsey) Limited were invested by EFG Finance (Guernsey) Limited in income generating assets. The sole eligibility criterion for investing the proceeds of issue of the Class B Shares is that the investments have an investment grade credit rating of at least BBB- from Standard & Poor's, or an equivalent credit rating from Moody's or Fitch.

On 11 January 2012, holders of EFG Fiduciary certificates with a notional value of EUR 135.2 million converted their holding into a new Basel III compliant Tier 2 bond. The result of this was to reduce shareholders equity by CHF 51.9 million in the current period.

On 28 January 2013, holders of EFG Fiduciary certificates with a notional value of EUR 251,399,000 sold their holding back to the Group for approximately CHF 189 million.

57. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2012 CHF millions	31 December 2011 CHF millions
Character of client assets		
Equities	**17,932**	18,310
Deposits	**17,621**	17,037
Bonds	**16,135**	14,647
Loans	**10,919**	10,067
Structured notes	**6,141**	6,920
Hedge funds/Fund of hedge funds	**4,394**	5,042
Fiduciary deposits	**1,809**	2,485
EFG International shares	**782**	651
Other	**3,736**	3,874
Total Assets under Management	**79,469**	79,033
Total Assets under Administration	**8,295**	9,162
Total Assets under Management and Administration	**87,764**	88,195

Assets under Administration are trust assets administered by the Group.

	31 December 2012 CHF millions	31 December 2011 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,753	2,169
Assets with discretionary management agreements	15,157	15,350
Other assets under management	50,640	51,447
Total Assets under Management (including double counts)	**68,550**	68,966
Thereof double counts	*2,717*	*3,462*
Loans	10,919	10,067
Total Assets under Administration	8,295	9,162
Total Assets under Management and Administration	**87,764**	88,195
Net new asset inflows / (outflows) (including double counts)	**205**	(1,207)

Double counts primarily include the self-managed collective investment schemes and structured products issued by Group companies which are also included in customer portfolios and already included in assets under management.

Net new assets consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts, and related interest expenses result in net new assets. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of Group companies are not included in net new assets.

58. POST BALANCE SHEET EVENTS

On 16 January 2013 the Group announced that CHF 180 million of subordinated Basel III compliant Tier 2 notes issued by EFG Funding (Guernsey) Limited and guaranteed by EFG International AG on a subordinated basis were placed with institutional and private investors. The notes carry a coupon of 4.75% and include an optional redemption call in year 5 and on every subsequent interest payment date up to the final maturity on 31 January 2023, subject to FINMA approval.

On 28 January 2013 the Group announced that a wholly owned subsidiary EFG Funding (Guernsey) Limited ("EFG Funding") had acquired from holders of EFG Fiduciary Certificates for cash EUR 251,399,000 in aggregate principal amount of EFG Fiduciary Certificates for approximately CHF 189 million. The settlement date for the offer was 31 January 2013.

On 19 February 2013 the Group disposed of OnFinance SA for its net asset value.

59. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*, Chairman
Emmanuel L. Bussetil
Erwin Richard Caduff*
Michael Higgin*, appointed on 27th April 2012
Spiro J. Latsis
Hugh Napier Matthews*, Vice-chairman
Hans Niederer*
Pericles Petalas

* Independent directors.

60. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

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

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

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as Fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Under Swiss law, the fair value option is not available. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive requirements are met. Under Swiss law, the Group's derivative instruments are recorded on Balance sheet at their fair values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable.

(d) Goodwill and intangible assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalized in the balance sheet. Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses. Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Statement of Comprehensive Income.

(e) Extraordinary income and expense

Under IFRS, items of income and expense shall not be classified as extraordinary items, in the Statement of comprehensive income or the separate income statement (if presented), or in the notes. Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 76 to 165), for the year ended 31 December 2012.

Board of Directors’ Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Alex Astolfi	Christophe Kratzer
Audit expert	Audit expert
Auditor in charge	

Geneva, 26 February 2013

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

EFG International, Zurich

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2012 CHF millions	Year ended 31 December 2011 CHF millions
Income			
Interest income from subsidiaries		13.2	10.7
Income from subsidiaries	13	36.2	25.4
Gain on disposal of shares in subsidiary	14	51.4	
Foreign exchange gain		1.5	
Other income		2.3	
Total income		**104.6**	36.1
Expenses			
Staff expenses		(14.3)	(14.2)
Operating expenses	15	(13.2)	(9.4)
Depreciation		(0.1)	(0.8)
Interest expenses paid to subsidiaries		(1.2)	(1.1)
Foreign exchange losses			(0.1)
Impairment of investment in subsidiaries	7	(12.0)	(459.1)
Release of / (increases in) impairment on subordinated loans to subsidiaries		5.0	(6.0)
Release of / (increase in) provision for guarantees	16	1.3	(301.7)
Total expenses		**(34.5)**	(792.4)
Tax gain / (expense)		3.1	(1.4)
Net profit / (loss)		**73.2**	(757.7)

BALANCE SHEET AS AT 31 DECEMBER 2012

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2012 CHF millions	Year ended 31 December 2011 CHF millions
Assets			
Due from subsidiaries		16.6	5.0
Other assets		1.7	0.5
Current assets		**18.3**	5.5
Investments in subsidiaries		753.7	760.3
Subordinated loans to subsidiaries		258.1	259.0
Intangible assets			0.1
Non current assets		**1,011.8**	1,019.4
Total assets		**1,030.1**	1,024.9
Liabilities			
Due to subsidiaries		2.1	47.1
Accrued expenses and deferred income		11.4	11.9
Other liabilities		0.3	6.0
Current liabilities		**13.8**	65.0
Provisions	16	300.4	301.7
Total liabilities		**314.2**	366.7
Equity			
Share capital	11	73.3	73.3
Non-voting equity securities (Participation Certificates)	11	4.0	6.0
Legal reserves		1,779.9	1,793.4
of which Reserve from capital contributions		*1,778.0*	1,590.0
of which Reserve for own shares from capital contributions		*1.9*	203.4
Retained earnings		(1,214.5)	(456.8)
Net profit/(loss) for the period		73.2	(757.7)
Total shareholders' equity		**715.9**	658.2
Total shareholders' equity and liabilities		**1,030.1**	1,024.9

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

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

1. CONTINGENT LIABILITIES

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 3,301 million (2011: CHF 3,180 million). Included in this amount is CHF 2,751 million (2011: CHF 3,104 million) related to structured products issued by a subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). Risks related to these liabilities of the subsidiary are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

2. BALANCE SHEET ASSETS WITH RETENTION OF TITLE TO SECURE OWN OBLIGATIONS

There are no such assets.

3. OFF-BALANCE SHEET OBLIGATIONS RELATING TO LEASING CONTRACTS

There are no such obligations.

4. FIRE INSURANCE VALUE OF TANGIBLE FIXED ASSETS

Tangible fixed assets amount to CHF 0.03 million (2011: CHF 0.04 million) and are covered by the fire insurance of a subsidiary for the Zurich premises for a total amount of CHF 0.5 million (2011: CHF 0.4 million).

5. LIABILITIES RELATING TO PENSION PLANS AND OTHER RETIREMENT BENEFIT OBLIGATIONS

There are no such liabilities.

6. BONDS ISSUED

There are no such liabilities.

7. PRINCIPAL PARTICIPATIONS

The company's principal participations are shown in the note 33, page 134, to the consolidated financial statements. In the current year the company impaired the carrying value of investments in subsidiaries by CHF 12.0 million (2011: CHF 459.1 million) as a result of the impairment in the carrying value of subsidiaries.

8. RELEASE OF UNDISCLOSED RESERVES

During the period, no undisclosed reserves were released (2011: CHF 3.1 million).

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 2012, 275,608 registered shares (2011: 12,358,783) were held by subsidiaries. See note 46.3 of the consolidated financial statements on page 149.

On 13 January 2012 the Group acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A total of 135,219 Bons de Participation, representing approximately 33.8% of the outstanding principal amount were validly tendered and accepted for exchange by a wholly owned subsidiary. The wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pay an annual interest coupon of 8%.

On 28 January 2013 the Group acquired 251,399,000 Bons de Participation for cash consideration, in conjunction with an issuance of CHF 180,000,000 of new subordinated Basel III compliant Tier 2 bonds by a wholly owned subsidiary at an annual coupon of 4.75% with an optional redemption call in 5 years and a final maturity of 10 years.

11. SHARE CAPITAL

	31 December 2012 CHF millions	31 December 2011 CHF millions
146,670,000 registered shares at the nominal value of CHF 0.50	73.3	73.3
264,781 (2011: 400,000) Bons de Participation “B” at the nominal value of CHF 15	4.0	6.0
Total share capital	**77.3**	79.3

Conditional share capital

The share capital may be increased by a maximum of CHF 2,282,500 by issuing up to 4,565,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing up to 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital

The Board of directors is authorised, at any time until 27 April 2014, to increase the share capital by a maximum of CHF 25,000,000 by issuing up to 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

12. SIGNIFICANT SHAREHOLDERS

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

	Shares	31 December 2012 Participation of %	Shares	31 December 2011 Participation of %
EFG Bank European Financial Group SA*	82,545,117	56.28%	72,366,556	49.34%
Lawrence D. Howell and children	8,052,705	5.49%	8,052,705	5.49%

** EFG Bank European Financial Group SA is controlled by the Latsis Family interests through several intermediate parent companies.*

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2012 CHF millions	31 December 2011 CHF millions
Royalties	14.0	13.9
Management service fees	3.8	9.5
Administrator fees	6.7	1.6
Dividends	11.4	
Other services	0.3	0.4
Total	**36.2**	25.4

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

14. GAIN ON DISPOSAL OF SUBSIDIARY

Following EFG Financial Products Holding AG, Zurich Initial Public Offering on 18 October 2012, EFG International AG recorded a gain on disposal of shares in subsidiary of CHF 51.4 million.

15. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2012 CHF millions	31 December 2011 CHF millions
Other operating expenses	(9.2)	(7.6)
Services provided by subsidiaries	(4.0)	(1.8)
Total	**(13.2)**	(9.4)

16. PROVISIONS FOR GUARANTEES

Guarantees of CHF 463.2 million were provided to subsidiaries (2011: CHF 310.8 million), related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 300.4 million (2011: CHF 301.7 million) exists at year end, assuming the guarantees are called.

17. GENERAL LEGAL RESERVE

In 2012 a dividend distribution of CHF 13.4 million has been paid from the Reserve from capital contributions (CHF 0.10 per registered share).

18. RETAINED EARNINGS

	31 December 2012 CHF millions	31 December 2011 CHF millions
At 1 January	(456.8)	-
Net result of prior period	(757.7)	(456.8)
Transfer from Reserve from capital contributions for dividend payment	13.4	13.4
Dividend paid	(13.4)	(13.4)
At 31 December	**(1,214.5)**	(456.8)

19. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the profit of the year of CHF 73.2 million as cumulative negative retained earnings and to proceed to a distribution to shareholders of CHF 0.10 per share, which will amount to a total distribution of CHF 14.6 million (excluding anticipated distribution not payable on the 248,725 shares held on 31 December 2012 by a subsidiary). The Board of Directors proposes fully to charge the proposed distribution 2012 of CHF 0.10 per share to the balance sheet item “Reserve from capital contributions”. Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

20. RISK MANAGEMENT

See note 4 of consolidated financial statements on page 95.

21. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2012

	Base compensation (5)	*Variable compensation*		*Other compensation*	Social charges	Total
	Cash	Cash bonus (1)	Equity incentives (2)	(3)	(6)	*2012*
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				39,555	699,555
Emmanuel L. Bussetil (4)						-
Erwin Richard Caduff	100,008				7,130	107,138
Michael Higgin	91,668				6,490	98,158
Spiro J. Latsis (4)						-
Hugh Napier Matthews	335,004				20,509	355,513
Hans Niederer	150,000				8,032	158,032
Pericles Petalas (4)						-
Total Board of Directors	**1,336,680**	**-**	**-**	**-**	**81,716**	**1,418,396**
Executive Committee						
Total Executive Committee	**5,464,658**	**925,000**	**1,900,000**	**1,822,571**	**911,439**	**11,023,668**
of which highest paid:						
John Williamson	1,603,612	600,000	900,000	144,000	168,379	3,415,991

Notes
1) The amounts represent the recorded expense for the 2012 cash bonuses.
2) The amount represents the value of equity incentives granted in 2013 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 55 of the Consolidated financial statements.
3) Other compensation of the Executive Committee of CHF 1,822,571 includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years.
4) No compensation paid to Director.
5) Including employees' contributions for social charges.
6) Social charges of the Executive Committee of CHF 911,439 includes an amount of CHF 353,368 of pension contributions.

Under an agreement with the former Chief Executive Officer (until 24 June 2011) the amount paid was CHF 3.0 million in 2012 as long as he does not compete in any respect with EFG International AG activities and interests.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(ii) Compensation year ended 2011

	Base compensation (7)	*Variable compensation*		*Other compensation*		
	Cash CHF	Cash bonus (1) CHF	Equity incentive (2) CHF	(4) CHF	Social charges CHF	Total 2011 CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				245,423	905,423
Emmanuel L. Bussetil (5)						-
Erwin Richard Caduff	100,008				7,030	107,038
Spiro J. Latsis (5)						-
Hugh Napier Matthews	280,008				16,818	296,826
Hans Niederer	150,000				7,899	157,899
Pericles Petalas (5)						-
Total Board of Directors	**1,190,016**	**-**	**-**	**-**	**277,170**	**1,467,186**
Executive Committee						
Total Executive Committee (6)	**10,185,223**	**680,000**	**895,000**	**3,159,440**	**1,650,178**	**16,569,841**
of which highest paid:						
Lawrence D. Howell (3) & (4)	4,001,804			1,500,000	583,857	6,085,661

Notes

1) The amounts represent the recorded expense for the 2011 cash bonuses.
2) The amount represents the value of equity incentives granted in 2012 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 55 of the Consolidated financial statements.
3) An Agreement was reached between the Former Chief Executive Officer (until 24 June 2011, "the Former CEO") and EFG International AG, whereby the amounts to be paid have been attributed such that the Former CEO is entitled firstly from 1 July 2011 until 30 June 2013 to CHF 3 million per annum paid throughout the period as long as he does not compete in any respect with EFG International AG activities and interests, and secondly to his salary until the end of 2011 and to no change in the vesting period of his restricted stock-units.
4) Other compensation of the Executive Committee of CHF 3,159,440 includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years, and an amount of CHF 1,500,000 related to the non-compete agreement with the Former CEO referred to in 3) above.
5) No compensation paid to Director.
6) The CEO of EFG Bank AG and the Head of Asset Management were members of EFGI Executive Committee until October 2011. Their compensation was paid by other group entities.
7) Including employees' contributions for social charges.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(iii) Loans and credits

At 31 December 2012 the following loans and credits were granted by subsidiaries to members of the Board of Directors and the Executive Committee and are outstanding at the end of the year.

	2012 CHF	2011 CHF
Cuoni family interests*	8,672,684	8,370,000
Other members of the Board of Directors		
Total Board of Directors	**8,672,684**	8,370,000
John Williamson, CEO (highest paid member of Executive Committee in 2012)**	1,689,380	
Lawrence D. Howell, Former CEO (highest paid member of Executive Committee in 2011)		12,148
Other members of the Executive Committee	757,481	1,215,002
Total Executive Committee	**2,446,861**	1,227,150

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

** *Fully collateralised loans.*

Interest rates ranging from 0.54% p.a. to 6.03% p.a. are charged on outstanding CHF and GBP loans. The loans oustanding at 31 December 2012, mature between 1 and 3 months.

(iv) Shareholdings

At 31 December 2012 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2012	Shares 2011	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	6,909,500	6,809,500	623,087	
Emmanuel L. Bussetil				
Erwin Richard Caduff	11,500	11,500		
Michael Higgin				
Spiro J. Latsis*	82,545,117	72,437,337		
Hugh Napier Matthews	8,055	7,500		
Hans Niederer	53,700	50,000		
Pericles Petalas				
Executive Committee				
Total Executive Committee of which:	**295,417**	**244,412**	**1,220,602**	**241,770**
John Williamson	118,140	110,000	88,600	
Lukas Ruflin	138,988	129,412	1,120,068	
Mark Bagnall	5,370	5,000		
Henric Immink				
Giorgio Pradelli				
Jean-Christophe Pernollet**				
Frederick Link	32,919		11,934	

* *Total number of shares owned by the Latsis family interests.*

** *Executive Committee member until 1 June 2012.*

The members of the Executive Committee have been granted 241,770 share options and restricted stock units which are currently subject to vesting criteria. These would vest in the period 2013 to 2015.

22. POST BALANCE SHEET EVENTS

On 19 February 2013 the Company disposed of On Finance SA for its net asset value.

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG International AG, which comprise the income statement, balance sheet and notes (pages 170 to 179), for the year ended 31 December 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

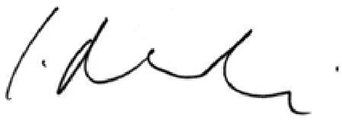
Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Astolfi
Audit expert
Auditor in charge

Christophe Kratzer
Audit expert

Geneva, 26 February 2013

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FORWARD LOOKING STATEMENTS

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