EFG International

ANNUAL REPORT 2011

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.

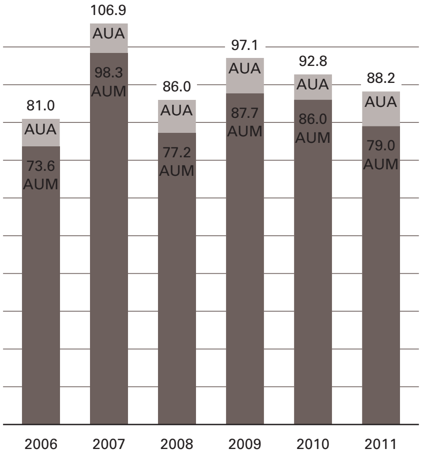
The essence of private banking is relationships; at EFG International, our role is to provide the conditions for these to flourish. Courtesy of an entrepreneurial business model, our business attracts professionals of the highest calibre, who enjoy the controlled freedom to operate in their clients'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

EFG International's global family of private banking businesses operates in over 30 locations worldwide. The business benefits from the resources and substantial capital reserves of EFG Bank European Financial Group, based in Geneva, which is EFG International's largest shareholder with 49.34%.

EFG INTERNATIONAL PERFORMANCE EVOLUTION

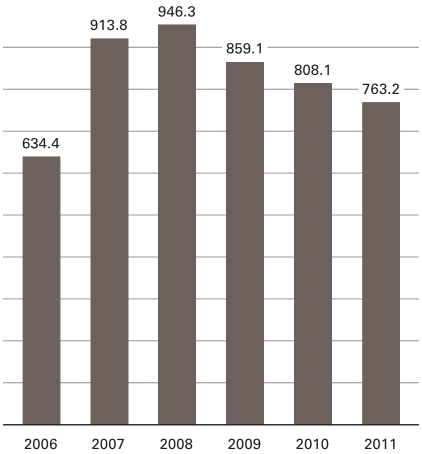
AUM and AUA [1]

in CHF billions



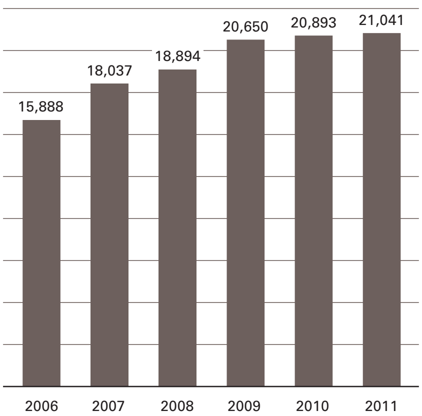
Operating income

in CHF millions



Total Balance Sheet

in CHF millions



EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

in CHF millions		31 December 2011
Income		
Operating income		763.2
Net profit, excluding one-offs		83.5
IFRS net loss		(294.1)
Balance Sheet		
Total Assets		21,041
Shareholders' Equity		1,012
Market Capitalisation		
Share Price (in CHF)		7.11
Market Capitalisation (ordinary shares) [2]		954
BIS Capital		
Total BIS Capital		723
Total BIS Capital Ratio		12.9%
Ratings	**long term**	**outlook**
Moody's	A3	Stable
Fitch	A	Negative
Personnel		
Total number of CROs		567
Total number of employees		2,547
Listing		
Listing at the SIX Swiss Exchange, Switzerland; ISIN: CH0022268228		
Ticker Symbols		
Reuters		EFGN.S
Bloomberg		EFGN SW

(1) Including announced acquisitions.
(2) Excluding treasury shares.

International practitioners
of the craft of private banking

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CHAIRMAN'S LETTER

Jean Pierre Cuoni

Dear shareholders, dear clients,

2011 was a truly transformational year for EFG International. Economic uncertainty continued to weigh on client confidence, and therefore activity levels, and the underlying business was not as profitable as it should have been. As a result, there was a change of leadership and a detailed business review, with a number of actions designed to refocus the business on delivering disciplined, profitable growth.

Excluding one-off charges, the underlying profit was CHF 83.5 million, on operating income for the year of CHF 763.2 million, down 6%. Revenue-generating Assets under management were CHF 78.4 billion at end-December 2011, down from CHF 84.8 billion a year earlier. Net new assets were CHF 0.6 billion for continuing businesses, but CHF (1.2 billion) taking into account outflows in businesses being exited.

In this context, our detailed business review was both necessary and timely. It has required significant management attention and resources, with an inevitable impact on growth during the second half, but strong progress has been made in resetting our business (with a number of loss-making or non-core businesses and locations being sold or closed), simplifying complexity and reducing costs. As a result of the measures being taken, there will be a net financial benefit of CHF 35 million, realised in part in 2012 and in full in 2013.

Private banking represents a substantial and growing opportunity, and although there are pressures in relation to offshore business – in particular in Switzerland – EFG International is relatively well placed. The business was only established in 1995; it has for most of that time operated offshore and onshore; and it benefits from an internationally diversified and balanced spread of business, well suited to regional HNWI growth trends.

As I have always said, EFG International has many competitive strengths, courtesy of its high quality and loyal CROs and the strength of their relationships with clients. We have drawn a line under past mistakes, and our focus is clear: private banking. Everyone in the business is now working hard to convert our strengths as a pure-play private bank into a level of profitability that adequately reflects EFG International's scale and natural growth potential.

I would like to thank all employees for their continued hard work and loyalty.

Jean Pierre Cuoni,
Chairman of the Board

LETTER FROM THE CEO

John Williamson

In the year ended 31 December 2011, financial highlights for EFG International were as follows:

- Net profit before one-off charges was CHF 83.5 million, compared with a baseline of CHF 110.0 million as communicated in October 2011, on operating income of CHF 763.2 million, down 6% year-on-year.
- Revenue-generating Assets under Management were CHF 78.4 billion as at 31 December 2011, down from CHF 84.8 billion as at end-2010.
- Net new assets were CHF 0.6 billion for continuing businesses, but CHF (1.2 billion) taking into account outflows in businesses being exited. This compares with net new assets of CHF 9.7 billion for 2010.
- The number of Client Relationship Officers (CROs) stood at 567 at end 2011, down from 675 as at end-2010.

REVIEW OF BUSINESS

Last year was another challenging year, particularly during the second half. As a consequence, performance during the final quarter (normally the strongest for EFG International) was constrained by continuing economic uncertainty and its impact on client confidence. EFG International's focus during the second half was on a detailed review of its business, with actions designed to reset the business and position it to deliver disciplined, profitable growth in future.

EFG International's underlying performance during 2011 was disappointing, highlighting the importance of our detailed business review. We have taken numerous steps to reset the business, including reducing the number of locations from 50 to 32. We have also moved quickly, so as to ensure that our focus in 2012 is on driving the business forward. The devotion of time and resources impacted growth during the second half, but good progress has been made in resetting our business, sharpening focus and reducing costs. I believe strongly that EFG International has manifold strengths as a pure-play private bank; is well positioned in a changing private banking market; and benefits from high quality and loyal CROs. Now the focus is on demonstrating that we can convert these strengths into a level of profitability that adequately reflects EFG International's scale, revenue base and natural growth potential.

Core business performance constrained by external conditions and, as previously announced, IFRS net profit significantly impacted by the business review

EFG International made an IFRS net loss for 2011 of CHF 294.1 million, reflecting exceptional costs relating to resetting the business, flagged at the time of its business review last October, as follows:

- Restructuring charges and provisions of CHF 46.0 million.

- Net goodwill and intangibles impairment of CHF 223.8 million, plus a negative currency impact relating to a subsidiary of CHF 10.0 million. These had no impact on regulatory capital.

- An impairment (in line with other banks) of CHF 72.5 million, relating to Greek sovereign exposure and based on the year-end valuation.

The IFRS net result was also adversely affected by CHF 25.3 million in relation to life settlement revenues (including a one-off reduction of CHF 17.6 million). This followed detailed due diligence in 2011 on a policy-by-policy basis, which provided further comfort as to the solidity of the life insurance portfolio, which is being held to maturity. However, EFG International has decided to adopt more conservative estimates regarding future premium payments and the expected yield on the portfolio.

Excluding the above factors, the underlying net profit was CHF 83.5 million. Operating income for the year was CHF 763.2 million in 2011, down 6% year-on-year (compared to the 2010 revenues adjusted for the 2010 MBAM impairment), but up 6% on a constant currency basis. The revenue margin was constant at 94 bps. Operating expenses were CHF 713.7 million, down 1% on the previous year, with the cost-income ratio standing at 91.6% (88.1% excluding legal provisions), compared with 85.2% in 2010. This outturn does not reflect the business review measures that will impact costs from 2012 onwards.

Revenue-generating Assets under Management were CHF 78.4 billion at end-2011, down from CHF 84.8 billion a year earlier. Net new assets were CHF 0.6 billion for continuing businesses, but CHF (1.2) billion after taking into account outflows at businesses in the process of being exited. This represents a disappointing outcome, given net new assets of CHF 2.7 billion during the first half of 2011. A number of factors affected asset flows in the second half, notably challenging conditions and the time and resources that had to be devoted to resetting the business, including the significant reduction to the existing CRO base. The focus of attention is now firmly on ensuring that the second half of last year was an exception, and that the core business delivers net new assets going forward in keeping with its potential and targets.

For private banking, good progress in simplifying complexity

At the time of the business review, we announced that EFG International was exiting a number of under-performing businesses:

- The asset management and non-banking business of EFG Bank AB in Sweden was transferred to Quesada, EFG International's Stockholm-based wealth management boutique, effective 1 January 2012, and EFG Bank AB is in the process of being wound down.

- EFG Bank AB's operation in Helsinki is in the process of being closed.

- A number of offices in Canada were closed during 2011.

- The office in Abu Dhabi was closed on 31 January 2012, and the office in Dubai is set to close on 30 June. EFG International will continue to target international business in the wider region, particularly the Non-Resident Indian market, with successful CROs formerly in Dubai relocating to Singapore.

In addition, EFG International has exited (or is in the process of exiting) a number of other loss-making private banking businesses/locations:

- In Switzerland, the decision to exit Lugano was announced in January 2012, and the office will close at the end of the first quarter. EFG International is also exiting its business in the Valais, which will close formally at end-April, and has agreed to refer certain clients to Banque Cantonale du Valais.

- EFG International reached agreement to transfer the private banking activities of EFG Bank Denmark to SEB Wealth Management, effective from 1 January 2012.

- EFG International is in talks with prospective buyers for all or part of its business in France.

- Options relating to the Gibraltar business are being considered.

- EFG Capital's office in New York was closed at end-January 2012.

- EFG International is in the process of liquidating its consulting subsidiary in Buenos Aires.

- EFG International's business in India is in the process of being wound down.

- The Manila office has been closed.

After this process is complete, EFG International will still have a strong international network, with a presence in 32 locations. These locations are profitable, and the streamlined network will enable leadership to focus on the most compelling elements of the business.

Exiting non-core businesses to enhance focus on private banking

Steps have been taken to ensure that EFG International is fully focused on its core business of private banking. The business of SIF Swiss Investment Funds S.A., the Swiss-based fund administration business of EFG International, is to be taken over by CACEIS, subject to regulatory approval. Additional steps are envisaged, and EFG International hopes to be able to make further announcements shortly.

EFG Financial Products looking to IPO in 2012 (subject to market conditions)

As announced in the business review, EFG Financial Products has been earmarked for an IPO (with EFG International reducing its stake from 57% to circa 20%). The objective is to accomplish this during 2012, while recognising that timing will be subject to market conditions. During 2011, revenues increased by close to 30%, and it generated a pre-tax profit of CHF 17.6 million. The business remains focused on generating business based on its existing presence in Switzerland, Europe and Asia, with a major push planned for the latter.

Business review on track to deliver a reduction in costs from 2012 onwards

With strong progress made in resetting the business, EFG International is on track to deliver the associated net P&L benefit of circa CHF 35 million, realised in part in 2012 and in full from 2013.

The business is also improving operational efficiency, as a result of adopting a standard operating model wherever possible; implementing tangible cost savings and efficiencies in Switzerland; and generally enhancing the cost transparency of central functions.

There is a hiring freeze across the business, which will remain in force until further notice, other than to meet additional industry-wide regulatory and risk management requirements and for revenue generation (selective hiring of high quality CROs). Hiring in EFG Financial Products will be determined by its growth strategy in the context of its envisaged IPO.

Continued emphasis on CRO productivity

The number of CROs had reduced from 675 at end-2010 to 594 (of which 531 related to private banking) at the time the business review findings were announced in October 2011. This was as a result of addressing unprofitable CROs, as well as recognising that a number of CROs were essentially fulfilling a client support rather than relationship function. At end-2011, the number of CROs stood at 567 (508 in private banking) as a result of continuing to address underperformers identified in the business review. This process is now largely complete in continuing businesses, although the number of private banking CROs will reduce by a further 13% as a result of businesses/locations being exited. Retention of high performing CROs continues to characterise EFG International, as detailed in the business review.

In future, there will continue to be a strong emphasis on improving CRO productivity, but we will continue the selective recruitment of high quality CROs where there is a strong conviction they will be profitable in relatively short order. In this regard, EFG International's ability to hire remains healthy – in January 2012 alone, there are eight CROs that have agreed to join, but have not yet started.

Most private banking businesses performing well, and steps being taken to address areas of weakness

Performance during the year highlighted the need to address loss-making and non-core activities. Performance in Continental Europe (including Switzerland) was mixed: Luxembourg, Spain and Monaco made good progress, but Switzerland performed below expectations and the loss-making businesses that are being exited were a significant drag on results. Elsewhere, both Asia and the Americas (including The Bahamas) delivered strong double-digit growth in revenues in local currency terms, and the UK posted a solid increase in operating income with double-digit contribution from private banking activities.

With the resetting element of the business plan well advanced, the focus is now on delivering profitable growth from each of EFG International's core regions, based on: net cost savings from exiting loss-making business; net new assets from existing CROs and selective hires; a heightened focus on emerging markets; and increased adoption of investment solutions. We believe that EFG International's net new asset performance in the second half of 2011 does not reflect the underlying strength of its core business, and expect to revert to generating net new assets in its target range 5–10% from 2012 onwards. Net new assets in January 2012 were within this range on an annualised basis.

A number of steps are being taken that will strengthen this focus on delivering profitable growth:

- The senior management team for Continental Europe and Switzerland is being significantly strengthened. Ludovic Chéchin-Laurans, who set up the Luxembourg business seven years ago and is presently overseeing EFG International's operation in the Caribbean on a temporary basis, will move to Switzerland and become Deputy CEO, Continental Europe, supporting Alain Diriberry. Gary Müller, formerly CEO of RBS Coutts Bank and of RBS Wealth International, was appointed in July 2011 as Head of Strategy for the European business, and has played an important role in the resetting process. Going forward, he will increasingly devote his time to helping optimise the cost-efficiency of the Continental European business, as well as on an international basis.

- Kong Eng Huat was appointed to the position of Chief Executive Officer of Singapore and South East Asia, effective February 2012. He was formerly Head of Wealth Management, South and South East Asia at Merrill Lynch International Bank.

Strong progress in relation to investment solutions

EFG Asset Management should be seen as an integral part of EFG International's core private banking business, delivering investment solutions to CROs and their clients. Significant progress was made in 2011, with strong double-digit growth in relation to managed accounts, and its momentum bodes well for the coming year.

Additional steps are being taken to broaden and deepen penetration of EFG International's all-round offering. For instance, we are looking to do significantly more on the wealth structuring side, capitalising on trust capabilities in the Channel Islands, Singapore and The Bahamas.

Steps taken to improve capital position – and will continue

As at end-2011, EFG International had a BIS capital ratio of 12.9% and Tier 1 ratio of 12.8%. An Exchange offer launched in November 2011 achieved a 34% conversion from Bons de Participation to Basel III compliant tier 2 securities. While the total capital position remained unchanged, this will strengthen EFG International's Common Equity Tier 1 position under Basel III.

As previously stated, we will continue to assess opportunities relating to EFG International's capital structure and capital composition, and are prepared to act opportunistically, with a focus on creating shareholder value. Going forward, the capital position will strengthen courtesy of profit generation and the impact of businesses to be sold or earmarked for IPO (the combined effect of which should, over time, improve the Tier 1 ratio by 3–6 percentage points).

LOOKING AHEAD

Committed to delivering medium-term targets, courtesy of disciplined, profitable growth

EFG International's 2011 results were disappointing in terms of underlying performance, and impacted by exceptional costs relating to the restructuring of the business. The level of performance underlined the need for significant change, and with a change of leadership and a detailed review of the business, it was a transformational year. EFG International has significant strengths as a private bank, as articulated in its business review, and numerous actions have been taken to draw a line under the past; to reset the business; and to position it to deliver disciplined, profitable growth.

While the economic and market backdrop remains uncertain, performance (including net new assets) in the opening weeks of 2012 was where it needs to be for the business to deliver on its expectations for 2012 as a whole. We are 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% over the next three years.

- Gross margin to remain broadly at current levels.

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

- EFG International has the potential to deliver an annual IFRS net profit of CHF 200 million within the next three years.

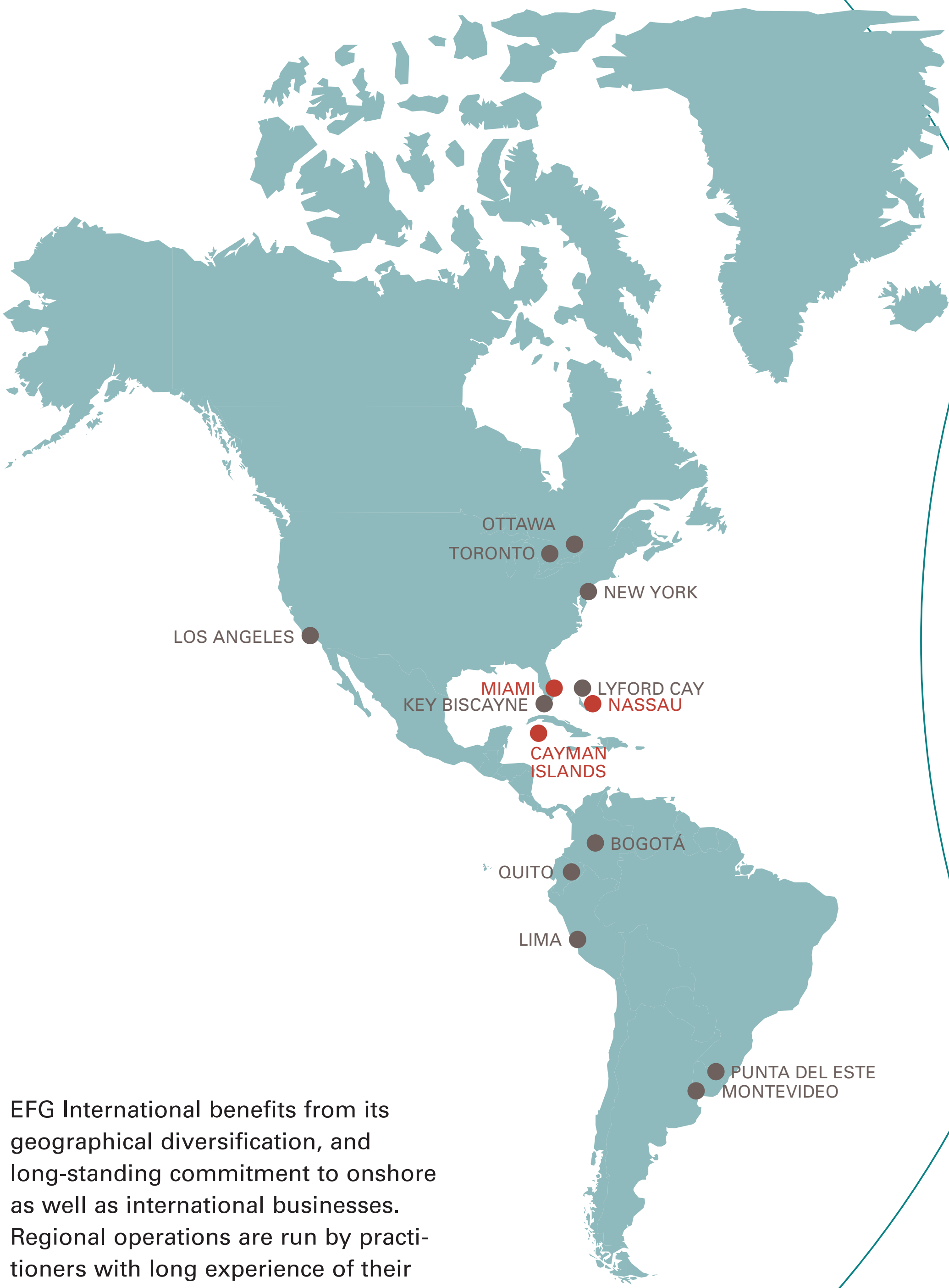
John Williamson,
Chief Executive Officer

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:
Banbury, Bridgnorth
Worcester,
Wolverhampton.

* Switzerland includes:
Geneva, Zurich, Lugano.

FINANCIAL REVIEW

Jean-Christophe Pernollet
Chief Financial Officer

During 2011, EFG International took various actions to consolidate and re-align its business, in the face of challenging economic and market conditions (particularly during the second half of the year). This refocusing activity was reflected in impairment losses on intangible assets and restructuring provisions, as various businesses that are not considered strategic or material in terms of contribution are in the process of being wound down or sold.

FACTORS AFFECTING RESULTS OF OPERATIONS

The number of Client Relationship Officers (CROs) decreased by 108 to 567 at the end of 2011.

Revenue-generating Assets under Management (AUM) decreased to CHF 78.4 billion from CHF 84.8 billion at the end of 2010. Average revenue-generating AUM were down by 6% to CHF 80.9 billion at the year end.

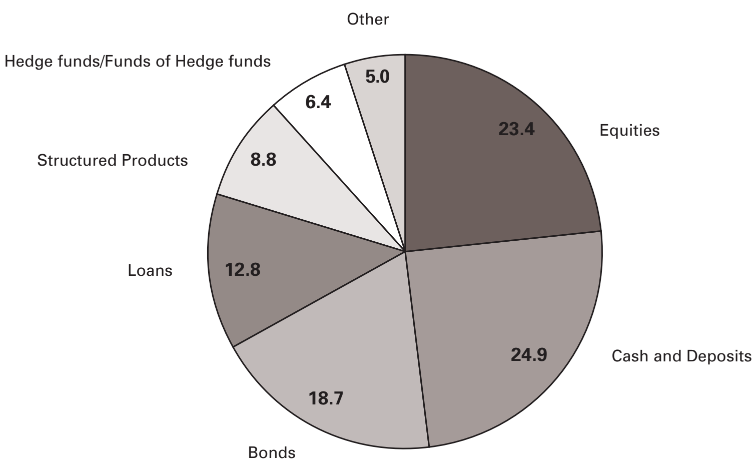
CONSOLIDATED ASSETS UNDER MANAGEMENT

Revenue-generating AUMs were CHF 78.4 billion at end-2011, down 7% year-on-year. This reflected net negative market movements of CHF 5.0 billion; net new money inflows of CHF 0.6 billion for continuing businesses, but overall net outflows of CHF 1.2 billion when taking into account net outflows of CHF 1.8 billion from businesses EFG International is in the process of exiting, or has earmarked for sale as a non-core business, primarily in the Continental Europe region; and negative exchange rate movements of CHF 0.2 billion.

Exchange rates were largely unchanged from the start to the end of the year; however, the Swiss franc appreciated significantly during the year, before falling in the latter stages, resulting in a modest net impact on AUM over the year. Equity markets declines, continued negative performance for hedge funds and negative performance on structured products were partially offset by positive performance for bonds driving AUM down by approximately CHF 5.0 billion over the year.

AUM by category

in %



CONSOLIDATED FINANCIALS

Operating income

Operating income was CHF 763.2 million in 2011, compared to CHF 808.1 million in 2010 (comprising the CHF 325.5 million reported, but reversing the net mark down in 2010 relating to Marble Bar Asset Management of CHF 482.6 million as recorded in the financial statements within operating income). The year-on-year decrease in operating income was primarily due to negative foreign exchange impacts, partially offset by positive revenue developments in EFG financial Products. The continued strength of the Swiss franc, EFG International's reporting currency, resulted in the average US dollar, euro and pound sterling rates being stronger by 15%, 11% and 11% respectively year on year, reducing like-for-like operating income by approximately CHF 92 million from CHF 808.1 million to approximately CHF 716 million. Higher revenue contributions from EFG Financial Products of CHF 24 million year on year reflected a 29% growth rate in CHF terms.

Growth in operating income in the Americas, Asia and UK businesses was broadly offset by lower operating income in the Continental European businesses, which was a significant focus of the business review performed in the third quarter. Revenues in the last quarter of 2011 were impacted by the negative macro-economic environment.

The return on AUM remained at 94 basis points as both revenues and average AUM declined by 6%.

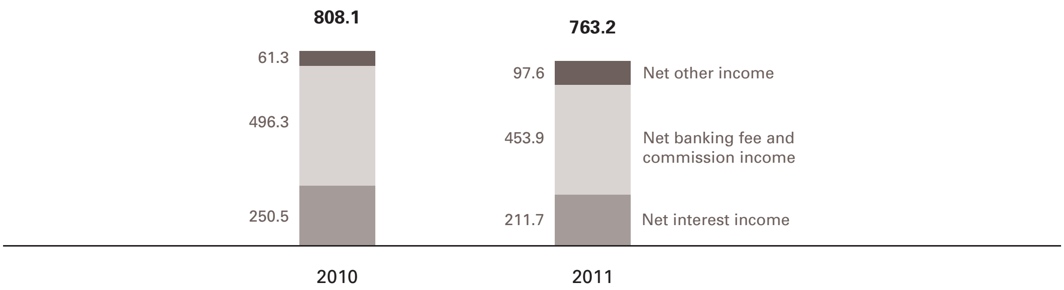
Net interest income was CHF 211.7 million, a reduction of 15%. This was driven by the low interest rate environment, continuing to limit interest spreads; the foreign exchange impact, reducing year-on-year net interest by approximately CHF 28 million; and clients seeking higher yields through structured products which pay higher coupons (an interest expense), on which EFG International earns foreign exchange revenue (net trading income), with an impact of circa CHF 10 million.

Net commission income was CHF 453.9 million, down 8.5%, with foreign exchange effects the primary driver. AUM are the key driver for commission revenues: approximately 50% of AUM are in US dollars (average exchange rate 15% lower year on year); 20% in euros (11% lower); and 15% in pounds sterling (11% lower) – resulting in an exchange rate-weighted adjustment of approximately 11% year on year.

Net other income was CHF 97.6 million, compared to CHF 61.3 million after adjusting back the 2010 impact of the net mark down in the financial asset EFG International held as a result of the restructuring of its holding in Marble Bar Asset Management in 2010 of CHF (482.6) million from the IFRS reported amount of CHF (421.3) million. The relative increase was due primarily to higher foreign exchange revenues (as mentioned above), where clients sought higher coupon-yielding products with embedded currency options, and EFG International earns revenue on these currency options.

Core operating income

in CHF millions



Operating expenses

Operating expenses were CHF 713.7 million, down 0.5% or CHF 3.8 million. This primarily reflects a decrease in staff costs of CHF 14.6 million and a decrease in intangible asset amortisation of CHF 14.5 million, offset by an increase in legal and litigation expenses. There were additional legal provisions of approximately CHF 27.0 million in the period relating to litigation where settlements are considered likely or were settled in the year.

The cost-income ratio, which is the ratio of operating expenses (including amortisation expense of software and tangible fixed assets) to operating income, increased from 85% to 92%. This was driven primarily by the decline in operating income – as a result of the impact of the average exchange rate – not being fully offset on the cost side owing to a higher level of CHF-denominated expenses and extraordinary legal charges taken in the year.

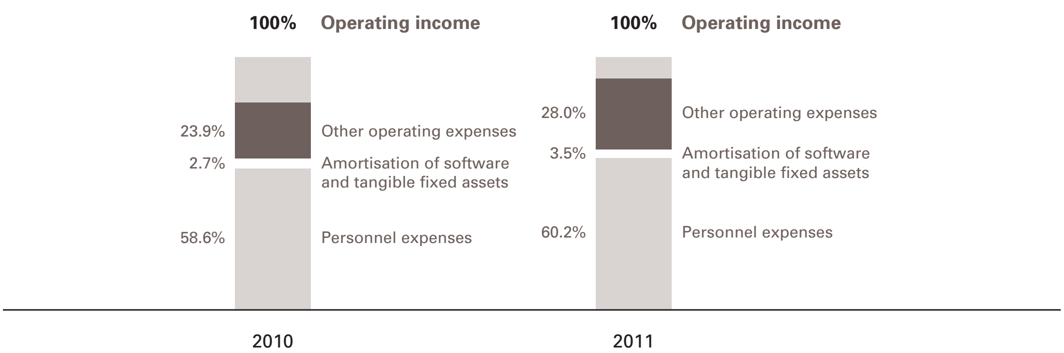
Personnel expenses decreased by 3% to CHF 459.3 million. Overall headcount increased by 85 to 2,547 employees, reflecting continued investments in personnel in selected growth businesses (EFG Financial Products up 49).

Other operating expenses increased by CHF 10.8 million to CHF 254.4 million from CHF 243.6 million in 2010, reflecting primarily additional litigation provisions and legal fees (circa CHF 27.0 million) incurred to defend EFG International's position in legal cases where it estimates that the financial position of the Group would not be significantly impacted.

Impairment of acquisition-related intangibles decreased to CHF 244.4 million (2010: CHF 378.8 million), reflecting the impairment of goodwill and intangible assets of the AyG, PRS, Quesada, French, Liechtenstein, OnFinance, India and Gibraltar businesses.

The tax line reflects a net charge of CHF 2.1 million compared to an income of CHF 25.7 million in the previous year. This relates primarily to ordinary current tax charges for current and prior years of CHF 9.7 million, offset by deferred tax credits of CHF 7.6 million (primarily due to deferred tax liabilities on acquisition-related intangible assets impaired in the year, and the related deferred tax liabilities being reversed).

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



As a result of ongoing uncertainty in the Greek economy, EFG International has impaired available-for-sale investment securities for CHF 72.5 million. The value of these debt securities reflects approximately 24% of the notional value of the bonds. The losses on these available-for-sale instruments, which normally go through equity, has been transferred into the P&L, as the decrease in value is considered to be permanent in nature.

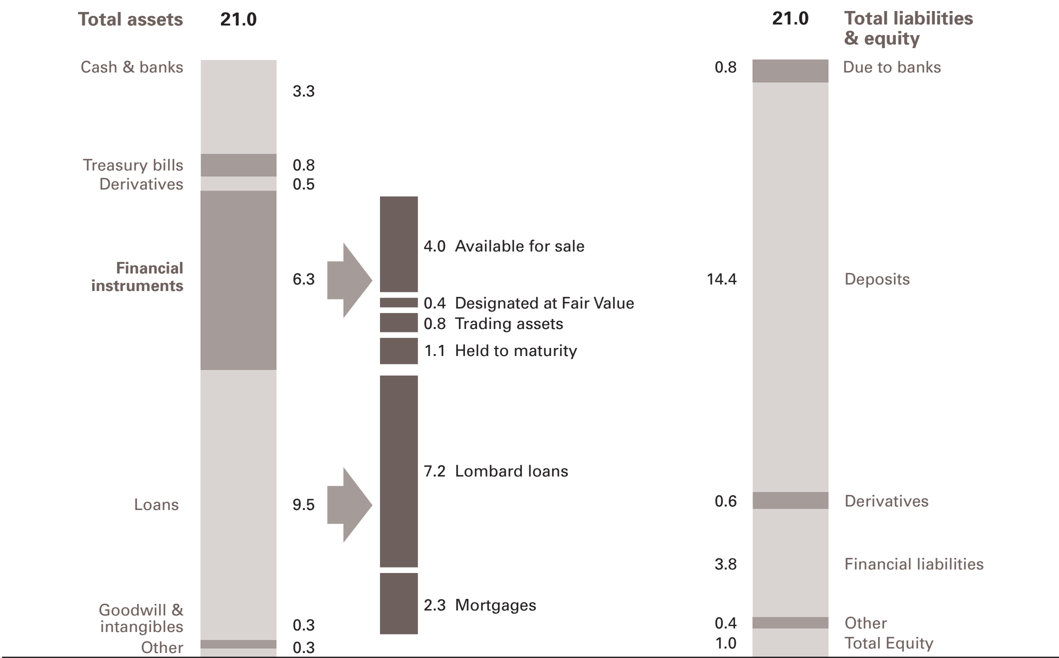
EFG International earned net revenues on the life settlement portfolio of CHF 17.7 million in 2011 (2010: CHF 31.9 million), comprising net interest income of CHF 29.1 million (2010: CHF 66.2 million) and net losses from financial instruments designated at fair value of CHF 11.4 million (2010: CHF 29.9 million), with a further negative mark to market of CHF 10.8 million in equity related to life settlement policies classified as available-for-sale (2010: CHF 34.6 million).

BALANCE SHEET

The consolidated balance sheet total remained roughly constant at CHF 21.0 billion (2010: CHF 20.9 billion). Loans to customers increased by 6% to CHF 9.5 billion. These comprised CHF 7.2 billion of loans to customers almost entirely backed by collateral of diversified liquid/marketable securities, and mortgages totaling CHF 2.3 billion.

Breakdown of balance sheet

in CHF billions



Due to Customers/Customer Deposits decreased by 3% to CHF 14.4 billion, primarily due to one-off large cash withdrawals by clients for investment purposes.

The majority of tangible assets are callable or disposable within 3 months, with the exception of life settlement policies of CHF 0.7 billion and CHF 2.3 billion mortgages with over 95% of the mortgage balance due within 12 months of the Balance Sheet date. The Customer Deposit to Loan Ratio of 186% remains one of the leading ratios in the banking sector.

CAPITAL

Shareholders' equity totaled CHF 1.0 billion, with changes year on year primarily as a result of the following:

- CHF 13.4 million paid on ordinary dividend;
- CHF 17.2 million paid on Bons de Participation dividend;
- CHF 47.8 million negative net revaluation of available-for-sale securities;
- CHF 218.9 million net loss attributable to Group and non-controlling shareholders (with loss of CHF 291.4 million from the income statement) adjusted for the impact on equity due to available for sale securities impairment of CHF 72.5 million which has no net equity impact;
- CHF 5.8 million in net losses from currency translation adjustments on consolidation of foreign currency denominated subsidiaries.

The BIS Total Capital Ratio was 12.9% at 31 December 2011 after including CHF 13.4 million anticipated ordinary 2011 dividend, to be approved by the 2012 Annual General Meeting. Risk Weighted Assets increased to CHF 5.6 billion as of 31 December 2011. This comprised the following (CHF billion):

	2010	2011
Credit Risk	3.6	**3.6**
Operational Risk	1.4	**1.4**
Market Risk, Settlement, Non-Counterparty Related	0.5	**0.6**
Total BIS Risk Weighted Assets	**5.5**	**5.6**

Total Tier 1 Capital amounted to CHF 719.2 million at 31 December 2011 including anticipated 2011 ordinary dividend, expected to be approved by the 2012 Annual General Meeting. This represented 3.5% of total assets net of intangibles.

At year end EFG International held 12.4 million treasury shares. On a pro forma basis, assuming all these shares were sold at a share price of CHF 7.11 (year-end closing price), shareholders' equity would increase by CHF 88.1 million and the BIS Total Capital Ratio would increase to 14.4%.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.10 per share, representing a dividend payout of approximately CHF 13.4 million, will be proposed to the Annual General Meeting scheduled for 27 April 2012.

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 P-1.

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
Spiro J. Latsis Member
Hugh Napier Matthews Member
Hans Niederer Member
Pericles Petalas Member

EXECUTIVE COMMITTEE EFG INTERNATIONAL AG

John Williamson Chief Executive Officer
Lukas Ruflin Deputy Chief Executive Officer
Jean-Christophe Pernollet Chief Financial Officer
Mark Bagnall Global Chief Operating Officer
Frederick Link Chief Risk Officer
Henric Immink Group General Legal Counsel

GLOBAL BUSINESS COMMITTEE (GBC) EFG INTERNATIONAL AG

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

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 AM VERY HAPPY TO PARTICIPATE IN RIGHT TO PLAY TRAININGS BECAUSE I HAVE LEARNED MANY NEW GAMES FOR MY STUDENTS. MY STUDENTS SEEM TO HAVE IMPROVED IN THEIR COOPERATION SKILLS IN THE CLASSROOM THANKS TO THE RIGHT TO PLAY ACTIVITIES. AS WELL, THEIR OVERALL HEALTH AND WELL-BEING HAS IMPROVED."

Ular Htoo – Physical Education Teacher, Middle School #2, Nu Po 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.

EFG International is proud to contribute to the success of all of Right To Play's programmes. Thanks to donations from its employees, it also provides direct support to certain projects – formerly in Uganda (a project now handed over to the local community) and currently in Thailand. This project is helping a number of refugee camps in the north west of the country, which are home to people seeking refuge from ethnic and political persecution in Burma. In total, it reached some 20,000 children at 55 schools during 2011, with regular sport and play activities facilitated by 500 coaches and teachers. With the support of EFG, Right To Play was able to expand its programming to a further two refugee camps and to provide sport and play activities to an additional 4,500 refugee children. Children participate twice weekly in Right To Play's play-based learning activities in schools in the refugee camps, as well as in monthly Play Days and sport tournaments.

The photographs on this page were taken in Mae La Camp, one of those in northwestern Thailand, during a play day with children and youth participants. They are all from Red Ball Child Play, a resource which promotes intellectual, physical, emotional and social development in children by focusing on the healthy development of the whole child. Play-based activities help to teach children about the value of making healthy choices, building satisfying relationships, and contributing positively to their community. Lessons centre around five colored balls, each representing one of five areas of development imperative for healthy growth: red for mind, black for body, yellow for spirit, blue for peace, and green for health.

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.

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

RISK MANAGEMENT

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

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

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

RISK MANAGEMENT ORGANISATION

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

The Board has delegated responsibilities for Risk Management as follows:

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

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

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

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

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

CREDIT RISK

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

CREDIT RISKS RELATED TO CLIENTS

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

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

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

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

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

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

CREDIT RISKS RELATED TO FINANCIAL INSTITUTIONS

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG Group level, subject to country limits. Limits for exposure to counter-parties are granted based upon internal analysis. Up to a certain absolute size or ceiling, depending on each counterparty's Fitch ratings and on its total equity, the limits are set by the EFG International Management Risk Committee. Beyond that ceiling, prior opinion from the EFG Group is required before final submission to EFG International's Management Risk Committee for approval. Limits for exposures to Insurance Companies and selected corporate names are granted in cooperation with the Executive Credit Committee based on a predefined matrix which sets maximum limits criteria based on their Company's long – term rating's and consolidated Company's net worth.

COUNTRY RISK

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

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

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

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

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

MARKET RISK

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

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco, Zurich and Stockholm. In the case of foreign exchange, EFG Bank maintains proprietary positions in linear foreign exchange measured against overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to daily and ten sliding day stop loss monitoring. Furthermore, the activity of issuing and marketing alternative and structured products is being performed by EFG Financial Products, established in 2007 to primarily address an increasing demand by our clients for these products. Specific market risk limits have also been approved for their activities, properly risk managed by an independent Control Unit within EFG Financial Products and overseen by the Global Risk Management Division of EFG International. Adherence to all limits is monitored independently by the Global Risk Management Division, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market, counterparty and country risks through the whole EFG International organisation.

The Global Risk Management Division is under the direct supervision of the Chief Risk Officer.

MARKET RISK MEASUREMENT AND LIMITS IN TRADING

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

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

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

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

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

Daily risk reports are made which review compliance with nominal and sensitivity limits and stop loss limits. Detailed disclosures on market risk measures and exposures can be found in the Consolidated Financial Report, Note 4, Financial Risk Assessment and Management, page 91.

CURRENCY RISK

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

ASSET/LIABILITY MANAGEMENT

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

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

LIQUIDITY RISK

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

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

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

OPERATIONAL RISK

Operational risk describes the risk of losses resulting from inadequate or failed internal processes, people and systems, or external events. At EFG International, it is a company wide concern which permeates every level of the organisation, including those areas not viewed as "operating units".

Operational risk management is an ongoing responsibility of senior management and the Executive Committee of EFG International. Results are monitored within the risk management function. There is a set of comprehensive policies and procedures for controlling, measuring and mitigating the operational risk of EFG International and its subsidiaries. Compliance with these policies is assessed through regular internal auditing.

Quarterly reports are prepared to reveal newly identified or potential risks. These help to ensure that EFG International remains alert to emerging risks, as well as enhancing understanding and management of operational risk at all levels in the organisation. In addition, a bottom-up operational risk "self-assessment" is produced by all business units, providing a specific operational risk profile for the business lines and highlighting areas with high risk potential. The above process is the responsibility of operational risk managers in the various EFG International entities. It involves the collection, analysis, evaluation and quality assurance of risk data; the planning and execution of appropriate measures; and continual monitoring of unusual or exceptional events. The operational risk managers report to the Senior Executive of EFG International (in his capacity as Global Chief Operating Officer), who presents the information to the Executive Committee. As a consequence of this dynamic approach, operational losses have been relatively small.

There are further layers of protection. Detailed reports on the activity of all CROs are produced by a global IT system on a daily basis, and are closely monitored in order to detect any large or unusual transactions. All securities purchases are executed through central trading desks and large transactions are reviewed by traders as to size and quality of securities. EFG International is protected from interruption to its main business services through regularly-tested business continuity plans and a disaster recovery plan. In the event of a crisis scenario, the company will be able to recover essential technology infrastructure and data. In addition, due diligence reports relating to the evaluation of acquisition candidates include detailed operational risk assessments, both in relation to the acquisition company and subsequent its integration. The company's IT system provides an immediate duplicate of all transactions, ensuring a backup system is continuously available off-site. Operations are also audited by EFG Group's internal auditors and external auditors, and results presented to EFG International's audit committee.

COMPLIANCE RISK

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

LEGAL RISK

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

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

REPUTATION RISK

Reputation risk for EFG International may arise from service delivered to clients that are substandard, as well as EFG International's involvement with politically exposed persons, persons with a public profile or those associated with high risk activities. EFG International ensures service quality by employing highly skilled CROs and minimising operational error (see "Operational Risk", earlier). Reputation risk arising from client selection is a common concern for all private banks, and the Swiss Financial Market Supervisory Authority (FINMA), along with regulators throughout the world have put in place rules and regulations to monitor the reputation risk inherent in the industry. A transaction Reputation Risk Policy has been established in line with an effective control and reporting process that would screen evaluate and assess clients and/or transactions before any final consideration for approval.

To comply with anti-money laundering laws, EFG International operates strict due diligence procedures for the acceptance of new clients. In addition, EFG International closely monitors transactions on an ongoing basis and investigates any transaction activity that is unusual and is deemed suspicious. In addition, proper staff hiring directive has been implemented as the hiring of good people is also key to managing reputation risk.

PARENT COMPANIES

PARENT COMPANIES

EFG International's largest shareholder is EFG Bank European Financial Group SA, based in Geneva, with 49.34%. This is in turn part of EFG Group, based in Luxembourg.

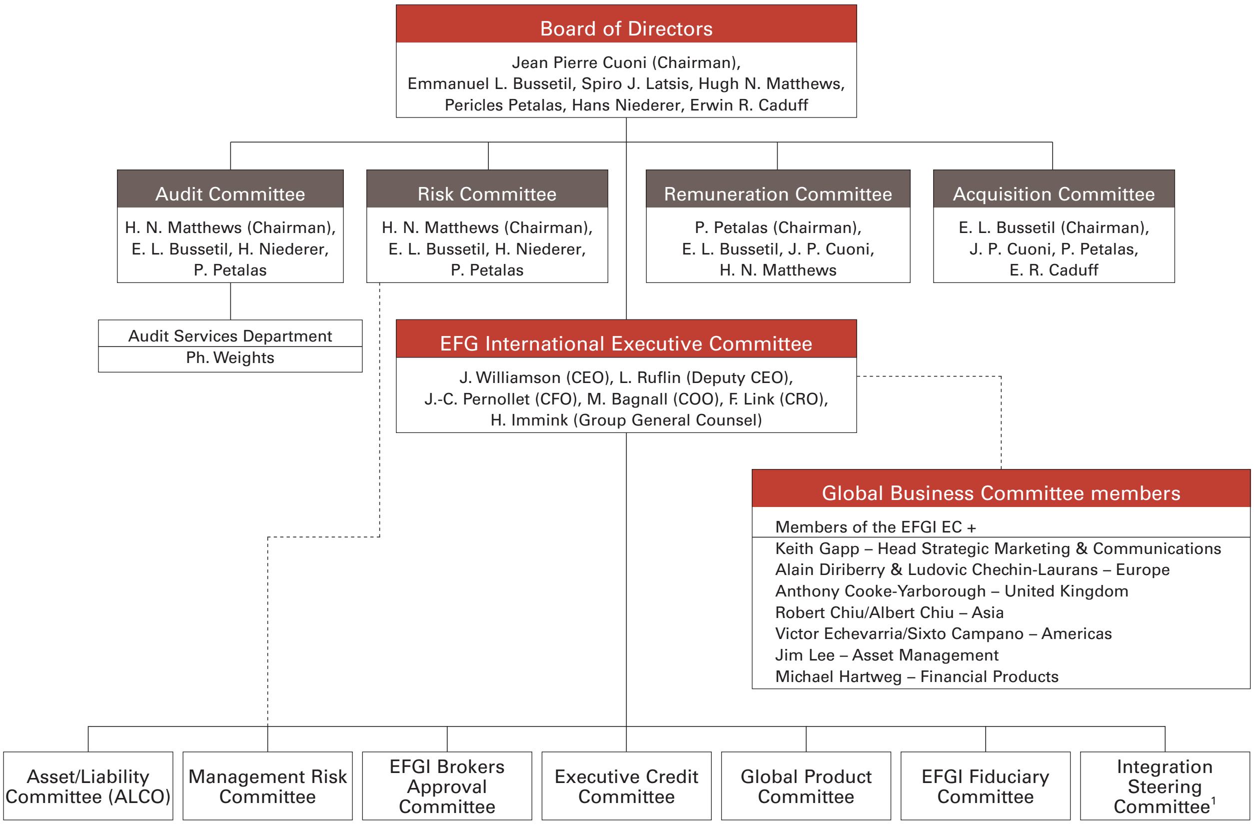
Details for EFG Group can be found at
www.efggroup.com

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

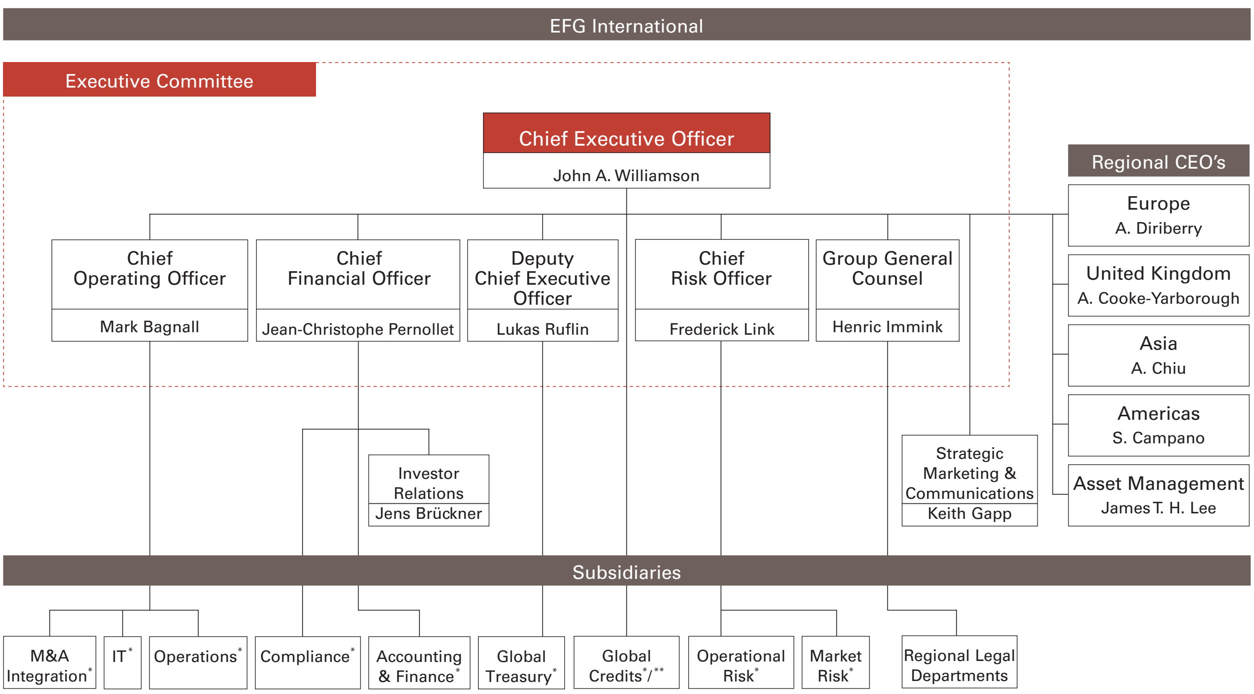
European Financial Group EFG (Luxembourg) SA
5, rue Jean-Monnet
L-2180 Luxembourg

CORPORATE GOVERNANCE

EFG International Board and Committees



Structure of the central management of EFG International as of 31 December 2011



* Located at EFG Bank but reporting to EFG International

** Reporting to the CEO with delegated supervision to James Lee

1 Currently not active.

— Advisory function

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

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

The following information corresponds to the situation as at 31 December 2011, unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International

EFG International is a global private banking and asset management group operating in over 30 locations worldwide. The EFG International group is organised into six business segments: Americas, Asia, United Kingdom, Continental Europe, Asset management and Financial Products. Further information can be found in note 47 of the annual report.

The structure of the central management of EFG International as of 31 December 2011 is outlined on the previous page.

1.2 Group entities

The main consolidated entities are listed on page 128. There are no listed companies belonging to the EFG International group other than EFG International.

1.3 Significant shareholders

The shareholding structure of EFG International as of 31 December 2011 is shown in the table below.

As of 31 December 2011	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA*	72,366,556	49.34%
Lawrence D. Howell	8,052,705	5.49%
Cuoni Family Interests	6,809,500	4.64%
Norges Bank**	5,526,887	3.77%
Other Shareholders	53,914,352	36.76%
Total	**146,670,000**	**100.00%**

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies.
** On 6 February 2012 Norges Bank reported that due to sales of EFG International shares their total holdings have fallen below 3%.

At year-end 2011, EFG International group held a stake of EFG International registered shares corresponding to 8.43% of the total share capital of EFG International.

For notifications received by EFG International in 2011 according to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 see the published reports on the Disclosure Office's publication platform of the SIX Swiss Exchange (see http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=14226).

1.4 Lock-up agreements
Currently there are no lock-up agreements in place.

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

2. CAPITAL STRUCTURE

2.1 Capital
Share capital
The outstanding share capital amounts to CHF 73,335,000, consisting of 146,670,000 registered shares with a face value of CHF 0.50 each; the shares are fully paid-up. The conditional share capital amounts to CHF 12,282,500.

The registered shares are traded on the main standard of the SIX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 954,952,753 on 31 December 2011 excluding treasury shares.

Participation capital
The outstanding participation capital of the company amounts to CHF 6,000,000, consisting of 400,000 non voting preference Class B Bons de Participation with a nominal value of CHF 15.00 each. These Bons de Participation have been issued to Banque de Luxembourg as fiduciary in connection with the issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005. The EFG Fiduciary Certificates are listed on the Luxembourg Stock Exchange (ISIN: XS0204324890). The preference rights attached to the Class B Bons de Participation consist of preferential dividend and liquidation rights, as mainly set out in article 13 of the Articles of Association (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting.

2.2 Authorised and conditional capital in particular
Authorised capital
The Board of Directors is authorised, at any time until 28 April 2012, to increase the share capital by no more than CHF 25,000,000 by issuing no more than 50,000,000 fully paid-up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free reserves are permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

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

Conditional capital

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

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

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

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

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

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

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

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

2.3 Changes in capital structure

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

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

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

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2011:

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

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

Participation certificates

Number of participation certificate as of 31 December 2011:

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

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

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

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

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

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

2.7 Convertible bonds and warrants/options

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

In addition, EFG International has issued options and restricted stock units in relation to its Employee Equity Incentive Plan and has sold a total of 55,000 options to employees with a strike price of CHF 49.25 per share, 447,617 options with a strike price of CHF 24.00 per share and 18,349 restricted stock units with a zero exercise price. Each option and restricted stock unit entitles to the purchase of one EFG International restricted share. Further details can be found under section 5.1 and in Note 52 to the financial statements.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

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

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

Jean Pierre Cuoni is a Swiss citizen, born in 1937 and is co-founder of EFG Bank. He has been Chairman of the Board of Directors of EFG Bank since 1997 and was appointed Chairman of EFG International in 2005 at the time of the listing of the latter on the SIX Swiss Exchange. He has been a member of the Board of Directors of EFG Bank European Financial Group SA since 1995.

Prior to these positions, Mr. Cuoni was Chief Executive Officer of Coutts and Co International (1990–1994) and Chief Executive Officer of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988–1990). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva and Zurich. He was Citibank's Regional Head of Private Banking for Europe and Middle East/Africa and Senior Officer (Country Corporate Officer) for Citicorp and Citibank in Switzerland. Mr. Cuoni was Senior Vice President of Citibank N.A. from 1981 to 1988 and Chairman of Citibank (Switzerland) S.A. from 1982 to 1988.

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

Emmanuel Leonard Bussetil is a British citizen, born in 1951. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005 and has been a member of the Board of Directors of EFG Bank since 2001. He is the Group Finance Executive of EFG Bank European Financial Group SA and is a member of the Board of EFG Group's parent companies as well as of EFG Eurobank Ergasias, a company listed on the Athens Stock Exchange. He also is a member of the Board of Lamda Developments Limited, a property company listed on the Athens Stock Exchange and of other principal commercial holding and operating companies controlled by Latsis family interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that he was an Audit Manager at PricewaterhouseCoopers, in the UK, where he was employed from 1976 to 1982.

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

Spiro J. Latsis is a Greek citizen, born in 1946. He was appointed a member of the Board of Directors of EFG International AG effective as of 8 September 2005. He has been a non-executive member of the Board of Directors of EFG Bank AG since 1997. Mr. Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chairman since 1997. In addition, he is a non-executive director in other EFG Group companies, including European Financial Group EFG (Luxembourg) SA (since 2009; as Chairman), Private Financial Holdings Limited, Bermuda (since 2009), EFG European Financial Group Limited, Malta (since 2009), EFG Consolidated Holdings SA, Luxembourg (since 1989) and EFG Eurobank Ergasias SA, Athens (since 1990). Mr. Latsis is also President of SETE SA, Geneva, and Chairman of Paneuropean Oil and Industrial Holdings SA, Luxembourg.

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

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

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

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

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

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

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

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

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

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

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

3.3 Elections and terms of office

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

The tenure of all the current members of the Board of Directors will expire at the 2012 general meeting, at which time all directors will be subject to re-election by the shareholders.

3.4 Internal organisational structure

The internal organisational structure is laid down in the organisational regulations of the Company (the document is available on the EFG International homepage: www.efginternational.com/auditors-regulations). The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board meeting. In order to make a binding decision, a simple majority of the Board of Directors must be present. The Board of Directors takes decisions on the basis of an absolute majority of present members. In the event of a tie, the Chairman does not have a casting vote. The composition of the board and its committees is disclosed in the organigram on page 43 (EFG International Board & Committees).

Ian Cookson, the former Chief Operating Officer of EFG International, currently non-executive Board of Directors member on a number of EFG International companies, provides consulting services to EFG International. These fall into two categories, the first is to attend EFG International (and EFG Bank) Board meetings as a guest where opinion is frequently sought on many subjects but most often in the areas of IT and Human Resources; the second is as secretary to the EFG International Board of Directors Remuneration Committee. He is currently concluding a specific project which relates to the implementation of Swiss Financial Market Supervisory Authority (FINMA) and other regulators regulations regarding remuneration throughout the EFGI group.

The Board of Directors met ten times in 2011. Meetings typically last half a day; see the details in the table below:

#	Date (dd/mm/yyyy)	J. P. Cuoni (Chairman)	E.L. Bussetil	E.R. Caduff	S.J. Latsis	H. Matthews	H. Niederer	P. Petalas
1	14.01.2011	X	X	X	X	X	E	X
2	08.03.2011	X	X	X	X	X	X	X
3	27.04.2011	X	X	X	X	X	X	X
4	23.06.2011	X	X	X	X	X	X	X
5	26.07.2011	X	E	X	X	X	X	X
6	12.10.2011	X	X	X	X	X	E	X
7	17.10.2011	X	X	E	X	X	X	X
8	27.10.2011	X	X	E	E	X	E	X
9	29.11.2011	X	X	X	E	E	X	E
10	06.12.2011	X	X	X	X	X	X	X

"X" – in attendance, "E" – excused from attending.

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

Audit committee

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

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

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

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

The audit committee meets quarterly as well as when necessary to review the accounts before approval by the Board. Meetings typically last three to four hours and are attended by members of the executive management responsible for areas supervised by the audit committee. During 2011, the audit committee met six times. See the details in the table below:

#	Date (dd/mm/yyyy)	H. Matthews (Chairman)	E.L. Bussetil	H. Niederer	P. Petalas
1	17.02.2011	X	X	E	X
2	07.03.2011	X	X	X	X
3	07.06.2011	X	X	X	X
4	25.07.2011	X	E	X	X
5	13.09.2011	X	X	X	X
6	15.11.2011	X	E	X	X

"X" – in attendance, "E" – excused from attending.

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

Risk committee

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

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

The risk committee meets quarterly. Meetings typically last three to four hours and are attended by members of the executive management responsible for risk management. During 2011, the risk committee met four times. See the details in the table below:

#	Date (dd/mm/yyyy)	H. Matthews (Chairman)	E. L. Bussetil	H. Niederer	P. Petalas
1	17.02.2011	X	X	E	X
2	07.06.2011	X	X	X	X
3	13.09.2011	X	X	X	X
4	15.11.2011	X	E	X	X

"X" – in attendance, "E" – excused from attending.

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

Remuneration committee

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

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

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

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

The remuneration committee meets annually in the first quarter to review salary and bonus decisions as well as when necessary. Meetings typically last two to three hours and are attended by the Chief Executive Officer (CEO). During 2011, the remuneration committee met eight times: see the details in the table below:

#	Date (dd/mm/yyyy)	P.P. Petalas	J.P. Cuoni	H. Matthews	E.L. Bussetil	I.R. Cookson*	CEO EFG International**
1	14.01.2011	X	X	X	E	X	X
2	25.01.2011	X	X	X	X	X	X
3	17.02.2011	X	E	X	X	X	X
4	07.03.2011	X	X	X	X	X	X
5	26.04.2011	X	X	X	X	X	X
6	25.07.2011	X	X	X	X	X	X
7	12.10.2011	X	X	X	X	X	X
8	06.12.2011	X	X	X	X	X	X

"X" – in attendance, "E" – excused from attending.
* Secretary to the Committee.
** Attendee; from June 27, 2011, John Williamson assumed role of CEO EFGI from Lawrence D. Howell.

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

Acquisition committee

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

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

The acquisition committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the CEO and Chief Financial Officer regarding the status of negotiations with various acquisition targets. Meetings vary in length from one to three hours.

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

During 2011, no meeting of the acquisition committee took place.

3.5 Definition of areas of responsibility

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

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

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

EFG International Executive Committee

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

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

Chief Executive Officer

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

Deputy Chief Executive Officer

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

Chief Financial Officer

The Chief Financial Officer (CFO) has overall responsibility for the financial management of the EFG International Group. He is responsible for EFG International accounting policies as well as for the preparation of the Group's financial statements and management accounts. The CFO is also responsible for regulatory reporting and compliance with capital adequacy requirements. He is the designated Executive Committee member responsible for Compliance and is in charge of regulatory relations on a global basis.

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

Chief Risk Officer
The Chief Risk Officer (CRO) monitors and assesses risk throughout the whole EFGI organisation, encompassing market, counterparty, country, liquidity and other risks. In this function, he also reports to the EFGI Risk Committee, and provides an independent oversight on credit and operational risks, albeit these risks are addressed primarily by the Head of Credit Control and the COO.

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

EFG International Global Business Committee
The EFG International Executive Committee has also created (in October 2011) the EFG International Global Business Committee (GBC), with an advisory role in assessing and validating business strategy, key business aspects and priorities as well as in debating industry trends and issues.

The GBC consists of the members of the EFG International Executive Committee, the Regional CEOs and selected Senior Managers (see the organigram "Board and Committees" on page 27).

3.6 Information and control instruments vis-à-vis the Executive Committee
The Board of Directors supervises the management of EFG International through various meetings with management, including meetings of the Board and its committees.

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

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

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

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

See also the information on risk management on page 32.

4 EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

John Williamson is the CEO of EFG International, effective June 2011. He was formerly the CEO of EFG Private Bank Ltd., EFG International's UK and Channel Islands business, from 2002–2011. During this time he transformed the business into one of the most significant contributors to EFG International performance, and oversaw the merger of EFG Private Bank Ltd. with EFG International ahead of the latter going public.

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

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

He is also currently a Trustee of the Southbank Sinfonia.

Lukas Ruflin was appointed as Deputy CEO of EFG International as of June 2009. In the year 2010 he also acted as CEO of EFG Bank. Mr. Ruflin was one of the founding partners of EFG Financial Products in 2007, where he ran its issuing entity in Guernsey. He joined EFG Bank in 2004 and held different management positions within EFG Bank and EFG International in Zurich and in London. Lukas Ruflin started his career at Lehman Brothers (2000–2004), JP Morgan (1999–2000) and PricewaterhouseCoopers and joined EFG in 2004.

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

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

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

Frederick Link served as Group General Counsel of EFG International from March 2006 until 31 December 2010. He was appointed as CRO in July 2008 and continues in that role. As CRO he is responsible for risk assessment, management and controlling throughout the EFG International Group. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products. Mr. Link is a US citizen and was born in 1975.

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

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

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

Mark Bagnall was appointed COO of EFG International effective 1 January 2011. He joined EFG International in December 2008 as Global Chief Technology Officer. Prior to joining EFG, he worked from 2004 to 2008 at Merrill Lynch in London and Geneva, where he was Head of International Private Client & Wealth Management Technology, having previously held IT management roles in Capital Markets & Investment Banking in London & New York from 1998 to 2003. He started his career on the IT graduate programme with British Petroleum in 1989, before moving to JP Morgan in 1994. Mr. Bagnall was born in 1967 and is a UK citizen. He holds a BSc in Mathematics & Computer Science from Liverpool University.

Alain Diriberry (CEO of Continental Europe) and James T.H. Lee (CEO of EFG Asset Management) stepped down from the Executive Committee effective 18 October 2011.

Alain Diriberry was appointed COO of EFG International in July 2008. As of January 2011 he was appointed CEO of EFG Bank and CEO of EFG Europe in April 2011. He joined EFG Bank in August 2003 as Deputy CEO with COO responsibilities, and then became Head of Private Banking, Geneva in January 2005. He has no other activities or vested interests other than his functions at EFG International. Prior to joining EFG, he worked at Coutts Switzerland (1994–2003) as COO, responsible for operations, IT and central functions, and subsequently as Head of Private Banking for Switzerland starting in 2000. Between 1989 and 1994, he worked as Head of IT at NatWest Bank in Paris and then became Head of Central Support and Deputy General Manager. He began his career as an IT engineer and then joined Price Waterhouse as an IT consultant and project manager in various business areas, including finance and banking.

James T. H. Lee is a British citizen, born in 1948. Since June 2009 he was appointed CEO Asset Management. He previously was the Deputy CEO of EFG International and EFG Bank (since 2003). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee in January 2002 and a member of the management. Prior to 2001, Mr. Lee worked for UBS on strategic and tactical acquisitions in the field of private banking (1999–2000), and was the Global Head of International Private Banking for Bank of America (1997–1998). Between 1973–1997 he held various positions at Citigroup in Corporate, Investment and Private Banking, including being responsible for the Private Bank's Ultra-High Net Worth business in Asia and for the Global Investment Advisory business of the Private Bank. In 2000, Mr. Lee acted as advisor to several start-up businesses active in the fields of e-commerce and healthcare and co-founded an e-commerce company in the UK to build portals for specific industries in which he no longer holds any interest.

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

In addition, Lawrence D. Howell stepped down from his position as CEO of EFG International effective 27 June 2011.

Lawrence D. Howell is a U.S. citizen, born in 1953. He is the former CEO of EFG International, a role he held for sixteen years. Previously, he was the CEO of EFG Bank (since 1997) and a member of the management (since 1997). From 1995 to 1997 he was CEO of the Zurich office of Banque de Depôts, the predecessor entity to EFG Bank European Financial Group SA. Prior to joining the EFG, Mr. Howell was with Coutts and Co. International Private Banking from 1989 to 1995. Prior to 1993, he was Head of Americas and Asia in Zurich and New York and until 1995 he was Head of Americas based in New York and responsible for clients domiciled in the Americas as well as for the bank's offices in the US, the Bahamas, Bermuda, Cayman, and Latin America.

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

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

4.2 Other activities and vested interests

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

4.3 Management contracts

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

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

General

Compensation of the Board of Directors, the CEO and other member of the Executive Committee, as well as other senior executives, is set by the Board of Directors' remuneration committee (see section 3.4 above). The committee convenes at least once a year to set compensation levels for members of the Board of Directors and members of the Executive Committee within parameters established by the full Board of Directors. In addition, special meetings may be convened to approve the remuneration of any new members of the Executive Committee and as required.

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

- It ensures that management of EFG International and its subsidiaries maintain and observe an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed.
- It ensures that the total annual salary increases and variable compensation amounts are within the overall amount fixed by the Board of Directors.
- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interests or FINMA Circular 2010/1.
- It decides on the contractual arrangements of the Members and the Chairman of the Board of Directors, the CEO of EFG International and other key executives, including those of the company's subsidiaries, as appropriate.
- It approves all salary increases to non-key executives, with the exception of those resulting from existing contractual conditions, in cases where the increase places the person into the key executive category.
- It sets the rules for staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the remuneration committee for approval.
- It decides on the granting of loans to members of the Board of Directors and key executives as well as to related parties.
- It decides on EFG International's contribution to pension and social institutions for the Swiss entities and their branches.
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of EFG International and its subsidiaries.

– It is informed of decisions regarding the waiving the cancellation of rights on EFG International's share options or restricted stock held by staff, who leave for illness or other justifiable cause made by the chairman of the committee.
– The remuneration committee reports annually to the Board of Directors with a formal remuneration report.

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

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

Details of the options granted under the Employee Equity Incentive Plan can be found in Note 52 to Consolidated Financial Statements of the EFG International group included in this annual report.

Members of the Board of Directors

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

Executive Committee and other Members of the Executive Management

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

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

Variable compensation for members of senior management other than the CEO is determined entirely within the discretion of the remuneration committee based upon recommendations of the CEO (except in relation to his own variable compensation), including any deferral and/or vesting period. The remuneration committee considers a number of quantitative and qualitative elements such as the performance of EFG International through the year, the relation between variable compensation and key performance indicators, the risk profile of the institution and the individual performance of senior management members.

The fixed and variable compensation review is carried out annually. Whilst there is a strong emphasis on the Personal Contribution when determining the discretionary variable compensation for staff with a modest income, this becomes a strong emphasis on Corporate Performance, in particular profitability, with a corresponding diminution of the impact of Personal Contribution, at the senior management level.

Poor performance of the company can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives.

Whilst salary surveys are used to help establish the appropriate remuneration for most members of staff they are rarely used at the highest level of management since an insufficient number of organisations with the same level of international complexity render comparison difficult.

The variable component of pay to members of the executive committee amounted from 0 to 37.6% of the fixed component, averaging at 17.6%.

There is one member of the Executive Committee who benefits from a severance package within his contract; the package covers the payment of his remuneration up until 31st December 2013 in the case of termination without valid reason by the employer. EFG International is currently paying a severance package to a former Executive Committee member until 31st December 2013.

EFG International has decided to implement on a voluntary basis the principles of the FINMA Circular 10/1 “Minimum standards for remuneration schemes of financial institutions” which has been applicable since January 2011.

6. SHAREHOLDERS’ RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

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

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

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

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

6.4 Agenda

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

6.5 Registrations in the share register

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Duty to make an offer

EFG International has not taken any defence measures against take-over attempts. Therefore, there are no statutory rules on "opting up" and "opting out". The articles of association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 33 1/3% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Art. 22 para. 2 Stock Exchange Act) or which would increase such threshold to 49% of the voting rights (opting up provision pursuant to Art. 32 para. 1 Stock Exchange Act). "Opting up" is a rule based on which the triggering threshold would be lifted to a higher percentage, while "opting out" is a rule waving the legal duty to submit an offer.

7.2 Clauses on changes of control

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

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

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

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

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 4,163,682 for auditing the 2011 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 311,000 and fees for tax advice, consultancy and other services of CHF 9,356 were paid.

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

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

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

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

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

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

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

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

9. INFORMATION POLICY

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

It also publishes press releases, presentations and brochures as needed.

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

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

Contact address can be found on the back cover.

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EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Interest and discount income		419.5	407.7
Interest expense		(207.8)	(157.2)
Net interest income	5	**211.7**	250.5
Banking fee and commission income		561.1	610.5
Banking fee and commission expense		(107.2)	(114.2)
Net banking fee and commission income	6	**453.9**	496.3
Dividend income	7	19.3	9.6
Net trading income	8	83.1	67.4
Net loss from financial instruments designated at fair value	9	(10.8)	(517.8)
Gains less losses from investment securities	10	5.1	16.1
Other operating income		0.9	3.4
Net other income/(loss)		**97.6**	(421.3)
Operating income		**763.2**	325.5
Operating expenses	12	(713.7)	(717.5)
Impairment of intangible assets and goodwill	14	(244.4)	(378.8)
Impairment on available-for-sale investment securities	15	(72.5)	
Impairment on financial assets held-to-maturity	32		(4.4)
Provision for restructuring costs	16	(10.0)	
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)	
Loss on disposal of subsidiary			(23.5)
(Impairment)/Reversal of impairment on loans and advances to customers	11	(1.9)	4.3
Loss before tax		**(289.3)**	(794.4)
Income tax (expense)/gain	17	(2.1)	25.7
Net loss for the period		**(291.4)**	(768.7)
Net loss for the period attributable to:			
Net loss attributable to owners of the Group		(294.1)	(721.8)
Net profit attributable to non-controlling interests		2.7	
Net loss attributable to non-controlling interests			(46.9)
		(291.4)	(768.7)

	Note	CHF	CHF
Earnings per ordinary share			
Basic	49.1	(2.32)	(5.52)
Diluted	49.2	(2.32)	(5.52)

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Net loss for the period		**(291.4)**	(768.7)
Other comprehensive income			
Fair value losses on available-for-sale investment securities, before tax	31	(50.1)	(60.2)
Transfer to the Statement of Comprehensive Income of available-for-sale investment securities reserve, before tax	31	(5.1)	(16.1)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	15	72.5	
Tax effect on changes in fair value of available-for-sale investment securities	31	7.4	1.9
Currency translation differences, before tax		(15.8)	(85.0)
Currency translation losses transferred to the Statement of Comprehensive Income		10.0	
Other comprehensive income for the period, net of tax		**18.9**	(159.4)
Total comprehensive income for the period		**(272.5)**	(928.1)
Total comprehensive income for the period attributable to:			
Owners of the Group		(274.4)	(865.9)
Non-controlling interests		1.9	(62.2)
		(272.5)	(928.1)

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

	Note	31 December 2011 CHF millions	31 December 2010 CHF millions
Assets			
Cash and balances with central banks	20	**1,079.3**	711.8
Treasury bills and other eligible bills	22	**823.9**	2,037.8
Due from other banks	23	**2,206.9**	2,227.1
Loans and advances to customers	24	**9,548.2**	8,957.8
Derivative financial instruments	27	**537.5**	353.8
Financial assets at fair value:			
Trading assets	28	**813.9**	624.7
Designated at inception	29	**367.2**	370.8
Investment securities:			
Available-for-sale	30	**3,984.3**	3,690.3
Held-to-maturity	32	**1,098.3**	1,024.5
Intangible assets	34	**300.6**	578.8
Property, plant and equipment	35	**38.2**	47.5
Deferred income tax assets	18	**48.6**	54.2
Other assets	36	**194.0**	214.1
Total assets		**21,040.9**	20,893.2
Of which assets to significant shareholders		*8.4*	8.9
Liabilities			
Due to other banks	37	**779.0**	337.8
Due to customers	38	**14,398.4**	14,904.4
Derivative financial instruments	27	**603.3**	633.8
Financial liabilities designated at fair value	39	**490.7**	486.7
Other financial liabilities	40	**3,356.5**	2,863.0
Current income tax liabilities		**11.4**	10.8
Deferred income tax liabilities	18	**37.6**	58.1
Other liabilities	41	**352.5**	299.9
Total liabilities		**20,029.4**	19,594.5
Equity			
Share capital	43.1	**73.1**	73.1
Share premium	43.2	**1,154.3**	1,153.8
Other reserves	44	**77.8**	42.6
Retained earnings		**(318.3)**	6.4
		986.9	1,275.9
Non-controlling interests		**24.6**	22.8
Total shareholders' equity		**1,011.5**	1,298.7
Total equity and liabilities		**21,040.9**	20,893.2
Of which subordinated liabilities		-	-
Of which liabilities to significant shareholders		*1.4*	*27.0*

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

		Attributable to owners of the Group						
	Note	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2010		73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3
Net loss for the period					(721.8)	(721.8)	(46.9)	(768.7)
Currency translation differences, net of tax				(81.0)		(81.0)	(4.0)	(85.0)
Fair value losses on available-for-sale investment securities, net of tax				(63.1)		(63.1)	(11.3)	(74.4)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		-	-	(144.1)	(721.8)	(865.9)	(62.2)	(928.1)
Dividend paid on ordinary shares	50				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	50				(20.4)	(20.4)		(20.4)
Net distributions to non-controlling interests						-	(0.6)	(0.6)
Ordinary shares sold	43.1-43.2		0.4			0.4		0.4
Ordinary shares repurchased	43.1-43.2	(0.1)	(4.0)			(4.1)		(4.1)
Employee equity incentive plans	52			26.6		26.6		26.6
Balance at 31 December 2010		73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

	Note	*Attributable to owners of the group* Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	Non controlling Interests CHF millions	Total Equity CHF millions
Balance at 1 January 2011		73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7
Net loss for the period					(294.1)	(294.1)	2.7	(291.4)
Currency translation differences, net of tax				(15.3)		(15.3)	(0.5)	(15.8)
Currency translation losses transferred from the Statement of Other Comprehensive Income				10.0		10.0		10.0
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income				72.5		72.5		72.5
Fair value gains/(losses) on available-for-sale investment securities, net of tax				(47.5)		(47.5)	(0.3)	(47.8)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income		**-**	**-**	**19.7**	**(294.1)**	**(274.4)**	**1.9**	**(272.5)**
Dividend paid on ordinary shares	50				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation	50				(17.2)	(17.2)		(17.2)
Net distributions to non-controlling interests						-	(0.1)	(0.1)
Ordinary shares sold	43.2		0.5			0.5		0.5
Employee equity incentive plans	52			15.5		15.5		15.5
Balance at 31 December 2011		**73.1**	**1,154.3**	**77.8**	**(318.3)**	**986.9**	**24.6**	**1,011.5**

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Cash flows from operating activities			
Interest received		**388.8**	401.2
Interest paid		**(196.8)**	(147.6)
Banking fee and commission received		**540.2**	609.1
Banking fee and commission paid		**(103.8)**	(108.2)
Dividend received	7	**19.3**	9.6
Net trading income		**68.6**	86.8
Other operating receipts		**1.0**	3.5
Staff costs paid		**(434.1)**	(449.4)
Other operating expenses paid		**(150.0)**	(193.5)
Income tax paid		**(0.5)**	(13.5)
Cash flows from operating activities before changes in operating assets and liabilities		**132.7**	198.0
Changes in operating assets and liabilities			
Net decrease/(increase) in treasury bills		**828.8**	(1,468.4)
Net (increase) in due from other banks		**(27.7)**	(36.4)
Net (decrease)/increase in derivative financial instruments		**(214.1)**	105.2
Net (increase) in loans and advances to customers		**(679.0)**	(670.8)
Net (increase) in other assets		**(20.1)**	(41.5)
Net increase/(decrease) in due to other banks		**434.0**	(96.7)
Net (decrease) in due to customers		**(463.7)**	(743.9)
Net increase/(decrease) in other liabilities		**52.6**	(6.1)
Net cash flows from operating activities		**43.5**	(2,760.6)
Cash flows from investing activities			
Proceeds from disposal of business, net of cash disposed		**0.1**	(1.1)
Purchase of securities		**(9,609.3)**	(9,668.8)
Proceeds from sale of securities		**9,062.8**	9,366.6
Purchase of property, plant and equipment	35	**(9.2)**	(13.7)
Purchase of intangible assets	34	**(10.3)**	(8.7)
Proceeds from sale of property, plant and equipment		**0.2**	0.5
Net cash flows used in investing activities		**(565.7)**	(325.2)
Cash flows from financing activities			
Dividend paid on Bons de Participation	50	**(17.2)**	(20.4)
Dividend paid on ordinary shares	50	**(13.4)**	(13.4)
Distributions to non-controlling interests		**(0.1)**	(0.6)
Ordinary shares repurchased	43		(4.1)
Ordinary shares sold	43	**0.5**	0.4
Issuance of structured products		**7,810.7**	6,012.4
Redemption of structured products		**(7,344.7)**	(3,857.0)
Net cash flows from financing activities		**435.8**	2,117.3
Effect of exchange rate changes on cash and cash equivalents		**(12.8)**	(56.9)
Net change in cash and cash equivalents		**(99.2)**	(1,025.4)
Cash and cash equivalents at beginning of period	21	**2,914.8**	3,940.2
Net change in cash and cash equivalents		**(99.2)**	(1,025.4)
Cash and cash equivalents	21	**2,815.6**	2,914.8

The notes on pages 76 to 153 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in Bahamas, Cayman, Channel Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2011 was 2,547 (31 December 2010: 2,462).

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

These consolidated financial statements were approved for issue by the Board of Directors on 28 February 2012.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2011. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2012). These consolidated financial statements are subject to the approval of the shareholders.

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

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

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on 1 January 2011. These are as follows:

New and amended standards adopted by the Group:

– IAS 1, 'Presentation of financial statements'
  Clarifies that an entity will present an analysis of Other Comprehensive Income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied for periods beginning on or after 1 January 2011 with retrospective application and resulted in further disclosure on the Group's financial statements.

– IAS 24, 'Related party disclosures' (revised 2009)
  Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities. The amendment is applied for periods beginning on or after 1 January 2011 and did not have any impact on the Group's financial statements.
– IAS 34, 'Interim financial reporting'
  Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements about:
  – The circumstances likely to affect fair values of financial instruments and their classification;
  – Transfers of financial instruments between different levels of the fair value hierarchy;
  – Changes in classification of financial assets; and
  – Changes in contingent liabilities and assets
  The amendment is applied for periods beginning on or after 1 January 2011 with retrospective application and the disclosures in the half-year report were amended accordingly.
– IFRS 3, 'Business combinations'
  (a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
  Applicable to annual periods beginning on or after 1 July 2010. Applied retrospectively.
  (b) Measurement of non-controlling interests
  The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively from the date the entity applies IFRS 3.
  (c) Un-replaced and voluntarily replaced share-based payment awards
  The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. Applicable to annual periods beginning on or after 1 July 2010. Applied prospectively.
– IFRS 7, 'Financial instruments'
  Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Applicable to annual periods beginning on or after 1 January 2011. Applied retrospectively.
– IFRS Interpretation 19, 'Extinguishing financial liabilities with equity instruments
  Clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The amendment is applied for periods beginning on or after 1 July 2010 and did not have any impact on the Group's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not early adopted them:
– Amendment to IAS 1, 'Financial statement presentation' regarding Other Comprehensive Income
  The main change resulting from these amendments is a requirement for entities to group items presented in the Statement of Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to the Statement of Comprehensive Income subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
  The Group will apply this amendment for the financial reporting period commencing on 1 July 2012. It is not expected to have a material impact on the Group's financial statements.

– Amendment to IAS 19, ‘Employee benefits’
  These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
  The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. The impact of this amendment will be to reduce equity by approximately CHF 31 million, refer to note 42 of the Group’s financial statements for further information.
– IAS 27, ‘Consolidated and separate financial statements’
  Clarifies that the consequential amendments from IAS 27 made to IAS 21, ‘The effect of changes in foreign exchange rates’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’, apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. The amendment is applied for periods beginning on or after 1 July 2011 with retrospective application and did not have any impact on the Group’s financial statements.
– IAS 28 (revised 2011), ‘Associates and joint ventures’ includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
  The Group will apply this amendment for the financial reporting period commencing on 1 January 2013. It is not expected to have any impact on the Group’s financial statements.
– Amendments to IFRS 7, ‘Financial instruments: Disclosures on de-recognition
  This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The amendments are applicable to annual periods beginning on or after 1 July 2011 and did not have any impact on the Group’s financial statements.
– IFRS 9, ‘Financial instruments’, (effective 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
  IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in Other Comprehensive Income rather than in the Statement of Comprehensive Income, unless this creates an accounting mismatch.
  On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2015.
  The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.
  The Group is yet to assess IFRS 9’s full impact. However, initial indications are that it may affect the Group’s accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in Other Comprehensive Income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
– IFRS 10, ‘Consolidated financial statements’
  The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It also defines the principle of control, and establishes controls as the basis for consolidation. The Standard details how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements.
  The Group will apply this new standard for the financial reporting period commencing on 1 January 2013 and the Group is yet to assess the full impact on its financial statements.
– IFRS 11, ‘Joint arrangements’ focuses on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group’s financial statements.

– IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
The Group will apply this new standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
– IFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned to IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group will apply this standard for the financial reporting period commencing on 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

(b) Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Non-controlling interests

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

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

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

Put options over non-controlling interests

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

(iii) Associates

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

(c) Foreign currencies

(i) Functional and presentation currency

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

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

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

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

	2011 Closing rate	2011 Average rate	2010 Closing rate	2010 Average rate
USD	0.940	0.887	0.936	1.042
GBP	1.451	1.422	1.450	1.609
EUR	1.216	1.233	1.251	1.380
SEK	0.136	0.137	0.140	0.145

(ii) Transactions and balances

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

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

(e) Offsetting financial instruments

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

(f) Statement of Comprehensive income

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

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

(g) Property, plant and equipment

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

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

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

(h) Intangible assets

(i) Goodwill

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

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

(ii) Other intangible assets – Client Relationships

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

(iii) Other intangible assets – Trademarks

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

(iv) Other intangible assets – Non-compete agreement

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

(v) Other intangible assets – Computer software

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

(i) Financial assets and liabilities

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

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

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

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

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

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

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

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

(i) Financial assets at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

(iv) Held-to-maturity

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

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

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

(i) Available-for-sale assets

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

(ii) Assets carried at amortised cost

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

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

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

(k) Debt securities in issue

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

(l) Leases

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

(m) Deferred income tax

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

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

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

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

(n) Employee benefits

(i) Pension obligations

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

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

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

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

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

(ii) Short-term employee benefits

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

(iii) Share based compensation

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

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

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

(o) Related party transactions

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

(p) Provisions

Provisions are recognised when:

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

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

(q) Share Capital

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

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(r) Fiduciary activities

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

(s) Cash and cash equivalents

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

(t) Comparatives

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of intangible assets

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

(b) Fair value of financial instruments

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

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

The Group follows the guidance of IAS 39 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF 1.1 million through the Statement of Comprehensive Income (2010: loss of CHF (1.2) million), and a 3 month increase in actual life expectancies would result in a loss of CHF 16.1 million (2010: loss of CHF (16.0) million).

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

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield (IRR) would result in a loss of CHF 1.1 million through the Statement of Other Comprehensive Income (2010: loss of CHF (1.3) million), and a 3 month increase in actual life expectancies would result in a loss of CHF 2.1 million (2010: loss of CHF (2.1) million).

(e) Impairment of available-for-sale investments

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

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

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

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

(g) Held-to-maturity investments – Others

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

(h) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

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

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

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

4.1 Credit risk

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

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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

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

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

(b) Debt securities and other bills

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

4.1.2 Risk limit control and mitigation policies

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

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

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

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

The principal collateral types for loans and advances are:

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

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

i) Guarantees and standby letters of credit – these carry the same credit risk as loans.

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

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2011 and 2010, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2011 CHF millions	2010 CHF millions	2011 CHF millions	2010 CHF millions
Balances with central banks	**1,079.3**	711.8	**1,079.3**	711.8
Treasury bills and other eligible bills	**823.9**	2,037.8	**823.9**	2,037.8
Due from other banks	**2,206.9**	2,227.1	**1,770.2**	2,090.5
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	**7,265.4**	6,973.0	**68.7**	48.0
Mortgages	**2,282.8**	1,984.8		
Derivative financial instruments	**537.5**	353.8	**389.2**	173.5
Financial assets at fair value:				
Trading Assets – Debt securities	**114.1**	90.5	**114.1**	90.5
Designated at inception – Debt securities	**350.7**	345.0	**87.5**	25.0
Investment securities – Debt securities	**5,049.4**	4,678.4	**5,049.4**	4,678.4
Other assets	**197.0**	214.1	**197.0**	214.1
On-balance sheet assets	**19,907.0**	19,616.3	**9,579.3**	10,069.6
Financial guarantees	**322.4**	315.9	**4.0**	1.0
Loan commitments, and other credit related guarantees	**130.4**	154.7	**27.2**	34.1
Off-balance sheet assets	**452.8**	470.6	**31.2**	35.1
Total	**20,359.8**	20,086.9	**9,610.5**	10,104.7

See note 26 Collateral for loans and advances to customers which shows that collateral comprised 99.1% (2010: 99.3%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2011 based on Moody's ratings:

	Aaa–Aa CHF millions	A CHF millions	Baa–Ba CHF millions	B–C CHF millions	Unrated CHF millions	Total CHF millions
Balances with central banks	1,079.3					1,079.3
Treasury bills and other eligible bills	823.9					823.9
Due from other banks	597.3	765.5	113.0	79.8	214.6	1,770.2
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans	7.9	1.8	55.2	3.8		68.7
Mortgages						-
Derivative financial instruments	98.5	78.9	3.5		208.3	389.2
Financial assets at fair value:						
Trading Assets – Debt securities	3.4	22.9	87.8			114.1
Designated at inception – Debt securities	32.7	52.7	1.8		0.3	87.5
Investment securities – Debt securities	3,701.5	1,167.2	171.0	9.7		5,049.4
Other assets					197.0	197.0
Total on-balance sheet assets 2011	**6,344.5**	**2,089.0**	**432.3**	**93.3**	**620.2**	**9,579.3**
Total on-balance sheet assets 2010	7,324.9	1,879.2	358.8	27.5	479.2	10,069.6
Financial guarantees					4.0	4.0
Loan commitments, and other credit related guarantees					27.2	27.2
Total off-balance sheet assets 2011	**-**	**-**	**-**	**-**	**31.2**	**31.2**
Total off-balance sheet assets 2010					35.1	35.1

Selected European credit risk exposures

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

	Sovereign CHF millions	Financial Institution CHF millions	Other CHF millions	Total CHF millions
31 December 2011				
Spain	240.3	24.8	2.1	267.2
Greece	22.2	66.9	0.3	89.4
Portugal		22.3		22.3
Italy	12.1	1.2	0.7	14.0
Ireland				-
Total	**274.6**	**115.2**	**3.1**	**392.9**
31 December 2010				
Spain	266.0	9.5	5.5	281.0
Greece	57.7	80.8		138.5
Portugal		22.7		22.7
Italy	13.1	0.8		13.9
Ireland		0.3		0.3
Total	336.8	114.1	5.5	456.4

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

Concentration of risks of financial assets with credit risk exposure

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

4.1.4 Loans and advances

Loans and advances are summarised as follows:

			31 December 2011		31 December 2010
		Loans and advances to customers CHF millions	Due from other banks CHF millions	Loans and advances to customers CHF millions	Due from other banks CHF millions
Neither past due nor impaired	a)	**9,518.7**	**2,206.9**	8,870.3	2,227.1
Past due but not impaired	b)	**29.5**		87.5	
Impaired		**8.4**		6.1	
Gross		**9,556.6**	**2,206.9**	8,963.9	2,227.1
Less: allowance for impairment		**(8.4)**		(6.1)	
Net		**9,548.2**	**2,206.9**	8,957.8	2,227.1

The total impairment provision for loans and advances of CHF 8.4 million (2010: CHF 6.1 million) comprises specific provisions against individual loans. Note 25 relates to the impairment allowance for loans and advances to customers.

(a) Loans and advances neither past due nor impaired

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

		Loans and advances to customers	
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2011			
Grade 1–2	**5,470.8**	**244.0**	**5,714.8**
Grade 3	**1,591.1**	**1,641.0**	**3,232.1**
Grade 4–5	**200.9**	**369.0**	**569.9**
Grade 6–7	**1.9**		**1.9**
Grade 8			
Grade 9–10			
	7,264.7	**2,254.0**	**9,518.7**
31 December 2010			
Grade 1–2	5,519.6	155.6	5,675.2
Grade 3	1,165.8	1,364.8	2,530.6
Grade 4–5	206.7	383.9	590.6
Grade 6–7	73.9		73.9
Grade 8			
Grade 9–10			
	6,966.0	1,904.3	8,870.3

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

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

	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2011			
Greater than 180 days, past due		25.3	25.3
Less than 180 days, past due	0.7	3.5	4.2
Total	**0.7**	**28.8**	**29.5**
Fair value of collateral	1.6	31.8	33.4
31 December 2010			
Greater than 180 days, past due	6.3	33.5	39.8
Less than 180 days, past due	0.7	47.0	47.7
Total	7.0	80.5	87.5
Fair value of collateral	8.0	120.5	128.5

4.1.5 Impairment and provisioning policies

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

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

Grade descriptions	2011 Loans and advances %	2011 Impairment provision %	2010 Loans and advances %	2010 Impairment provision %
Grade 1–2	59.8		63.3	
Grade 3	33.9		28.2	
Grade 4–5	6.0		6.6	
Grade 6–7	0.2		1.8	
Grade 8	0.0		0.0	
Grade 9–10	0.1	100.0	0.1	100.0
	100.0	**100.0**	100.0	100.0

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

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at 31 December 2011, based on internal ratings:

	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
31 December 2011						
Grade 1–2	823.9	3.4	109.6	3,248.1	453.4	4,638.4
Grade 3		22.9	215.1	569.7	597.5	1,405.2
Grade 4–5		87.8	15.0	123.6	47.4	273.8
Unrated			11.0	9.7		20.7
Total	**823.9**	**114.1**	**350.7**	**3,951.1**	**1,098.3**	**6,338.1**
31 December 2010						
Grade 1–2	2,037.8	6.4	135.0	2,713.9	502.9	5,396.0
Grade 3		30.2	189.7	822.9	475.8	1,518.6
Grade 4		53.9	15.0	106.0	40.2	215.1
Unrated			6.1	11.2	5.6	22.9
Total	**2,037.8**	**90.5**	**345.8**	**3,654.0**	**1,024.5**	**7,152.6**

4.2 Market risk

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

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

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

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

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

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

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

	31 December 2011				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	29.4	160.2		189.6	
Interest rate derivatives	0.6	60.1		60.7	
Other derivatives	102.0	130.1	55.1	287.2	
Total derivatives assets					**537.5**
Financial assets at fair value:					
Equity	699.8			699.8	
Debt	88.1	26.0		114.1	
Total trading assets					**813.9**
Designated at inception:					
Equity		1.4		1.4	
Debt	51.3			51.3	
Life Insurance related			299.4	299.4	
Other			15.1	15.1	
Total financial assets designated at inception					**367.2**
Investment securities: Available-for-sale					
Equity	4.4		28.8	33.2	
Debt	3,190.1	716.7		3,906.8	
Life Insurance related			44.3	44.3	
Total investment securities available-for-sale					**3,984.3**
Total assets measured at fair value	**4,165.7**	**1,094.5**	**442.7**	**5,702.9**	**5,702.9**
Derivative financial instruments (liabilities):					
Currency derivatives	37.7	89.5		127.2	
Interest rate derivatives	0.6	66.1		66.7	
Other derivatives	326.6	75.1	7.7	409.4	
Total derivatives liabilities					**603.3**
Financial liabilities designated at fair value:					
Equity	148.2		18.0*	166.2	
Debt	20.1			20.1	
Hybrid		25.1		25.1	
Life Insurance related			279.3	279.3	
Total financial liabilities designated at fair value					**490.7**
Total liabilities measured at fair value	**533.2**	**255.8**	**305.0**	**1,094.0**	**1,094.0**
Assets less liabilities measured at fair value	**3,632.5**	**838.7**	**137.7**	**4,608.9**	**4,608.9**

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

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

(b) Movements of Level 3 instruments

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

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

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

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

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

The total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period is composed of CHF 9.2 million recorded in Net interest income (2010: CHF 47.4 million) and CHF 6.6 million recorded in Net gain/(loss) from financial instruments designated at fair value (2010: CHF (11.2) million).

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

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

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

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

Valuation technique		31 December 2011 CHF millions	31 December 2010 CHF millions
Recent arm's length transactions	**Products**		
Available-for-sale – Equity securities	Unquoted equity holding	2.2	3.8
Discounted cash flow analysis			
Derivatives	Credit default swaps	(4.0)	0.9
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	26.6	25.3
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(18.0)	(18.6)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	51.4	43.2
Financial assets at fair value	Physical life settlement policies	36.2	35.6
Financial assets at fair value	Physical life settlement policies*	263.2	256.2
Financial assets at fair value	Contractual right to perpetual revenue stream	15.1	15.2
Available-for-sale	Physical life settlement policies	44.3	47.7
Financial liabilities designated at fair value	Synthetic life settlement policies*	(279.3)	(270.6)
Total		**137.7**	138.7

* *Assets valued at CHF 263.2 million (2010: CHF 256.2 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.*

4.2.2 Assets and liabilities not measured at fair value

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

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
31 December 2011				
Financial Assets				
Due from other banks	(i)	2,206.9	2,213.4	6.5
Loans and advances to customers	(ii)	9,548.2	9,602.2	54.0
Investment securities – Held-to-maturity – Life insurance related	(iii)	680.8	471.7	(209.1)
Investment securities – Held-to-maturity – Debt	(iv)	417.5	349.5	(68.0)
		12,853.4	**12,636.8**	**(216.6)**
Financial Liabilities				
Due to other banks	(v)	779.0	778.8	0.2
Due to customers	(vi)	14,398.4	14,396.4	2.0
Other financial liabilities	(vii)	3,356.5	3,382.1	(25.6)
		18,533.9	**18,557.3**	**(23.4)**
Net financial instruments		**(5,680.5)**	**(5,920.5)**	**(240.0)**
31 December 2010				
Financial Assets				
Due from other banks		2,227.1	2,235.5	8.4
Loans and advances to customers		8,957.8	9,002.3	44.5
Investment securities – Held-to-maturity – Life insurance related		594.4	483.8	(110.6)
Investment securities – Held-to-maturity – Debt		430.1	429.7	(0.4)
		12,209.4	12,151.3	(58.1)
Financial Liabilities				
Due to other banks		337.8	337.9	(0.1)
Due to customers		14,904.4	14,902.3	2.1
Other financial liabilities		2,863.0	2,876.5	(13.5)
		18,105.2	18,116.7	(11.5)
Net financial instruments		(5,895.8)	(5,965.4)	(69.6)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows discounted at an Internal Rate of Return ("IRR") of 16.0% (2010: 14.0%). The carrying value is derived from an acquisition value (based on an IRR at acquisition of 10.7%) and an accrual on an effective interest rate using a basis of 8.1% (2010: 10.7%) on life insurance policies outstanding at year end.

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

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

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

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

(vii) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	1.8	2.2
Recognised in the Statement of Comprehensive Income	(0.1)	(0.4)
At 31 December	1.7	1.8

4.2.4 Market risk measurement techniques

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

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

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates excluding credit spreads, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. During the year, the Group decided to change the VaR computation methodology moving from a delta based parametric approach to a full valuation historical VaR approach. Because the historical VaR approach includes periods of volatility which exceed those predicted by the normal distribution, the change to the historic VaR has resulted in higher reported VaR figures in 2011 as compared to 2010. The Group has also amended the perimeter of its VaR calculation to include certain balance sheet items which were previously excluded from VaR, which further increased the estimated VaR. The Group' subsidiary EFG Financial Products AG computes VaR figures and assumes a 1-day holding period with a 301-day observation period using a commercial tool (Sophis®). While the rest of the Group produces its VaR figures with an In-house tool using a 10-days holding period with a 201-day observation period.

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

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2011				
Interest rate risk	5.1	5.3	7.1	2.8
Currency risk	1.0	1.4	2.4	0.5
Equity price risk	4.3	3.8	5.4	1.8
VaR	**10.4**	**10.5**	**14.9**	**5.1**
2010				
Interest rate risk	2.8	2.0	3.0	1.2
Currency risk	1.2	1.1	1.7	0.3
Equity price risk	2.0	2.6	4.9	1.9
VaR	6.0	5.7	9.6	3.4

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

(b) Alternative sensitivity analysis

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

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

ii) Available-for-sale – life insurance policies

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

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

The following risks exist for positions at 31 December 2011 for which VaR is not calculated above.

Risk Category	Product	Impact from	Market value CHF millions	Comprehensive Income CHF millions	Other Comprehensive Income CHF millions
i) Price risk					
Available-for-sale	Unquoted equities	10% price decrease	28.1		(2.8)
Financial assets at fair value	Life insurance companies	10% price decrease	263.2*	(26.3)	
Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(279.3)*	27.9	
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(18.0)	–	
ii) Interest rate risk					
Financial assets at fair value	Life insurance policies	100 bps increase in IRR**	36.2	(1.1)	
Available-for-sale	Life insurance policies	100 bps increase in IRR**	37.8		(1.1)
iii) Life expectancy (actual changes based on actuarial evidence)					
Financial assets at fair value	Life insurance policies	3-month increase	299.4	(16.1)	
Available-for-sale	Life insurance policies	3-month increase	37.8		(2.1)
Financial liabilities at fair value	Synthetic life insurance exposure	3-month increase	(279.3)	14.3	

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

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

(c) Stress tests

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

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

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

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

(d) Earnings at risk

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

4.2.5 Interest rate risk

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

31 December 2011	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
Assets						
Cash and balances with central banks	1,072.3				7.0	1,079.3
Treasury bills	757.4	66.5				823.9
Due from other banks	1,969.9	98.2	72.6		66.2	2,206.9
Loans and advances to customers	7,844.7	1,088.9	575.1	4.6	34.9	9,548.2
Derivative financial instruments	176.6	13.5	34.8	9.9	302.7	537.5
Financial assets at fair value:						
Trading Assets	25.2		84.5	4.3	699.9	813.9
Designated at inception	15.6	0.6	51.1	298.3	1.6	367.2
Investment securities:						
Available-for-sale	2,460.1	513.6	917.8	58.5	34.3	3,984.3
Held-to-maturity		417.5		680.8		1,098.3
Other assets					194.0	194.0
Total financial assets	**14,321.8**	**2,198.8**	**1,735.9**	**1,056.4**	**1,340.6**	**20,653.5**
Liabilities						
Due to other banks	698.6	80.0			0.4	779.0
Due to customers	13,490.3	825.2	53.1		29.8	14,398.4
Derivative financial instruments	106.9	13.3	17.9	0.7	464.5	603.3
Financial liabilities designated at fair value	59.1	44.3	89.4	296.0	1.9	490.7
Other financial liabilities	965.8	677.7	1,383.4	295.5	34.1	3,356.5
Other liabilities					352.5	352.5
Total financial liabilities	**15,320.7**	**1,640.5**	**1,543.8**	**592.2**	**883.2**	**19,980.4**
On-balance-sheet interest repricing gap	(998.9)	558.3	192.1	464.2	457.4	673.1
Off-balance-sheet interest repricing gap	394.2	(55.6)	(255.0)	(11.8)		71.8
31 December 2010						
Total financial assets	14,002.5	2,316.2	1,807.7	988.8	1,097.5	20,212.7
Total financial liabilities	15,512.8	1,102.6	1,331.9	324.9	1,253.4	19,525.6
On-balance-sheet interest repricing gap	(1,510.3)	1,213.6	475.8	663.9	(155.9)	687.1
Off-balance-sheet interest repricing gap	(25.7)	(138.6)	164.3			-

4.2.6 Foreign exchange risk

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

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

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

4.3 Liquidity risk

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

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

4.3.1 Liquidity risk management process

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

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

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

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

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

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

4.3.2 Funding approach

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

4.3.3 Financial liabilities cash flows

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

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2011						
Liabilities						
Due to other banks	643.6	34.9	55.1	48.8		782.4
Due to customers	12,625.4	1,170.9	497.0	116.6		14,409.9
Derivative financial instruments	5,617.3	4,265.3	1,913.2	101.9	19.1	11,916.8
Financial liabilities designated at fair value	156.5	1.5	6.1	11.5	315.1	490.7
Other financial liabilities	869.8	294.4	718.6	1,466.5	34.1	3,383.4
Other liabilities	255.1	25.2	66.0	1.8	4.4	352.5
Total financial liabilities	**20,167.7**	**5,792.2**	**3,256.0**	**1,747.1**	**372.7**	**31,335.7**
Total off balance-sheet	**15.1**	**32.8**	**170.4**	**170.0**	**64.4**	**452.7**
31 December 2010						
Liabilities						
Due to other banks	272.3	6.0	9.4	50.2		337.9
Due to customers	12,664.1	1,618.9	533.7	98.0		14,914.7
Derivative financial instruments	7,176.8	2,986.1	1,552.8	160.4		11,876.1
Financial liabilities designated at fair value	4.3	28.2	36.1	83.4	334.7	486.7
Other financial liabilities	516.7	476.7	546.5	1,251.4	83.6	2,874.9
Other liabilities	204.0	34.8	32.0	15.8	13.3	299.9
Total financial liabilities	20,838.2	5,150.7	2,710.5	1,659.2	431.6	30,790.2
Total off balance-sheet	44.6	27.4	161.3	78.4	64.2	375.9

4.3.4 Summary of Liquidity

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

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

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

4.4 Capital Management

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

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

The Group's eligible capital comprises two tiers:

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2011 and 2010. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2011 CHF millions	31 December 2010 CHF millions
Tier 1 capital		
Share capital	73.1	73.1
Share premium	1,154.3	1,153.8
Other reserves	77.8	42.6
Retained earnings	(318.3)	6.4
Non-controlling interests	24.6	22.8
IFRS: Total shareholders' equity	**1,011.5**	1,298.7
Less: Proposed dividend on Ordinary Shares (note 50)	(13.4)	(13.4)
Less: Accrual for estimated expected future dividend on Bons de Participation	(2.3)	(2.5)
Less: Available-for-sale investment securities revaluation reserve	(7.8)	(3.8)
Less: Loans to employees	(0.4)	(0.7)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(254.8)	(498.9)
Less: Financial asset at fair value related to MBAM net of non-controlling interests	(13.6)	(13.6)
Total qualifying Tier 1 capital	**719.2**	765.8
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)	3.5	1.7
Total regulatory capital	**722.7**	767.5
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,588.7	3,620.9
Non-counterparty related risk	56.7	63.4
Market risk*	610.9	455.4
Operational risk*	1,357.6	1,359.4
Total risk-weighted assets	**5,613.9**	5,499.1

	31 December 2011 %	31 December 2010 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**12.9**	14.0

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

5. NET INTEREST INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Interest and discount income		
Banks and customers	262.5	238.0
Available-for-sale securities	72.7	78.9
Financial assets at fair value	48.9	60.9
Held-to-maturity	27.8	26.5
Treasury bills and other eligible bills	7.6	3.4
Total interest and discount income	**419.5**	407.7
Interest expense		
Banks and customers	(159.0)	(95.0)
Financial liabilities	(48.8)	(62.2)
Total interest expense	**(207.8)**	(157.2)
Net interest income	**211.7**	250.5

Interest income accrued on impaired financial assets is CHF 0.9 million (2010: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Banking fee and commission income		
Securities and investment activities commission	484.8	520.0
Other services commission	76.3	90.4
Lending activities commission		0.1
Total banking fee and commission income	**561.1**	610.5
Banking fee and commission expense	(107.2)	(114.2)
Net banking fee and commission income	**453.9**	496.3

7. DIVIDEND INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Trading assets	18.2	8.4
Available-for-sale investment securities	1.1	1.2
Dividend income	**19.3**	9.6

8. NET TRADING INCOME

	31 December 2011 CHF millions	31 December 2010 CHF millions
Foreign exchange	83.2	64.1
Equity securities	(0.1)	3.3
Net trading income	**83.1**	67.4

9. NET LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

	31 December 2011 CHF millions	31 December 2010 CHF millions
Equity securities	(2.5)	(0.8)
Debt securities	3.1	(4.5)
Life insurance securities	(11.4)	(29.9)
Net mark down on MBAM financial asset	-	(482.6)
Net loss from financial instruments designated at fair value	**(10.8)**	(517.8)

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Gain on disposal of Available-for-sale investment securities – Transfer from the Statement of Other Comprehensive Income		
Debt securities	4.8	11.4
Life insurance securities	0.3	4.7
Gains less losses from investment securities	**5.1**	16.1

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

	31 December 2011 CHF millions	31 December 2010 CHF millions
Impairments on amounts due from customers	(2.5)	(0.9)
Reversal of impairments on amounts due from customers	0.6	5.2
(Impairment)/reversal of impairment on loans and advances to customers (note 25)	**(1.9)**	4.3

12. OPERATING EXPENSES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Staff costs (note 13)	(459.3)	(473.9)
Professional services	(22.6)	(29.0)
Advertising and marketing	(11.4)	(10.8)
Administrative expenses	(72.1)	(75.9)
Operating lease rentals	(33.9)	(38.4)
Depreciation of property, plant and equipment (note 35)	(18.0)	(15.4)
Amortisation of intangible assets		
Computer software and licences (note 34)	(8.6)	(6.5)
Other intangible assets (note 34)	(14.3)	(28.8)
Legal and litigation expenses	(42.7)	(9.3)
Other	(30.8)	(29.5)
Operating expenses	**(713.7)**	(717.5)

13. STAFF COSTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Wages, salaries and staff bonuses	(379.2)	(379.8)
Social security costs	(32.3)	(28.1)
Pension costs		
Defined benefits (note 42)	(8.8)	(7.6)
Other net pension costs	(2.4)	(9.9)
Employee Equity Incentive Plans (note 52)	(15.5)	(26.6)
Other	(21.1)	(21.9)
Staff costs	**(459.3)**	(473.9)

As at 31 December 2011 the number of employees of the Group was 2,547 and the average for the year was 2,532 (31 December 2010: 2,462 and average for the year 2,410).

14. IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

	31 December 2011 CHF millions	31 December 2010 CHF millions
Impairment of intangible assets	(74.3)	(12.0)
Impairment of goodwill	(170.1)	(366.8)
Impairment of intangible assets and goodwill	**(244.4)**	(378.8)

See note 34.1.

15. IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENT SECURITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Debt securities – Governments	(67.5)	
Debt securities – Banks	(5.0)	
Impairment of available-for-sale investment securities	**(72.5)**	-

16. PROVISION FOR RESTRUCTURING COSTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Provision for restucturing	(10.0)	
Total	**(10.0)**	-

In October 2011 the Group announced the findings of the business review performed in the third quarter of 2011. The result of which was the decision to close certain businesses that were either under performing or considered non core.

The impact of this was that CHF 10.0 million of provisions have been created through the Statement of Comprehensive Income. These relate primarily to employee termination costs and office closure costs in Dubai, Switzerland, Denmark and Sweden.

17. INCOME TAX (EXPENSE)/GAIN

	31 December 2011 CHF millions	31 December 2010 CHF millions
Current tax (expense)/gain	(9.7)	7.5
Deferred tax gain (note 18)	7.6	18.2
Total income tax (expense)/gain	**(2.1)**	25.7

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

Operating loss before tax	(289.3)	(794.4)
Tax at the weighted average applicable rate of 11% (2010: 11%)	31.8	87.4
Tax effect of:		
(Loss)/income not subject to tax	(2.9)	6.4
Impairments not deductible for tax	(19.4)	(41.6)
Different tax rates in different countries	13.4	0.5
Release of prior years tax over-provisions	1.2	3.3
Prior years losses recognised	4.3	10.5
Current year losses not recognised	(14.5)	(46.5)
Current year losses offsetting current year profits		4.2
Future years profits recognised	(8.0)	10.3
Impairment of deferred tax assets	(7.7)	(8.7)
Other differences	(0.3)	(0.1)
Total income tax (expense)/gain	**(2.1)**	25.7

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

18. DEFERRED INCOME TAXES

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

Deferred income tax assets and liabilities comprise the following:

	31 December 2011 CHF millions	31 December 2010 CHF millions
Deferred income tax assets	48.6	54.2
Deferred income tax liabilities	(37.6)	(58.1)
Net deferred income tax assets/(liabilities)	**11.0**	(3.9)

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

At 1 January	(3.9)	(19.1)
Charge for period in the Statement of Comprehensive Income	7.6	18.2
Available-for-sale adjustment through Other Comprehensive Income	7.4	1.9
Changes in estimates related to prior years		(4.2)
Exchange differences	(0.1)	(0.7)
At 31 December	**11.0**	(3.9)

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

Tax losses carried forward	43.0	49.3
Temporary differences – income under IFRS not recognised in taxable income*	5.6	4.9
Deferred income tax assets	**48.6**	54.2
Arising from acquisition of intangible assets	(25.9)	(45.5)
Temporary differences – expenses under IFRS not recognised in taxable income**	(11.7)	(12.6)
Deferred income tax liabilities	**(37.6)**	(58.1)
Net deferred income tax assets/(liabilities)	**11.0**	(3.9)

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

Utilisation of tax losses carried forward	(8.4)	(2.4)
Creation of deferred tax assets	1.7	33.6
Impairment of deferred tax assets	(7.7)	(8.7)
Deferred tax liabilities related to intangibles impaired	17.7	
Deferred tax liabilities related to intangibles amortised	3.5	0.4
Other temporary differences	0.8	(4.7)
Deferred tax gain	**7.6**	18.2

* *Temporary differences resulting in deferred tax assets of CHF 5.6 million relate to differences on timing of recognition of expenses and revenues of CHF 4.8 million and CHF 0.8 million relate to valuation adjustments made to financial assets and liabilities only reflected in local tax accounts.*

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

The Group has deferred tax assets related to tax losses carried forward of CHF 43 million as a result of subsidiaries with tax losses of CHF 263 million (2010: CHF 303 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 34 million will expire in less than 3 years, CHF 207 million will expire in more than 3 but less than 7 years and CHF 22 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

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

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

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

20. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Cash in hand	**9.2**	9.1
Balances with central banks	**1,070.1**	702.7
Cash and balances with central banks	**1,079.3**	711.8

21. CASH AND CASH EQUIVALENTS

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

	31 December 2011 CHF millions	31 December 2010 CHF millions
Cash and balances with central banks	1,079.3	711.8
Treasury bills and other eligible bills	69.1	454.2
Due from other banks – At sight	800.8	763.1
Due from other banks – At term	866.4	985.7
Cash and cash equivalents with less than 90 days maturity	**2,815.6**	2,914.8

22. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Treasury bills	620.6	705.3
Other eligible bills	203.3	1,332.5
Treasury bills and other eligible bills	**823.9**	2,037.8
Pledged treasury bills with central banks and clearing system companies.	*56.8*	*149.8*

23. DUE FROM OTHER BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
At sight	800.8	763.1
At term – with maturity of less than 90 days	866.4	985.7
At term – with maturity of more than 90 days	539.7	478.3
Due from other banks	**2,206.9**	2,227.1
Pledged due from other banks	*354.5*	*72.2*

The pledged due from other banks relates to collateral for derivative transactions, and a bank account of the Group with a balance of CHF 15.9 million which has been blocked as a result of an arrangement with a client. The client raised a complaint relating to an investment product. An arrangement with the client has been reached pending the valuation at maturity of the investment product in 2012.

24. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Due from customers	7,271.7	6,979.1
Mortgages	2,284.9	1,984.8
Gross loans and advances	**9,556.6**	8,963.9
Less: Provision for impairment losses (note 25)	(8.4)	(6.1)
Loans and advances to customers	**9,548.2**	8,957.8

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

	31 December 2011		31 December 2010	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,883.5	30.2	2,730.6	30.5
Asia and Oceania	2,497.5	26.2	2,099.5	23.4
Europe (other)	1,933.6	20.2	1,933.1	21.6
United Kingdom	1,237.8	13.0	1,076.9	12.0
United States and Canada	304.1	3.2	210.7	2.4
Africa and Middle East	292.4	3.0	398.0	4.4
Switzerland	219.6	2.3	225.4	2.5
Luxembourg	179.7	1.9	283.6	3.2
Total	**9,548.2**	**100.0**	8,957.8	100.0

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

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

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	6.1	17.0
Exchange differences	0.4	(0.8)
Impairment/(reversal of impairment) on loans and advances to customers (note 11)	1.9	(4.3)
Utilisation of provision		(5.8)
At 31 December	**8.4**	6.1

26. COLLATERAL FOR LOANS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Loans and advances to customers		
Mortgages	**2,282.8**	1,984.8
Secured by other collateral	**7,196.7**	6,925.0
Unsecured*	**68.7**	48.0
Total loans and advances to customers	**9,548.2**	8,957.8
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	**421.6**	435.5
Contingent liabilities unsecured	**31.2**	35.1
Total off-balance sheet commitments	**452.8**	470.6

* *The unsecured loans include CHF 23.0 million (2010: 33.0 million) of loans made with no collateral and CHF 45.7 million (2010: CHF 15.0 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured", however within approved unsecured lending limits for the customer.*

See note 4.1 for further details on collateral.

27. DERIVATIVE FINANCIAL INSTRUMENTS

27.1 Derivatives

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

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

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

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

	31 December 2011			31 December 2010		
	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	13,873.4	159.8	98.9	11,578.6	183.8	229.3
OTC currency options	2,232.9	29.8	26.0	2,572.9	43.7	39.1
Futures	30.7		2.3	25.3	1.4	
		189.6	**127.2**		228.9	268.4
Interest rate derivatives						
Interest rate swaps	2,853.7	52.8	31.7	1,446.7	15.0	15.0
OTC interest rate options	131.2	5.9	0.3	48.2	0.4	0.6
Interest rate futures	291.4	0.6	0.6	307.7	1.4	
		59.3	**32.6**		16.8	15.6
Other derivatives						
Equity options and index futures	4,582.6	228.7	399.3	3,024.0	54.4	320.6
Credit default swaps	160.8	3.7	7.7	122.8	4.3	3.3
Total return swaps	126.9	51.4		126.3	43.2	
Commodity options and futures	74.0	3.4	2.4	62.4	5.1	0.3
		287.2	**409.4**		107.0	324.2
Total derivative assets/liabilities held for trading		**536.1**	**569.2**		352.7	608.2
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	654.9	1.4	34.1	700.9	1.1	25.6
Total derivative assets/liabilities held for hedging		**1.4**	**34.1**		1.1	25.6
Total derivative assets/liabilities		**537.5**	**603.3**		353.8	633.8

27.2 Hedging activities

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

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2011 was negative CHF 32.7 million (2010: negative CHF 24.5 million).

28. FINANCIAL ASSETS AT FAIR VALUE – TRADING ASSETS

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public issuers:	Government	42.7	1.7
Issued by non public issuers:	Banks	90.6	87.6
Issued by non public issuers:	Other	680.6	535.4
Total		**813.9**	624.7

The movement in the account is as follows:

At 1 January	**624.7**	310.5
Additions	7,296.9	5,857.5
Disposals (sale and redemption)	(7,104.9)	(5,551.9)
(Losses)/gains from changes in fair value	(2.8)	8.6
At 31 December	**813.9**	624.7

29. FINANCIAL ASSETS AT FAIR VALUE – DESIGNATED AT INCEPTION

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public issuers:	Government	51.1	52.8
Issued by non public issuers:	Banks		7.1
Issued by non public issuers:	Others	1.6	4.0
Issued by other issuers:	US life insurance companies*	263.2	256.2
Issued by other issuers:	US life insurance companies	36.2	35.6
Other	MBAM revenue share	15.1	15.1
Total		**367.2**	370.8

Equity securities	Unlisted but quoted	1.4	9.8
Equity securities	Unquoted – Recent arm's length transactions		0.1
Debt securities	Listed	51.3	53.6
Debt securities	Unlisted		0.4
Life insurance policies securities	Unquoted – Discounted cash flow analysis*	263.2	256.2
Life insurance policies securities	Unquoted – Discounted cash flow analysis	36.2	35.6
Other	Unquoted – Discounted cash flow analysis	15.1	15.1
Total		**367.2**	370.8

The movement in the account is as follows:

At 1 January	**370.8**	714.8
Additions	123.2	32.8
Disposals (sale and redemption)	(119.9)	(30.8)
Recognised on deconsolidation of MBAM		496.8
Net unrealised loss on decrease in value of MBAM financial asset		(482.6)
Disposal of Life insurance policies		(323.5)
Losses from changes in fair value	(5.5)	(21.1)
Exchange differences	(1.4)	(15.6)
At 31 December	**367.2**	370.8

* See note 39.

30. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public bodies:	Government	**1,857.8**	1,561.0
Issued by public bodies:	Other public sector	**286.0**	65.9
Issued by other issuers:	Banks	**1,762.4**	1,978.9
Issued by other issuers:	US life insurance companies	**44.3**	47.6
Issued by other issuers:	Other	**33.8**	36.9
		3,984.3	3,690.3

Debt securities:	Listed/Quoted	**3,182.1**	2,521.0
Debt securities:	Unlisted	**8.0**	61.6
Debt securities:	Unquoted – Discounted cash flow analysis	**716.7**	1,023.8
Equity securities:	Listed/Quoted	**4.4**	4.7
Equity securities:	Unquoted – Other valuation Models	**28.8**	31.6
Life insurance policies securities:	Unquoted – Discounted cash flow analysis	**44.3**	47.6
Net securities Available-for-sale		**3,984.3**	3,690.3
*Pledged securities with central banks, clearing system companies or third party banks**		***2,502.0***	*1,875.5*

The movement in the account is as follows:

At 1 January	**3,690.3**	4,299.1
Exchange differences	**40.1**	(336.2)
Additions	**2,136.0**	3,778.5
Disposals (sale and redemption)	**(1,841.8)**	(3,664.3)
Transfer to held-to-maturity**		(323.5)
Losses from changes in fair value	**(50.3)**	(48.9)
Accrued interest	**10.0**	(14.4)
At 31 December	**3,984.3**	3,690.3

** The Group has pledged Financial Investments as collateral for CHF 2,090.0 million (2010: CHF 1,582.9 million). This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.*

*** Last year, the Group transferred a portion of its investments in life insurance policies from available-for-sale to held-to-maturity. Transfers out of available-for-sale into held-to-maturity are permitted under IFRS, except in periods where the held-to-maturity category is tainted. The Group has never sold any held-to-maturity assets, and thus the tainting rules do not apply. See note 29. The carrying value at 31 December 2010 of life insurance policies transferred during the year from available-for-sale to held-to-maturity was CHF 301.0 million.*

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

Statement of Other Comprehensive Income – revaluation of available-for-sale investment securities:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities are recognised in a revaluation reserve for available-for-sale financial assets in the Statement of Other Comprehensive Income (note 44).

The movement of the reserve is as follows:

	31 December 2011 CHF millions	31 December 2010 CHF millions
At 1 January	(142.8)	(79.7)
Fair value losses on available-for-sale investment securities, before tax net of non-controlling interests	(50.3)	(48.9)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	72.5	
Transfer to Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(4.6)	(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	7.4	1.9
At 31 December	**(117.8)**	(142.8)

32. INVESTMENT SECURITIES – HELD-TO-MATURITY

		31 December 2011 CHF millions	31 December 2010 CHF millions
Issued by public bodies:	Government	109.7	113.0
Issued by public bodies:	Other public sector	304.8	313.8
Issued by other issuers:	US Life insurance companies	685.2	598.8
Issued by other issuers:	Financial services	3.0	3.3
Gross investment securities – Held-to-maturity		**1,102.7**	1,028.9
Impairment on financial assets held-to-maturity		(4.4)	(4.4)
Total		**1,098.3**	1,024.5

The movement in the account is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	**1,024.5**	510.5
Exchange differences	(5.0)	(147.0)
Reclassification from available-for-sale		323.5
Additions/premiums paid	53.2	323.5
Redemptions	(3.8)	(0.5)
Impairment charge		(4.4)
Accrued interest	29.4	18.9
At 31 December	**1,098.3**	**1,024.5**
Pledged securities with central banks and clearing system companies.	-	-

33. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2011:

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank AG, Zurich	Bank	Switzerland	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	EUR	26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD	27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	GBP	1,596
EFG Bank AB, Stockholm	Bank	Sweden	SEK	100,000
EFG Banque Privée, Paris	Bank	France	EUR	10,000
EFG Asset Management France, Paris	Asset Management	France	EUR	569
PRS Investment Services (Cayman) Limited, George Town	Investment Advisory & Fund Administration	Cayman Islands	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD	-
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD	276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD	500
EFG Wealth Management (India) Private Ltd, Mumbai	Investment Advisory	India	INR	75,556
Asesores Y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	EUR	92
On Finance S.A., Lugano	Investment Advisory	Switzerland	CHF	1,000
SIF Swiss Investment Funds SA, Geneva	Funds administration	Switzerland	CHF	2,500
Quesada Kapitalförvaltning AB, Stockholm	Asset Management	Sweden	SEK	2,000
EFG Capital International Corp, Miami	Broker dealer	USA	USD	12,200
EFG Capital Asset Management LLC, Miami	Asset Management	USA	USD	50
EFG Finance (Guernsey) Limited, Guernsey	Finance Company	Guernsey	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	CHF	3
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	CHF	10,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	EUR	577,603
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	CHF	600
LFS Investment VII AB, Stockholm	Investment Company	Sweden	SEK	100

All the subsidiaries above are 100% held, with the exception of EFG Financial Products Holding AG (56.9%), EFG Wealth Management (India) Private Ltd (75%), Asesores y Gestores Financieros S.A. (72%) and LFS Invest VII AB (10.7% and control).

34. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2010				
Cost	33.7	546.7	1,105.9	1,686.3
Accumulated amortisation	(19.6)	(140.4)	(35.0)	(195.0)
Net book value	14.1	406.3	1,070.9	1,491.3
Year ended 31 December 2010				
Opening net book amount	14.1	406.3	1,070.9	1,491.3
Acquisition of computer software and licences	8.7			8.7
Amortisation charge for the year – Computer software and licences (note 12)	(6.5)			(6.5)
Amortisation charge for the year – Other intangible assets (note 12)		(28.8)		(28.8)
Impairment charge for the year		(12.0)	(366.8)	(378.8)
Disposal as part of MBAM restructuring		(226.1)	(270.7)	(496.8)
Revaluation of earn out obligations			7.3	7.3
Exchange differences	(0.3)	(7.9)	(9.4)	(17.6)
Closing net book value	16.0	131.5	431.3	578.8
At 31 December 2010				
Cost	40.8	296.5	805.9	1,143.2
Accumulated amortisation and impairment	(24.8)	(165.0)	(374.6)	(564.4)
Net book value	16.0	131.5	431.3	578.8
Year ended 31 December 2011				
Opening net book amount	**16.0**	**131.5**	**431.3**	**578.8**
Acquisition of computer software and licences	**10.3**			**10.3**
Amortisation charge for the year – Computer software and licences (note 12)	**(8.6)**			**(8.6)**
Amortisation charge for the year – Other intangible assets (note 12)		**(14.3)**		**(14.3)**
Impairment charge for the year (note 34.1)		**(74.3)**	**(170.1)**	**(244.4)**
Revaluation of earn out obligations (note 34.2)			**(14.7)**	**(14.7)**
Exchange differences		**(1.9)**	**(4.6)**	**(6.5)**
Closing net book value	**17.7**	**41.0**	**241.9**	**300.6**
At 31 December 2011				
Cost	**51.6**	**190.8**	**616.8**	**859.2**
Accumulated amortisation and impairment	**(33.9)**	**(149.8)**	**(374.9)**	**(558.6)**
Net book value	**17.7**	**41.0**	**241.9**	**300.6**

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

34.1 Impairment charge for the year

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

34.2 Revaluation of earn out obligations

In the period, a net CHF 14.7 million adjustment was made to earn out obligations as a result of the annual reassessment of these liabilities. These liabilities are based on the levels of profit generated by subsidiaries post acquisition.

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

34.3 Impairment tests

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

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2011 balances of Intangibles allocated to all its cash generating units remain recoverable.

Where the carrying values have been compared to recoverable amounts using the “value in use” approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 5% to 7%. A period of 5 years is used for all cash flow projections.

Where the carrying values have been compared to “fair value less costs to sell”, the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles based on comparable market transactions (2% to 4% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 8 and 10) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

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

		31 December 2011		
Cash generating unit	Recoverable amount based on	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Banque Edouard Constant	Fair value less costs to sell		76.3	76.3
Harris Allday	Value in use	21.0	35.4	56.4
PRS Group	Value in use	1.7	33.7	35.4
Banque Monégasque de Gestion	Fair value less costs to sell	5.5	23.5	29
Asesores y Gestores Financieros SA	Value in use	3.2	22.1	25.3
EFG Bank von Ernst AG	Value in use	0.7	4.7	5.4
Other Cash Generating Units	Fair value less costs to sell/ Value in use	15.5	39.6	55.1
Total carrying values		**47.6**	**235.3**	**282.9**

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles and goodwill remained recoverable at 31 December 2011.

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

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

Cash generating unit	Current assets under management CHF billions	Impairment impact of 20% decline in forecast profit before tax CHF millions	Impairment impact of 50% decline in forecast profit before tax CHF millions
Banque Edouard Constant	2.7	13.3	48.6
Harris Allday	3.6		20.3
PRS Group	1.8	7.1	17.9
Banque Monégasque de Gestion	0.7	-	-
Asesores y Gestores Financieros SA	3.9	6.0	15.0
EFG Bank von Ernst AG	0.9	4.5	5.4

35. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2010					
Cost	4.4	43.5	21.8	35.2	104.9
Accumulated depreciation	(0.5)	(15.8)	(10.7)	(21.9)	(48.9)
Net book value	3.9	27.7	11.1	13.3	56.0
Year ended December 2010					
Opening net book amount	3.9	27.7	11.1	13.3	56.0
Additions		3.5	3.0	7.2	13.7
Depreciation charge for the year (note 12)		(5.0)	(3.1)	(7.3)	(15.4)
Disposal of subsidiary		(2.6)	(0.4)	(0.4)	(3.4)
Disposal and write-offs		(0.1)	(0.2)	(0.1)	(0.4)
Exchange differences	(0.6)	(1.3)	(0.7)	(0.4)	(3.0)
Closing net book value	3.3	22.2	9.7	12.3	47.5
At 31 December 2010					
Cost	3.8	40.2	21.4	39.1	104.5
Accumulated depreciation	(0.5)	(18.0)	(11.7)	(26.8)	(57.0)
Net book value	3.3	22.2	9.7	12.3	47.5
Year ended December 2011					
Opening net book amount	3.3	22.2	9.7	12.3	47.5
Additions		1.4	1.7	6.1	9.2
Depreciation charge for the year (note 12)	(0.1)	(7.8)	(3.1)	(7.0)	(18.0)
Disposal and write-offs		(0.1)	(0.1)		(0.2)
Exchange differences			(0.2)	(0.1)	(0.3)
Closing net book value	**3.2**	**15.7**	**8.0**	**11.3**	**38.2**
At 31 December 2011					
Cost	3.8	41.0	21.7	44.8	111.3
Accumulated depreciation	(0.6)	(25.3)	(13.7)	(33.5)	(73.1)
Net book value	**3.2**	**15.7**	**8.0**	**11.3**	**38.2**

36. OTHER ASSETS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Prepaid expenses and accrued income	65.4	72.0
Settlement balances	55.0	72.4
Current income tax assets	15.7	24.3
Other assets	57.9	45.4
Other assets	**194.0**	214.1

37. DUE TO OTHER BANKS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Due to other banks at sight	528.8	175.9
Due to other banks at term	250.2	161.9
Due to other banks	**779.0**	337.8

38. DUE TO CUSTOMERS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Non interest bearing	7,343.5	7,476.6
Interest bearing	7,054.9	7,427.8
Due to customers	**14,398.4**	14,904.4

39. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

		31 December 2011 CHF millions	31 December 2010 CHF millions
Synthetic life insurance		279.3	270.6
Equities (short positions)		148.2	197.5
Hybrid securities		25.1	
Debt (short positions)		20.1	
Liabilities to purchase non-controlling interests		18.0	18.6
		490.7	486.7
Debt securities	Listed/Quoted	20.1	
Debt securities	Unquoted – Discounted cash flow analysis	279.3	270.6
Equity securities	Unquoted – Recent arm’s length transactions		36.8
Equity securities	Listed/Quoted	148.2	160.7
Equity securities	Discounted cash flow analysis	18.0	18.6
Hybrid securities	Unquoted	25.1	
Total		**490.7**	486.7

Credit rating impact

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

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is economically hedged by a portfolio of life insurance policies classified as financial asset – life insurance policies securities at fair value of CHF 263.2 million (2010: CHF 256.2 million, see note 29).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. The liability was initially recognised in 2008 by reclassification from Group equity. As of 31 December 2011, the financial liability was valued at CHF 18.0 million (2010: CHF 18.6 million).

40. OTHER FINANCIAL LIABILITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Structured products issued	3,356.5	2,863.0
	3,356.5	2,863.0

41. OTHER LIABILITIES

	31 December 2011 CHF millions	31 December 2010 CHF millions
Deferred income and accrued expenses	198.9	153.4
Settlement balances	75.8	58.9
Provisions for litigation risks	26.0	
Provisions for restructuring	7.5	
Short term compensated absences	7.2	8.2
Contingent acquisition obligations	3.8	32.4
Other liabilities	33.3	47.0
Total other liabilities	**352.5**	299.9

Restructuring Provision

See note 16.

Legal proceedings

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

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

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

Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigman Ltd. in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 160 million.

A Group's entity is engaged in litigation proceedings initiated by a client claiming the annulment of an investment contract and the reimbursement of the investment plus interest. The amount claimed is approximately CHF 52 million.

A Group's entity is engaged in litigation proceedings in Sweden brought to court by a former employee of such entity. He claims on grounds of a series of agreements for additional bonus and severance payments relating to his employment for a total amount of SEK 36 million.

The Group is vigorously defending the cases and believes it has strong defences to the claims. The Group does not expect the ultimate resolution of any of the proceedings to which the Group is party to have a significantly adverse effect on its financial position.

42. RETIREMENT BENEFIT OBLIGATIONS

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland ("the Switzerland plan") and Channel Islands ("the Channel Islands plan"). The Switzerland plan is not technically a defined benefit plan, however due to a minimum guaranteed return in Swiss pension legislation, this fund is classified under IFRS as a defined benefit plan though the Group has no obligation relative to this fund other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 3.9 million; the fair value of plan assets is CHF 4 million and the unfunded liability decreased by CHF 0.5 million in the current year.

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

The Switzerland plan

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

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	184.6	182.4
Service cost	9.8	8.4
Employee's contributions	7.4	6.9
Benefit payments	(3.8)	(13.6)
Interest cost	5.4	5.3
Settlements	(3.0)	
Pension transfers	(3.1)	(3.7)
Actuarial (gain)/loss for the year	(0.9)	(1.1)
At 31 December	**196.4**	184.6

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

At 1 January	165.4	163.1
Employee's contributions	7.4	6.9
Employer's contributions	14.4	14.0
Benefit payments	(3.8)	(13.6)
Expected return on plan assets	6.7	6.6
Actuarial loss for the year	(6.0)	(7.9)
Settlements	(2.8)	
Pension transfers	(3.1)	(3.7)
At 31 December	**178.2**	165.4

Plan assets of CHF 3.7 million (2010: CHF 2.3 million) have been pledged as collateral to third parties who have provided employees with mortgages for financing their main residence.

42. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 31 December		
Present value of funded obligation	196.4	184.6
Fair value of plan assets	(178.2)	(165.4)
Deficit	18.2	19.2
Unrecognised actuarial loss	(28.2)	(23.6)
Pension prepaid	(10.0)	(4.4)
Unrecognised asset at year end		
Net asset recognised in balance sheet	**(10.0)**	(4.4)

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

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	(4.4)	(4.4)
Net periodic pension cost	8.8	7.6
Supplemental cost under IAS 19		6.4
Employer's contributions	(14.4)	(14.0)
Pension prepaid	**(10.0)**	(4.4)
At 31 December	**(10.0)**	(4.4)

The movement in unrecognised actuarial loss, is as follows:

At 1 January	23.6	23.7
Actuarial gain for the year arising on defined benefit obligation	(0.9)	(1.1)
Actuarial loss arising on the plan assets	6.0	7.9
Effect from asset ceiling		(6.4)
Loss recognised in year	(0.5)	(0.5)
At 31 December	**28.2**	23.6

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

Service cost	9.8	8.4
Interest cost	5.4	5.3
Expected return on plan assets	(6.7)	(6.6)
Settlements net of curtailments	(0.2)	
Amortisation of the corridor's variance	0.5	0.5
Total net periodic pension cost (note 13)	**8.8**	7.6

The asset allocation is as follows:

	At 31 December 2011 %	At 31 December 2010 %
Debt instruments	**62.6**	58.5
Equity instruments	**25.2**	22.4
Cash	**11.4**	18.6
Real estate	**0.0**	0.0
Other	**0.8**	0.5
	100.0	100.0

The actual return on plan assets was CHF 0.8 million in 2011 (2010: CHF (1.3) million).

	31 December 2011 CHF millions	31 December 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions	31 December 2007 CHF millions
Present value of Defined benefit obligation	196.4	184.6	182.4	189.0	163.0
Fair value of plan assets	178.2	165.4	163.1	167.3	165.4
Funded status: (Underfunding)/Surplus	(18.2)	(19.2)	(19.3)	(21.7)	2.4
Experience adjustments on plan assets	(6.0)	(7.9)	(8.3)	(21.6)	2.1
Experience adjustments on plan liabilities	(0.3)	(1.1)	(3.6)	(4.6)	2.6

The principal annual actuarial assumptions used, were as follows:

	31 December 2011 %	31 December 2010 %
Discount rate (p.a.)	**2.75**	3.00
Expected return on plan assets (p.a.)	**3.00**	4.00
Future salary increases (p.a.)	**1.00**	1.00
Future pension increases (p.a.)	**0.00**	0.00
Turnover (average) (p.a.)	**15.00**	10.00
	Age	Age
Retirement age (Male/Female)	**65/64**	65/64

The assumptions regarding expected mortality rates are set based on advice, published statistics and experience. The average life expectancy at 31 December 2011 (based on the average age of 68.9) for current male pensioners is 16.4 years and for current female pensioners (based on the average age of 68.6) is 18.8 years (based on the LPP 2010 tables).

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and real estate investments reflect long-term real rates of return experienced in the respective markets.

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2012 are CHF 14.5 million.

43. SHARE CAPITAL AND SHARE PREMIUM

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

43.1 Share Capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2010	73.3	6.0	(6.1)	-	73.2
Ordinary shares sold					-
Ordinary shares repurchased			(0.1)		(0.1)
At 31 December 2010	73.3	6.0	(6.2)	-	73.1
Ordinary shares sold					-
Ordinary shares repurchased					-
At 31 December 2011	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

43.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2010	1,330.6	2.0	(175.2)		1,157.4
Ordinary shares sold			0.4		0.4
Ordinary shares repurchased			(4.0)		(4.0)
At 31 December 2010	1,330.6	2.0	(178.8)	-	1,153.8
Ordinary shares sold			0.5		0.5
Ordinary shares repurchased					-
At 31 December 2011	**1,330.6**	**2.0**	**(178.3)**	**-**	**1,154.3**

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

43.3 Number of shares

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

	Ordinary shares with voting right	Bons de Participation without voting right	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation B	Net
Nominal	CHF 0.50	CHF 15.–	CHF 0.50	CHF 15.–	
At 1 January 2010	146,670,000	400,000	(12,283,094)		
Ordinary shares sold			26,539		
Ordinary shares repurchased			(155,656)		
At 31 December 2010	146,670,000	400,000	(12,412,211)	-	
Ordinary shares sold			54,007		
Ordinary shares repurchased			(579)		
At 31 December 2011	**146,670,000**	**400,000**	**(12,358,783)**	**-**	
Net share capital (CHF millions)	**73.3**	**6.0**	**(6.2)**	**-**	**73.1**

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

The total number of shares sold during 2011 is 54,007 (2010: 26,539) at an average price per share of CHF 9.81 (2010: CHF 16.15). The total number of treasury shares acquired during 2011 is 579 (2010: 155,656) and the average purchase price of these shares in the period was CHF 12.97 per share (2010: CHF 26.33).

On 13 January 2012 the Group announced that it had acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A total of 135,219 Bons de Participation, representing approximately 33.8% of the outstanding principal amount was validly tendered and accepted for exchange by a wholly owned subsidiary. The wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pays an annual interest coupon of 8%.

Conditional share capital

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

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

Authorised share capital

The Board of directors is authorised, at any time until 28 April 2012, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

44. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2010	(79.7)	56.0	183.8	160.1
Employee Equity Incentive Plans		26.6		26.6
Fair value losses on available-for-sale investment securities, before tax, net of non controlling interests	(48.9)			(48.9)
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(16.1)			(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	1.9			1.9
Currency translation differences, before tax			(81.0)	(81.0)
At 31 December 2010	(142.8)	82.6	102.8	42.6
Balance at 1 January 2011	**(142.8)**	**82.6**	**102.8**	**42.6**
Employee Equity Incentive Plans		15.5		15.5
Fair value losses on available-for-sale investment securities, before tax, net of non controlling interests	(50.3)			(50.3)
Impairment on available-for-sale investment securities transferred to the Statement of Comprehensive Income	72.5			72.5
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax	(4.6)			(4.6)
Tax effect on changes in fair value of available-for-sale investment securities	7.4			7.4
Currency translation losses transferred to the Statement of Comprehensive Income			10.0	10.0
Currency translation differences, before tax			(15.3)	(15.3)
At 31 December 2011	**(117.8)**	**98.1**	**97.5**	**77.8**

45. OFF-BALANCE SHEET ITEMS – CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Guarantees issued in favour of third parties	**322.4**	315.9
Irrevocable commitments	**130.4**	154.7
Operating lease commitments	**172.4**	152.5
Total	**625.2**	623.1

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

	Not later than 1 year CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2011				
Guarantees issued in favour of third parties	**189.3**	**68.7**	**64.4**	**322.4**
Irrevocable commitments	**29.1**	**101.3**	**-**	**130.4**
Operating lease commitments	**70.2**	**74.3**	**27.9**	**172.4**
Total	**288.6**	**244.3**	**92.3**	**625.2**
31 December 2010				
Guarantees issued in favour of third parties	163.1	88.6	64.2	315.9
Irrevocable commitments	70.2	84.3	0.2	154.7
Operating lease commitments	31.9	84.3	36.3	152.5
Total	265.2	257.2	100.7	623.1

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

46. FIDUCIARY TRANSACTIONS

	31 December 2011 CHF millions	31 December 2010 CHF millions
Fiduciary transactions with third party banks	**2,272.2**	2,633.0
Deposits with affiliated banks of the Group		7.1
Loans and other fiduciary transactions	**5.1**	6.3
Total	**2,277.3**	2,646.4

47. SEGMENTAL REPORTING

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, Asset Management and Financial Products. The Private Banking and Wealth Management business is managed on a regional basis and is split into Continental Europe, Asia, America's and United Kingdom. The Asian region includes Hong Kong, Singapore, Taiwan, Middle East and India. The America's region includes United States of America, Canada, Bahamas and Cayman. The Continental Europe includes

	Private Banking and Wealth management			
	Switzerland CHF millions	Rest of Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2011				
Segment revenue from external customers	186.3	134.4	77.2	132.6
Segment expenses	(173.7)	(132.5)	(69.5)	(93.6)
Tangible assets and software depreciation	(10.4)	(3.6)	(2.0)	(1.5)
Total Operating margin	**2.2**	**(1.7)**	**5.7**	**37.5**
Cost to acquire intangible assets and impairment of intangible assets	(7.7)	(235.9)	(2.7)	(8.9)
Impairment/(reversal of impairment) on loans and advances to customers	(0.2)			(1.7)
Impairment on available-for-sale investment securities	(67.5)			
Currency translation loss transferred from the Statement of Other Comprehensive Income		(10.0)		
Segment profit before tax	(73.2)	(247.6)	3.0	26.9
Income tax (expense)/gain	(7.1)	13.3	(0.2)	(4.4)
Net profit/(loss) for the period	(80.3)	(234.3)	2.8	22.5
Net loss/(profit) attributable to non-controlling interests		5.4		
Net profit attributable to owners of the Group	**(80.3)**	**(228.9)**	**2.8**	**22.5**
Assets under management	15,318	17,705	11,777	14,803
Employees	557	426	265	505
At 31 December 2010				
Segment revenue from external customers	223.6	163.9	70.7	140.3
Other revenues/losses				
Segment expenses	(149.0)	(135.9)	(69.5)	(93.8)
Tangible assets and software depreciation	(8.2)	(3.5)	(1.5)	(1.7)
Total operating margin	**66.4**	**24.5**	**(0.3)**	**44.8**
Cost to acquire intangible assets and impairment of intangible assets	(6.7)	(177.8)	(1.0)	(2.0)
Reversal of impairment/(impairment) on loans and advances to customers	4.0	0.2		(0.6)
Impairment on financial assets held-to-maturity	(4.4)			
Segment profit before tax	59.3	(153.1)	(1.3)	42.2
Income tax (expense)/gain	5.2	8.8	(0.9)	4.0
Net profit/(loss) for the period	64.5	(144.3)	(2.2)	46.2
Net loss/(profit) attributable to non-controlling interests	1.3	0.9	-	-
Net profit attributable to owners of the Group	65.8	(143.4)	(2.2)	46.2
Assets under management	17,666	20,826	12,762	15,048
Employees	564	420	243	484

private banking operations in Switzerland (disclosed separately below due to its relative size) and Rest of Europe comprising Denmark, France, Gibraltar, Liechtenstein, Luxembourg, Monaco, On Finance, SIF, Spain, Sweden and the PRS business. The Asset Management segment includes EFG Asset Management business in all locations as operates on a global basis. In 2011, the EFG Financial Products business has been considered as a separate reportable segment. The basis for expense allocation between segments follows the arm's length principle. The comparatives for 31 December 2010 have been restated to reflect the composition of the segments resulting from changes in the structure of the internal organisation.

		Asset Management	Financial Products	Corporate Overheads	Eliminations*	Total
Asia CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
103.3	633.8	53.8	108.9	8.4	(41.7)	763.2
(81.5)	(550.8)	(28.0)	(85.2)	(31.8)	13.0	(682.8)
(2.3)	(19.8)	(0.2)	(6.1)	(0.5)		(26.6)
19.5	**63.2**	**25.6**	**17.6**	**(23.9)**	**(28.7)**	**53.8**
(3.5)	(258.7)					(258.7)
	(1.9)					(1.9)
	(67.5)			(5.0)		(72.5)
	(10.0)					(10.0)
16.0	(274.9)	25.6	17.6	(28.9)	(28.7)	(289.3)
(3.3)	(1.7)	4.6	(2.2)	(2.8)		(2.1)
12.7	(276.6)	30.2	15.4	(31.7)	(28.7)	(291.4)
0.2	5.6	(0.5)	(7.8)			(2.7)
12.9	**(271.0)**	**29.7**	**7.6**	**(31.7)**	**(28.7)**	**(294.1)**
14,099	73,702	1,499	3,181	651		79,033
469	2,222	79	234	15	(3)	2,547
100.0	698.5	59.0	84.3	11.3	(45.0)	808.1
		(482.6)				(482.6)
(81.4)	(529.6)	(59.3)	(67.7)	(44.2)	10.5	(690.3)
(2.1)	(17.0)	(0.5)	(3.9)	(0.5)		(21.9)
16.5	**151.9**	**(483.4)**	**12.7**	**(33.4)**	**(34.5)**	**(386.7)**
(0.5)	(188.0)	(219.5)		(0.1)		(407.6)
0.7	4.3					4.3
	(4.4)					(4.4)
16.7	(36.2)	(702.9)	12.7	(33.5)	(34.5)	(794.4)
(3.9)	13.2	5.1	(1.4)	8.8		25.7
12.8	(23.0)	(697.8)	11.3	(24.7)	(34.5)	(768.7)
0.2	2.4	48.7	(4.2)			46.9
13.0	(20.6)	(649.1)	7.1	(24.7)	(34.5)	(721.8)
14,157	80,459	1,430	2,894	1,178		85,961
457	2,168	89	185	20		2,462

* *External revenues from clients have been recognised in both the Asset Management and Private Banking segments related to asset management mandates for private banking clients. This double count is eliminated to reconcile to the total operating income.*

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2011			
Assets			
Cash and balances with central banks	539.9	539.4	1,079.3
Treasury bills and other eligible bills	50.0	773.9	823.9
Due from other banks	5,632.6	(3,425.7)	2,206.9
Loans and advances to customers	3,092.3	6,455.9	9,548.2
Derivative financial instruments	411.2	126.3	537.5
Financial assets at fair value:			-
Trading Assets	813.9		813.9
Designated at inception	51.2	316.0	367.2
Investment securities:			-
Available-for-sale	76.9	3,907.4	3,984.3
Held-to-maturity	48.8	1,049.5	1,098.3
Intangible assets	105.7	194.9	300.6
Property, plant and equipment	15.5	22.7	38.2
Deferred income tax assets	19.3	29.3	48.6
Other assets	84.9	109.1	194.0
Total assets	**10,942.2**	**10,098.7**	**21,040.9**
Liabilities			
Due to other banks	3,565.5	(2,786.5)	779.0
Due to customers	3,618.3	10,780.1	14,398.4
Derivative financial instruments	548.5	54.8	603.3
Financial liabilities designated at fair value	168.3	322.4	490.7
Other financial liabilities	2,987.2	369.3	3,356.5
Current income tax liabilities	7.1	4.3	11.4
Deferred income tax liabilities	30.9	6.7	37.6
Other liabilities	206.2	146.3	352.5
Total liabilities	**11,132.0**	**8,897.4**	**20,029.4**
Equity			
Share capital	73.1		73.1
Share premium	1,154.3		1,154.3
Other reserves	117.7	(39.9)	77.8
Retained earnings	(70.2)	(248.1)	(318.3)
Total shareholders' equity	**1,274.9**	**(288.0)**	**986.9**
Non-controlling interests	19.0	5.6	24.6
Total shareholders' equity	**1,293.9**	**(282.4)**	**1,011.5**
Total equity and liabilities	**12,425.9**	**8,615.0**	**21,040.9**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2010			
Assets			
Cash and balances with central banks	527.8	184.0	711.8
Treasury bills and other eligible bills	619.7	1,418.1	2,037.8
Due from other banks	5,190.8	(2,963.7)	2,227.1
Loans and advances to customers	2,634.5	6,323.3	8,957.8
Derivative financial instruments	285.5	68.3	353.8
Financial assets at fair value:			
Trading assets	624.7		624.7
Designated at inception	61.2	309.6	370.8
Investment securities:			
Available-for-sale	299.6	3,390.7	3,690.3
Held-to-maturity	50.2	974.3	1,024.5
Intangible assets	154.2	424.6	578.8
Property, plant and equipment	19.8	27.7	47.5
Deferred income tax assets	20.2	34.0	54.2
Other assets	94.0	120.1	214.1
Total assets	10,582.2	10,311.0	20,893.2
Liabilities			
Due to other banks	3,051.1	(2,713.3)	337.8
Due to customers	4,306.3	10,598.1	14,904.4
Derivative financial instruments	559.7	74.1	633.8
Financial liabilities designated at fair value	197.5	289.2	486.7
Other financial liabilities	2,372.8	490.2	2,863.0
Current income tax liabilities	5.3	5.5	10.8
Deferred income tax liabilities	33.8	24.3	58.1
Other liabilities	164.2	135.7	299.9
Total liabilities	10,690.7	8,903.8	19,594.5
Equity			
Share capital	73.1		73.1
Share premium	1,153.8		1,153.8
Other reserves	82.5	(39.9)	42.6
Retained earnings	258.1	(251.7)	6.4
Total shareholders' equity	1,567.5	(291.6)	1,275.9
Non-controlling interests	11.6	11.2	22.8
Total shareholders' equity	1,579.1	(280.4)	1,298.7
Total equity and liabilities	12,269.8	8,623.4	20,893.2

49. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

49.1 Basic

		31 December 2011 CHF millions	31 December 2010 CHF millions
Net loss for the period		(294.1)	(721.8)
Estimated, pro-forma dividend on Bons de Participation		(16.8)	(19.4)
Net loss for the period attributable to ordinary shareholders		**(310.9)**	(741.2)
Weighted average number of ordinary shares	('000s of shares)	134,278	134,277
Basic earnings per ordinary share		(2.32)	(5.52)

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 12,391,574 (2010: 12,393,411). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1st January 2011 until 30 April 2011 of 3.036%, 3.858% from 1 May 2011 until 30 October 2011 and a rate of 2.840% thereafter.

49.2 Diluted

		31 December 2011 CHF millions	31 December 2010 CHF millions
Net loss for the period		(294.1)	(721.8)
Estimated, pro-forma dividend on Bons de Participation		(16.8)	(19.4)
Net loss for the period attributable to ordinary shareholders		**(310.9)**	(741.2)
Diluted-weighted average number of ordinary shares	('000s of shares)	134,278	134,277
Diluted earnings per ordinary share		(2.32)	(5.52)

Pursuant to its employee equity incentive plan, EFG International issued to employees the right to receive shares in future years. At 31 December 2011 rights to 793,245 shares were outstanding related to 2011 grants. The impact of options and restricted stock units would increase the diluted-weighted average number of ordinary shares of EFG International by 6,016,501 (2010: 5,426,041) shares to 140,294,927 (2010: 139,702,630) shares. Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. However, where an entity has incurred a loss from continuing operations, options that are in the money would only be dilutive if they increased the loss per share from continuing operations, that is, made the loss per share more negative but as the effect of bringing in more shares will be to increase the denominator and therefore reduce the loss per share, in the money options will be anti-dilutive and so are not included in the diluted EPS presented at year-end 2011 as required by IAS 33.41. For information regarding the EFG International employee equity incentive plan, see note 52.

50. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 27 April 2012. A dividend in respect of 2011 of CHF 0.10 (2010: CHF 0.10) per share amounting to approximately CHF 13.4 million (2010: CHF 13.4 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2011 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2012.

	At 31 December 2011 CHF millions	At 31 December 2010 CHF millions
Dividends on ordinary shares		
CHF 0.10 per share related to 2010 paid in 2011	13.4	
CHF 0.10 per share related to 2009 paid in 2010		13.4
	13.4	13.4
Dividends on Bons de Participation		
For the period 1 November 2009 to 30 April 2010 at 3.795%		10.8
For the period 1 May 2010 to 30 October 2010 at 3.5%		9.6
For the period 1 November 2010 to 30 April 2011 at 3.036%	7.8	
For the period 1 May 2011 to 30 October 2011 at 3.858%	9.4	
	17.2	20.4

51. RELATED PARTY TRANSACTIONS

51.1 Transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2011		
Assets		
Due from other banks	66.0	
Derivatives	0.1	
Loans and advances to customers		9.8
Investment securities	1.2	
Other assets	1.8	
Liabilities		
Due to other banks	8.2	
Due to customers	0.1	23.6
Other liabilities		
Year ended 31 December 2011		
Interest income	2.0	0.2
Interest expense		
Commission income	1.0	0.3
Commission expense	(1.0)	
Net other income	2.4	
Impairment on available-for-sale investment securities	(5.0)	

51.1 Transactions (continued)

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2010		
Assets		
Due from other banks	67.7	
Derivatives	2.1	
Loans and advances to customers		11.3
Investment securities	2.8	
Other assets	1.9	
Liabilities		
Due to other banks	30.3	
Due to customers	0.2	29.0
Other liabilities	0.1	
Year ended 31 December 2010		
Interest income	2.2	0.1
Interest expense	(1.2)	(0.1)
Commission income	1.1	0.4
Commission expense	(0.1)	(0.1)
Net other income	2.1	
Other operating expenses	0.2	

A number of banking transactions are entered into with related parties. These include loan, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits by the Group with EFG Eurobank Ergasias of CHF 65.5 million (2010: CHF 65.6 million), which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2010: Nil).

51.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2011 comprised of cash compensation of CHF 10,185,223 (2010: 8,460,857), pension contributions of CHF 387,660 (2010: 345,984) and restricted stock units valued at approximately CHF 895,000 (2010: 150,000). Other compensation of CHF 3,159,440 (2010: 3,807,006) includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years (2010: CHF 1,628,571), an amount of CHF 1,500,000 under a non-compete agreement and a provision for payments under a long term incentive plan of CHF 0 (2010: CHF 2,112,279).

The compensation of the members of the Board of Directors relating to the year 2011 comprised of cash compensation of CHF 1,190,016 (2010: CHF 1,207,514).

For additional details required under Swiss Law (SCO 663) see note 20 of the parent company financial statements on page 164.

52. EMPLOYEE EQUITY INCENTIVE PLANS

The EFG International Employee Equity Incentive Plan (the "Plan") has different classes of options and restricted stock units, which have a vesting period of three years and different classes, have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date. No options were exercised during the year.

The expense recorded in the Statement of Comprehensive Income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of Comprehensive Income for the period ended 31 December 2011 was CHF 15.5 million (2010: CHF 26.6 million).

The Plan has been developed internally by the company without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2011 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Outstanding
2006	In-the-money	25.33	754,746			754,746
2007	In-the-money	32.83	954,255			954,255
2007	At-the-money	49.25	1,229,953			1,229,953
2008	In-the-money	24.00	506,684		4,416	502,268
2008	At-the-money	35.95	759,988		2,610	757,378
2008	Restricted stock units with 5 year lock-up	0	773,800			773,800
2009	In-the-money	5.00	1,199,069			1,199,069
2009	Restricted stock units with 3 year lock-up	0	2,160,161		30,552	2,129,609
2009	Restricted stock units with 5 year lock-up	0	1,120,533			1,120,533
2010	In-the-money	12.19	91,036			91,036
2010	Restricted stock units with 3 year lock-up	0	713,739		17,963	695,776
2010	Restricted stock units with 5 year lock-up	0	68,540			68,540
2011	**Restricted stock units with 3 year lock-up**	**0**		**741,446**	**12,158**	**729,288**
2011	**Restricted stock units with 5 year lock-up**	**0**		**64,207**	**250**	**63,957**
			10,332,504	**805,653**	**67,949**	**11,070,208**

52.1 2011 incentive plan

EFG International granted 805,653 options and restricted stock units in 2011. There are two classes of restricted stock units. Those with a 3 year lock-up (“Restricted stock units with 3 year lock-up”) and with 5 year lock-up (“Restricted stock units with 5 year lockup”) respectively. All classes have a vesting period of three years. The deemed value of each Restricted stock unit with 3 year lock-up is CHF 12.37 and each Restricted stock unit with 5 year lock-up is CHF 11.60. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 13.20), expected volatility (40%), dividend payout rate (20%) and the expected life of the restricted stock units (36 and 60 months). Dividend yield has been calculated according to management’s estimates of the long term dividend payments.

52.2 2012 incentive plan

EFG International will grant restricted stock units in March 2012 at prices to be determined based on the relevant valuation inputs on the date of issue.

53. INFORMATION RELATING TO THE EFG FIDUCIARY CERTIFICATES IN CIRCULATION

In connection with the EUR 400,000,000 EFG Fiduciary Certificates, which were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates, Banque de Luxembourg acquired 400,000 Class B Bons de Participation issued by EFG International and 400,000 Class B Shares issued by EFG Finance (Guernsey) Limited. The proceeds of issue of the Class B Shares issued by EFG Finance (Guernsey) Limited were invested by EFG Finance (Guernsey) Limited in income generating assets. The sole eligibility criterion for investing the proceeds of issue of the Class B Shares is that the investments have an investment grade credit rating of at least BBB- from Standard & Poor’s, or an equivalent credit rating from Moody’s or Fitch.

See note 55.

54. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2011 CHF millions	31 December 2010 CHF millions
Character of client assets		
Equities	18,310	22,943
Deposits	17,037	17,009
Bonds	14,647	14,722
Loans	10,067	9,290
Structured notes	6,920	7,846
Hedge funds / Fund of hedge funds	5,042	7,069
Fiduciary deposits	2,485	2,695
EFG International shares	651	1,178
Other	3,874	3,209
Total Assets under Management	**79,033**	85,961
Total Assets under Administration	**9,162**	6,834
Total Assets under Management and Administration	**88,195**	92,795

Assets under Administration are trust assets administered by the Group.

	31 December 2011 CHF millions	31 December 2010 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,169	2,457
Assets with discretionary management agreements	15,350	17,037
Other assets under management	51,447	57,177
Total Assets under Management (including double counts)	**68,966**	76,671
Thereof double counts	*3,462*	*3,863*
Loans	10,067	9,290
Total Assets under Administration	9,162	6,834
Total Assets under Management and Administration	**88,195**	92,795
Net new asset (outflows)/inflows (including double counts)	(1,207)	9,676

Double counts primarily include the self-managed collective investment schemes and structured products issued by Group companies which are also included in customer portfolios and already included in assets under management.

Net new money consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts, and related interest expenses result in net new money. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new money. Effects resulting from any acquisition or disposal of Group companies are not included in net new money.

55. POST BALANCE SHEET EVENTS

On 2 January 2012 the Group announced that it had agreed to sell the private banking business in Denmark as a result of the detailed business review performed in the third quarter of 2011 and the Groups process of streamlining its operations.

On 11 January 2012 the Group announced that 33.8% of the holders of EFG Fiduciary certificates with a notional value of EUR 135.2 million had accepted the offer to convert their holding into a new Basel III compliant Tier 2 bond. The result of this will be to reduce shareholders equity by approximately CHF 53 million and increase liabilities by a similar amount, with a coupon rate of 8% p.a. fixed for 5 years.

On 18 January 2012 the Group announced that it would close the Lugano office of EFG Bank AG in Switzerland as a result of the detailed business review performed in the third quarter of 2011 and the Groups process of streamlining its operations.

On 30 January 2012 the Group announced that it had reached an agreement to sell the activities of SIF Swiss Investment Funds S.A. in Switzerland, a wholly owned subsidiary. The decision to exit the business is as result of the detailed business review performed in the third quarter of 2011, and the Groups desire to focus on its core business of private banking. This fund administration business had approximately CHF 800 million of assets under management in over 20 different funds.

56. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

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

* Independent directors.

57. SWISS BANKING LAW REQUIREMENTS

The Group is subject to consolidated supervision by Swiss Financial Markets Supervisory Authority. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of Swiss Financial Markets Supervisory Authority governing financial statement reporting, pursuant to Article 23 through Article 27 of Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

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

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

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as Fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Under Swiss law, the fair value option is not available. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive requirements are met.

Under Swiss law, the Group's derivative instruments are recorded on Balance sheet at their fair values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable.

(d) Goodwill and Intangible Assets

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

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Statement of Comprehensive Income.

(e) Extraordinary income and expense

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

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(f) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 70 to 153), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial state-ments, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasona-bleness of accounting estimates made, as well as evaluating the overall presentation of the consolidat-ed financial statements. We believe that the audit evidence we have obtained is sufficient and appro-priate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers Ltd

Alex Astolfi
Audit expert
Auditor in charge

Christophe Kratzer

Geneva, 28 February 2012

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

EFG International, Zurich

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Income			
Interest income from subsidiaries		**10.7**	12.2
Income from subsidiaries	13	**25.4**	25.7
Total income		**36.1**	37.9
Expenses			
Staff expenses		**(14.2)**	(18.5)
Operating expenses	14	**(9.4)**	(12.6)
Depreciation		**(0.8)**	(8.2)
Interest expenses paid to subsidiaries		**(1.1)**	(0.8)
Foreign exchange losses		**(0.1)**	(17.6)
Impairment of investment in subsidiaries	7	**(459.1)**	(433.0)
Impairment on subordinated loans to subsidiaries		**(6.0)**	
Provisions for guarantees	15	**(301.7)**	
Total expenses		**(792.4)**	(490.7)
Tax expense		**(1.4)**	(4.0)
Net loss		**(757.7)**	(456.8)

BALANCE SHEET AS AT 31 DECEMBER 2011

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2011 CHF millions	Year ended 31 December 2010 CHF millions
Assets			
Due from subsidiaries		5.0	3.9
Other assets		0.5	1.9
Current assets		**5.5**	5.8
Investments in subsidiaries		760.3	1,206.3
Subordinated loans to subsidiaries		259.0	264.9
Intangible assets		0.1	0.6
Formation costs			0.3
Non current assets		**1,019.4**	1,472.1
Total assets		**1,024.9**	1,477.9
Liabilities			
Due to subsidiaries		47.1	25.8
Accrued expenses and deferred income		11.9	16.9
Other liabilities		6.0	5.9
Current liabilities		**65.0**	48.6
Provisions	15	301.7	
Total liabilities		**366.7**	48.6
Equity			
Share capital	11	73.3	73.3
Non-voting equity securities (Participation Certificates)	11	6.0	6.0
Legal reserves		1,793.4	1,806.8
of which Reserve from capital contributions		*1,590.0*	*1,603.0*
of which Reserve for own shares from capital contributions		*203.4*	*203.8*
Retained earnings		(456.8)	
Net loss for the period		(757.7)	(456.8)
Total shareholders' equity		**658.2**	1,429.3
Total shareholders' equity and liabilities		**1,024.9**	1,477.9

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

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

1. CONTINGENT LIABILITIES

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 3,180 million (2010: CHF 3,893 million). Included in this amount is CHF 3,104 million (2010: CHF 2,757 million) related to structured products issued by a subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). Risks related to this subsidiary's liabilities are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

2. BALANCE SHEET ASSETS WITH RETENTION OF TITLE TO SECURE OWN OBLIGATIONS

There are no such assets.

3. OFF-BALANCE SHEET OBLIGATIONS RELATING TO LEASING CONTRACTS

There are no such obligations.

4. FIRE INSURANCE VALUE OF TANGIBLE FIXED ASSETS

Tangible fixed assets amount to CHF 0.04 million (2010: CHF 0.04 million) and are covered by the fire insurance of a subsidiary for the Zurich premises for a total amount of CHF 0.4 million (2010: CHF 0.9 million).

5. LIABILITIES RELATING TO PENSION PLANS AND OTHER RETIREMENT BENEFIT OBLIGATIONS

There are no such liabilities.

6. BONDS ISSUED

There are no such liabilities.

7. PRINCIPAL PARTICIPATIONS

The company's principal participations are shown in the note 33, page 128, to the consolidated financial statements.
In the current year the company impaired the carrying value of investments in subsidiaries by CHF 459.1 million as a result of the impairment in the carrying value of subsidiaries.

8. RELEASE OF UNDISCLOSED RESERVES

During the period, CHF 3.1 million of undisclosed reserves were released.

9. REVALUATION OF LONG-TERM ASSETS TO HIGHER THAN COST

There was no such revaluation.

10. OWN SHARES HELD BY THE COMPANY AND BY GROUP COMPANIES

At 31 December 2011 12,358,783 registered shares (2010: 12,412,211) were held by subsidiaries. See note 43.3 of consolidated financial statements on page 139.

On 13 January 2012 the Group announced that it had acquired 135,219 Bons de Participation in exchange for the issuance of new Basel III compliant Tier 2 bonds. A total of 135,219 Bons de Participation, representing approximately 33.8% of the outstanding principal amount were validly tendered and accepted for exchange by a wholly owned subsidiary. The wholly owned subsidiary issued EUR 67,604,000 principal amount of bonds with a maturity of 10 years and for the first 5 years pay an annual interest coupon of 8%.

11. SHARE CAPITAL

	31 December 2011 CHF millions	31 December 2010 CHF millions
146,670,000 registered shares at the nominal value of CHF 0.50	73.3	73.3
400,000 Bons de Participation "B" at the nominal value of CHF 15	6.0	6.0
Total share capital	**79.3**	79.3

Conditional share capital

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

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

Authorised share capital

The Board of directors is authorised, at any time until 28 April 2012, to increase the share capital by a maximum of CHF 25,000,000 by issuing 50,000,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

12. SIGNIFICANT SHAREHOLDERS

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

		31 December 2011		31 December 2010
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group SA*	72,366,556	49.34	72,366,556	49.34
Lawrence D. Howell	8,052,705	5.49	8,052,000	5.49

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

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2011 CHF millions	31 December 2010 CHF millions
Royalties	13.9	14.5
Management service fees	9.5	10.9
Other services	2.0	0.3
Total	**25.4**	25.7

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

14. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2011 CHF millions	At 31 December 2010 CHF millions
Other operating expenses	(7.6)	(6.3)
Other fees paid to subsidiaries		(4.3)
Costs incurred by subsidiaries	(1.8)	(2.0)
Total	**(9.4)**	(12.6)

15. PROVISIONS FOR GUARANTEES

In 2011 guarantees of CHF 310.8 million were provided to a subsidiary, related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 301.7 million exists at year end, assuming the guarantee was called.

16. GENERAL LEGAL RESERVE

In 2011 a dividend distribution of CHF 13.4 million has been paid from the Reserve from capital contributions (CHF 0.10 per registered share).

17. RETAINED EARNINGS

	31 December 2011 CHF millions	At 31 December 2010 CHF millions
At 1 January	-	3.4
Net result of prior period	(456.8)	7.7
Transfer from Reserve from capital contributions for dividend payment	13.4	2.3
Dividend paid	(13.4)	(13.4)
At 31 December	**(456.8)**	-

18. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the loss of the year amounting to CHF 757.7 million as negative retained earnings and to proceed to a distribution to shareholders of CHF 0.10 per share, which will amount to a total distribution of CHF 13.4 million (excluding anticipated distribution not payable on the 12,358,783 shares held on 31 December 2011 by a subsidiary). The Board of Directors proposes to fully charge the proposed distribution 2011 of CHF 0.10 per share to the balance sheet item “Reserve from capital contributions”. Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

19. RISK MANAGEMENT

See note 4 of consolidated financial statements on page 91.

20. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2011

	Base compensation	*Variable compensation*		*Other compensation*		*2011*
	Cash	Cash bonus (1)	Equity incentives (2)	(4)	Social charges	Total
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				245,423	905,423
Emmanuel L. Bussetil (5)						-
Erwin Richard Caduff	100,008				7,030	107,038
Spiro J. Latsis (5)						-
Hugh Napier Matthews	280,008				16,818	296,826
Hans Niederer	150,000				7,899	157,899
Pericles Petalas (5)						-
Total Board of Directors	**1,190,016**	**-**	**-**	**-**	**277,170**	**1,467,186**
Executive Committee						
Total Executive Committee (6)	**10,185,223**	**680,000**	**895,000**	**3,159,440**	**1,650,178**	**16,569,841**
of which highest paid:						
Lawrence D. Howell (3) & (4)	4,001,804			1,500,000	583,857	6,085,661

Notes

1) The amounts represent the recorded expense for the 2011 cash bonuses.
2) The amount represents the value of equity incentives granted in 2012 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 52 of the Consolidated financial statements.
3) An Agreement was reached between the Former Chief Executive Officer (until 24 June 2011, “the Former CEO”) and EFG International AG, whereby the amounts to be paid have been attributed such that the Former CEO is entitled firstly from 1 July 2011 until 30 June 2013 to CHF 3 million per annum paid throughout the period as long as he does not compete in any respect with EFG International AG activities and interests, and secondly to his salary until the end of 2011 and to no change in the vesting period of his restricted stock-units.
4) Other compensation of the Executive Committee of CHF 3,159,440 includes an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years, and an amount of CHF 1,500,000 related to the non-compete agreement with the Former CEO referred to in 3) above.
5) No compensation paid to Director.
6) The CEO of EFG Bank AG and the Head of Asset Management were members of EFGI Executive Committee until October 2011. Their compensation was paid by other group entities.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(ii) Compensation year ended 2010

	Base compensation	*Variable compensation*		*Other compensation*		2010
	Cash CHF	Cash bonus (1) CHF	Equity incentive (2) CHF	(3) CHF	Social charges CHF	Total CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				50,362	710,362
Emmanuel L. Bussetil (4)						-
Erwin Richard Caduff	175,006				12,023	187,029
Spiro J. Latsis (4)						-
Hugh Napier Matthews	235,008				14,539	249,547
Hans Niederer	137,500				7,423	144,923
Pericles Petalas (4)						-
Total Board of Directors	**1,207,514**	**-**	**-**	**-**	**84,347**	**1,291,861**
Executive Committee						
Total Executive Committee	**8,460,857**	**-**	**150,000**	**3,807,006**	**1,127,376**	**13,545,239**
of which highest paid:						
Lawrence D. Howell, CEO	4,003,607			24,996	326,627	4,355,230

Notes
1) The amounts represent the recorded expense for the 2010 cash bonuses.
2) The amount represents the value of equity incentives granted in 2011 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 52 of the Consolidated financial statements.
3) Other compensation of the Executive Committee of CHF 3,807,006 includes a final pro rata provision of CHF 2,112,279 which became payable in October 2010 in connection with a 5-year incentive plan and an amount of CHF 1,628,571 representing a pro rata indemnity recognized over 3.5 years.
4) No compensation paid to Director.

No compensation has been granted to closely linked parties of members of the Board of Directors.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for transactions executed in-house that are available to all employees of the Group.

(iii) Loans and credits

At 31 December 2011 the following loans and credits were granted by subsidiaries to members of the Board of Directors and the Executive Committee and are outstanding at the end of the year.

	2011 CHF	2010 CHF
Cuoni family interests*	8,370,000	8,147,525
Other members of the Board of Directors		115,540
Total Board of Directors	**8,370,000**	8,263,065
Lawrence D. Howell, Former CEO (highest paid member of Executive Committee)**	12,148	752,326
Other members of the Executive Committee	**1,215,002**	2,241,200
Total Executive Committee	**1,227,150**	2,993,526

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

*** Fully cash collateralised loans.*

Interest rates ranging from 0.59% p.a. to 6.31% p.a. are charged on outstanding CHF and GBP loans. The loans oustanding at 31 December 2011, mature between 1 and 8 months.

(iv) Shareholdings

At 31 December 2011 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2011	Shares 2010	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	6,809,500	6,809,500	623,087	
Emmanuel L. Bussetil				
Erwin Richard Caduff	11,500			
Spiro J. Latsis*	72,437,337	72,366,556		
Hugh Napier Matthews	7,500	7,500		
Hans Niederer	50,000	50,000		
Pericles Petalas				
Executive Committee				
Total Executive Committee of which:	**244,412**	129,412	**374,611**	**1,045,196**
John A. Williamson	110,000		42,609	
Lukas Ruflin	129,412	129,412	320,068	
Mark Bagnall	5,000			
Henric Immink				
Jean-Christophe Pernollet				
Frederick Link			11,934	

* *Total number of shares owned by the Latsis family interests.*

The 2010 comparatives for the shareholding of the Executive Committee only reflect members of the Committee at 31 December 2011, and any Committee members joining or departing in the year are excluded.

The members of the Executive Committee have been granted 1,045,196 share options and restricted stock units which are currently subject to vesting criteria. These would vest in the period 2012 to 2014.

21. POST BALANCE SHEET EVENTS

On 30 January 2012 the Group announced that it had reached an agreement to sell the activities of SIF Swiss Investment Funds S.A. in Switzerland, a wholly owned subsidiary. The decision to exit the business is as result of the detailed business review performed in the third quarter of 2011, and the Groups desire to focus on its core business of private banking. This fund administration business had approximately CHF 800 million of assets under management in over 20 different funds.

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG International AG, which comprise the income statement, balance sheet and notes (pages 158 to 167), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company›s articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial state-ments according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Alex Astolfi
Audit Expert
Auditor in charge

Christophe Kratzer

Geneva, 28 February 2012

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FORWARD LOOKING STATEMENTS

This Annual Report contains specific forward-looking statements, e.g. statements which include terms like “believe”, “assume”, “expect” or similar expressions. Such forward-looking statements represent EFG International AG’s judgements and expectations and are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) EFG International AG’s ability to implement its cost savings program (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, (5) our ability to continue to recruit CROs and (6) other risks and uncertainties inherent in our business. EFG International AG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

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