EFG Financial Products

EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.
(*Incorporated in Guernsey*)
("EFGFP Ltd." or interchangeably the "Issuer")

with information on

EFG INTERNATIONAL AG
(*Incorporated in Switzerland*)

("EFGI" or interchangeably the "Guarantor")

Registration Document

pursuant to Section 12 (1) Sentence 3 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*)

dated 2 September 2010

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I. RISK FACTORS

1. Risk Factors relating to EFG Financial Products (Guernsey) Ltd.

Financial information of the EFGFP Ltd. should not be relied on as evidence of future results.

As a financial services provider, the business activities of EFGFP Ltd. are affected by the prevailing market situation. Different risk factors can impair EFGFP Ltd.'s ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, EFGFP Ltd.'s revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of results in any future period. They can vary from one year to the next and may affect EFGFP Ltd.'s ability to achieve its strategic objectives. Taking into account that EFGFP Ltd. has only a short financial history this might be of particular relevance.

EFGFP Ltd. may not be able to fulfil its obligations due to a deteriorated financial situation. EFGFP Ltd. may become insolvent.

The financial situation of EFGFP Ltd. could deteriorate and may prevent EFGFP Ltd. from fulfilling its obligations. Creditors are therefore exposed to the credit risk of EFGFP Ltd. The default or insolvency of EFGFP Ltd. and EFGI may lead to a partial or total loss of the claims of creditors.

EFGFP Ltd.'s financial situation may be affected, if it is obliged to fulfil its obligations under the financial guarantee issued in favour of EFG Bank AG

EFGFP Ltd. has issued a financial guarantee to EFG Bank AG up to the maximum amount of the outstanding term deposits EFGFP Ltd. placed with EFG Bank AG in case predefined subsidiaries of EFGI fail to make payments due to EFG Bank AG. In order to primarily secure EFGFP Ltd.'s obligations under this financial guarantee, such deposits have also been pledged to EFG Bank AG as collateral. At 31 December 2009 the total balance of EFG Bank AG receivables that were guaranteed under such financial guarantee was equal to CHF 1,092 million. EFGFP Ltd.'s financial situation and its ability to fulfil its obligations under any products issued by it may be affected if it is obliged to fulfil its obligations under this financial guarantee.

EFGFP Ltd. is exposed to market risks arising from open positions in interest rate, currency and equity products which may adversely affect its results of operations.

Market risk refers to fluctuations in trading of securities, derivatives, foreign exchange rates, share and commodity prices. EFGFP Ltd. takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Ltd. has market risks arising from its derivatives, financial assets and financial liabilities designated at fair value. Market risk may adversely affect the results of operations of EFGFP Ltd.

EFGFP Ltd. is exposed to significant and increasing competition which may adversely affect its future results of operations.

All aspects of EFGFP Ltd.'s business are highly competitive and the competitive conditions are expected to continue to intensify. EFGFP Ltd.'s ability to compete depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. The significant and increasing competition may adversely affect EFGFP Ltd.'s future results of operations.

EFGFP Ltd. is exposed to the credit risk of its counterparties.

Credit risk is the risk of suffering financial loss, resulting from a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. Credit risk arises mainly from receivables balances related to financial assets including its term deposits with EFG Bank AG. and its trading exposures, primarily derivatives and settlement balances with EFG Bank AG, Zurich, and SIX SIS AG the major Swiss settlement and custody firm, respectively. Counterparty default risk may also arise from unforeseen events or circumstances.

In this context it should be noted that EFGFP Ltd. has issued a financial guarantee to EFG Bank AG up to the maximum amount of its outstanding term deposits placed with EFG Bank AG to secure payment of obligations predefined subsidiaries of EGFGI have towards EFG Bank AG. Such deposits have also been pledged to EFG Bank AG as collateral.

EFGFP Ltd. bears the risk of insufficient liquidity which may negatively affect its ability to operate its business.

Liquidity risk is the risk that EFGFP Ltd. may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Liquidity could be affected by the inability to access the long-term or short-term debt, repurchase, or securities lending markets or to draw under credit facilities, whether due to factors specific to EFGFP Ltd. or to general market conditions. In addition, the amount and timing of contingent events, such as unfunded commitments and guarantees, could adversely affect cash requirements and liquidity. EFGFP Ltd.'s liquidity is critical to its ability to operate its business, to grow and be profitable. If EFGFP Ltd. does not effectively manage its liquidity, its business could be negatively affected.

The reduction of the credit ratings of EFGI may adversely affect EFGFP Ltd.'s access to unsecured funding.

Access to the unsecured funding markets is dependent on EFGI's credit ratings. A reduction in EFGI's credit ratings could adversely affect EFGFP Ltd.'s access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements.

Anticipated or actual upgrades or downgrades in EFGI's credit ratings may have an impact on its creditworthiness.

The risk factors to which EFGFP Ltd. is exposed are intensified by risk concentrations.

EFGFP Ltd. considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments. EFGFP Ltd. has identified three risk concentrations, being exposures with EFG Bank, Cayman Branch, EFG Financial Products AG ("**EFGFP AG**") and exposures to various related parties of EFGI under the financial guarantee. The exposures to EFG Bank, Cayman Branch, and to the EFGI related parties are considered to be a concentration due to their size and credit risk. The exposure to EFGFP AG is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Ltd. and as it is the single counter-party to all derivative trades. The exposure to SIX SIS

AG is also considered a risk concentration due to its prime role in the entire settlement and custody process.

EFGFP Ltd. may be adversely affected by legal, regulatory, and reputational risks.

Legislation and rules adopted around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans, restrictions on the interaction between equity research analysts and investment banking employees and money laundering. The trend and scope of increased compliance requirements may require EFGFP Ltd. to invest in additional resources to ensure compliance.

EFGFP Ltd.'s reputation is critical in maintaining its relationships with clients, Investors, regulators and the general public, and is a key focus in its risk management efforts.

2. Risk Factors relating to EFG International AG

Financial information of EFGI should not be relied on as evidence of future results.

As a financial services provider, the business activities of EFGI are affected by the prevailing market situation. Different risk factors can impair EFGI's ability to implement business strategies and may have a direct, negative impact on earnings. Accordingly, EFGI's revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of results in any future period. They can vary from one year to the next and may affect EFGI's ability to achieve its strategic objectives.

EFGI may not be able to fulfil its obligations due to a deteriorated financial situation. EFGI may become insolvent.

The financial situation of EFGI could deteriorate and may prevent it from fulfilling its obligations. Creditors are therefore exposed to the credit risk of the EFGI. The default or insolvency of EFGI may lead to a partial or total loss of the claims of creditors.

EFGI is exposed to the country risk resulting from its cross-boarder transactions.

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. EFGI's international operations are subject to risk of loss from unfavourable economic, political, legal and other developments in the relevant countries.

EFGI is exposed to market risks which may adversely affect its results of operations.

Market risk refers to fluctuations in trading of securities, derivatives, foreign exchange rates, share and commodity prices. EFGI takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGI is also exposed to market risk (currency risk) in connection with the capital of its subsidiary banks that is denominated in local currencies. 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. Market risk may adversely affect the results of operations of EFGI.

EFGI is exposed to significant and increasing competition which may adversely affect its future results of operations.

All aspects of EFGI's business are highly competitive and the competitive conditions are expected to continue to intensify. EFGI's ability to compete depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. The significant and increasing competition may adversely affect EFGI's future results of operations.

EFGI is exposed to the credit risk of its counterparties.

Credit risk is the risk of suffering financial loss, resulting from a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. EFGI's primary credit exposure relates to loans to clients and exposures to financial institutions, sovereigns and quasi-sovereign entities. Counterparty default risk may also arise from unforeseen events or circumstances.

EFGI is exposed to currency risk and to currency translation risk.

Apart from the exposure to foreign currencies which relates to banking and trading activities in EFGI's subsidiary banks, and which is managed by the local treasury departments, EFGI is also exposed to foreign currency fluctuations because most of the subsidiary banks use local currencies as their reporting currencies. It has to be noted that the EFGI and its consolidated subsidiaries (the "**Group**") do not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiary banks (currency translation risk).

EFGI is exposed to the risk that net interest income may decline if interest rates change.

Like all banking groups, EFGI earns interest from loans and other assets, and pays interest to depositors and other creditors. If interest rates change, then both the level of interest income and interest expense will change. The net effect of changes in interest rates on EFGI's net interest income will depend on the relative level of assets and liabilities that are affected by the change in interest rates. Consequently EFGI's net interest income may decrease.

EFGI bears the risk of insufficient liquidity which may negatively affect its ability to operate its business.

Liquidity risk is the risk that EFGI may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Liquidity could be affected by unexpected withdrawal of client deposits, the inability to access the long-term or short-term debt, repurchase, or securities lending markets whether due to factors specific to EFGI or to general market conditions. In this context it should be noted that EFGI is a holding company and therefore all its liquid assets are held by its subsidiaries what might negatively impact EFGI's ability to generate cash reserves. EFGI's liquidity is critical to its ability to operate its business, to grow and be profitable. If EFGI does not effectively manage its liquidity, its business could be negatively affected.

EFGI relies on its internal processes, people and systems and certain failures could adversely affect EFGI's operations.

Operational risk describes the risk of losses resulting from inadequate or failed internal or outsourced processes, people and infrastructure and technology, or from external events. If operational risk materialises it could lead to a diminished ability of EFGI to operate one or more of its businesses, to regulatory measures/sanctions, a potential liability to clients and reputational damage, any of which could adversely affect EFGI.

EFGI acts as Guarantor for products issued by EFGFP Ltd. and EFGFP AG under their Swiss and European issuance and offering programme.

EFGI irrevocably and unconditionally guarantees, as primary obligor and not merely as surety, the due and punctual settlement in full of all obligations due and owing by EFGFP Ltd. and EFGFP AG under products issued under their Swiss and European issuance and offering programme, as the case may be, after taking account of any set-off, combination of accounts, netting or similar arrangement exercisable by EFGFP Ltd. and/or EFGFP AG against any person to whom obligations are from time to time owed, when and as due (whether at maturity, by acceleration or otherwise). Overall, the amount guaranteed by EFGI for Products issued by

EFGFP Ltd. and EFGFP AG amounts to approximately CHF 2,182,924,418 as of 30 June 2010. Obligations, if any, arising from the guarantee for products issued under EFGFP Ltd.'s European issuance and offering programme will be solely EFGI's obligations, and no other entity will have any other obligation, contingent or otherwise, to make any payments in respect thereof.

EFGI may be adversely affected by legal and regulatory risks.

As of September 2005, EFGI became regulated by the Swiss Federal Banking Commission (now Swiss Financial Market Supervisory Authority FINMA (the "**FINMA**")) as a consolidated supervised entity, and as such, EFGI is subject to group-wide supervision and examination by the FINMA, and accordingly, EFGI is subject to minimum capital requirements on a consolidated basis. Violation of applicable regulations could result in legal and/or administrative proceedings, which may impose censures, fines, cease-and-desist orders or suspension of a firm, its officers or employees. The scrutiny of the financial services industry has increased over the past several years, which has led to increased regulatory investigations and litigation against financial services firms.

Legislation and rules adopted both in Switzerland and around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans and money laundering. The trend and scope of increased compliance requirements may require EFGI to invest in additional resources to ensure compliance.

EFGI may be adversely affected by reputational risks.

EFGI's reputation which may essentially be affected by shortcomings under any risk category is critical in maintaining its relationships with clients, investors, regulators and the general public, and is a key focus in its risk management efforts. EFGI is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years, and EFGI is exposed to the risk of fraud, misconduct or improper practice by its employees. Internal procedures or precautions in place to prevent and detect such fraud, misconduct or improper practice may not be effective in all cases. Substantial legal liability or a significant regulatory action against EFGI, or adverse publicity, governmental scrutiny or legal and enforcement proceedings regardless of the ultimate outcome, could cause significant reputational damage to EFGI and adversely affect EFGI's business, results of operations and financial position.

EFGI is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to tax and regulatory changes.

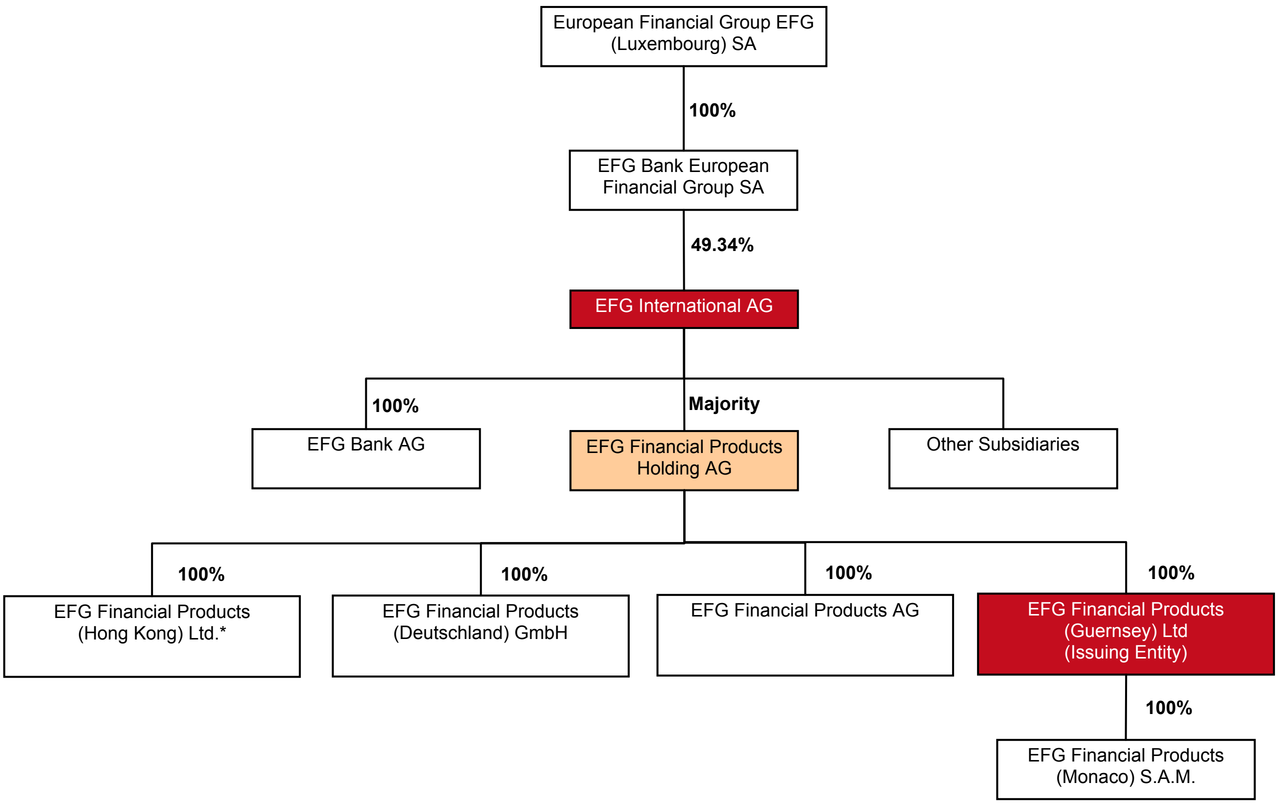
EFGI is exposed to the risk that its clients may move assets away from jurisdictions in which it operates. In particular, regulatory or tax changes in either the jurisdiction where the assets are held or in the jurisdiction where the assets are domiciled might cause clients to shift their assets away from or towards particular jurisdictions. The extent to which tax and regulatory changes cause EFGI's clients to move assets away from jurisdictions where EFGI has a strong presence has the potential to reduce EFGI's assets under management (comprising custodised securities, fiduciary placements, deposits, client loans, funds, mutual funds under management, third party custodised assets managed by the Group, third party funds administered by the Group and structured notes which are structured and managed by the Group (together, "**AUM**")). As a result of any such development, EFGI's business, results of operations and financial condition may be adversely affected.

Because AUM booked in Switzerland represent an important part of EFGI's overall business, it is particularly exposed to the risk of changes in Swiss banking secrecy or other laws. Any future change in the Swiss banking secrecy laws, allowing foreign authorities, regulators and other interested parties to request the disclosure of the identity of EFGI's clients, could result in some of EFGI's clients' assets being moved away from Switzerland to other markets. This may cause a decline of EFGI's AUM and may adversely affect EFGI's business, results of operations and its financial condition.

II. ORGANISATIONAL CHART OF EFG GROUP

EFGFP Ltd ("**EFGFP Ltd.**") is a fully owned subsidiary of EFG Financial Products Holding AG, which is majority owned by EFG International AG (the "**Guarantor**" or interchangeably "**EFGI**"). EFGI's principal shareholder is EFG Bank European Financial Group SA, a Swiss-registered bank, which is wholly owned by European Financial Group EFG (Luxembourg) SA (collectively "**EFG Group**"), whose ultimate beneficiaries are Latsis family interests. The below table provides a summary group chart.

EFG Financial Products Group: Organisation Chart



* Will only become operational upon approval from the Securities and Futures Commission under the Hong Kong Securities and Futures Ordinance.

III. EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.

1. Statutory Auditors

For the financial years ended 31 December 2008 and 31 December 2009, the independent auditors of EFG Financial Products (Guernsey) Ltd. were Pricewaterhouse Coopers, CI LLP, PO Box 321, National Westminster House, Le Truchot, St. Peter Port, Guernsey, GY1 4ND ("**PWC Guernsey**"). PWC Guernsey have audited the financial statements of the EFGFP Ltd. for the financial years ended 31 December 2008 and 31 December 2009. PWC Guernsey are certified public accountants and all of its employees that are qualified accountants are individually members of The Guernsey Society of Chartered and Certified Accountants (GSCCA).

2. Selected Financial Information for the financial years 2008 and 2009

The following financial information has been extracted from the audited financial statements of EFGFP Ltd. for the financial year 2009 as included in pages G-1 to G-24 of Appendix 2 to this Registration Document:

in CHF	**Period from 16 November 2007 to 31 December 2008**	**Year ended 31 December 2009**
Income		
Operating income	12,373,075*	23,145,460
Net profit before tax	9,402,051	15,702,510
	31 December 2008	**31 December 2009**
Balance Sheet		
Total assets	756,187,337*	1,428,507,610
Financial liability at fair value through profit and loss	659,329,530	1,229,445,869
Total shareholders' equity	2,826,225	18,528,735

***Please note that this figure deviates from the information contained in the financial statements of EFGFP Ltd. for the financial year 2008 as included in pages F-1 to F-16 of Appendix 1 to this Registration; for an explanation see page G-17 under "Restatements made to the 2008 financial statements".**

3. Information about EFG Financial Products (Guernsey) Ltd.

General Information

EFGFP Ltd. was incorporated as a limited liability company under the laws of Guernsey in Greffe, Guernsey, on 16 November 2007 for an unlimited duration under the legal name "EFG Financial Products (Guernsey) Ltd". EFGFP Ltd. is registered on the Records of the Island of Guernsey under Certificate of Registration number 48057. EFGFP Ltd. is not subject to supervision in Guernsey. However, as a subsidiary of the Guarantor EFGFP Ltd. falls within the consolidated regulatory supervision of the Guarantor by the Swiss Financial Market Supervisory Authority ("**FINMA**").

The founder shareholders of EFGFP Ltd. were First Ovalap Limited, St. Peter Port, Guernsey; and Second Ovalap Limited, St. Peter Port, Guernsey.

The registered office of EFGFP Ltd. is at EFG House, St Julian's Avenue, St Peter Port, Guernsey, GY1 4PR, Channel Islands, and the telephone number is +44 1481 730 859.

According to Article 3 of the Memorandum of Association of EFGFP Ltd., the objects for which EFGFP Ltd. is established are:

1. to issue, promote and distribute unsecured debt and similar securities, including, but without limitation, certificates, notes, bonds or other derivative instruments and warrants, deriving their value from any underlying asset class, and to apply the proceeds of such issues for general corporate purposes of EFGFP Ltd.;

2. to advance, deposit or lend money, securities and property to or with such persons and on such terms as may seem expedient; to discount, buy, sell and deal in bills, notes, warrants, coupons and other negotiable or transferable securities or documents;

3. to guarantee or become liable for the payment of money or the performance of any obligations, and generally to transact all kinds of guarantee business; also to transact all kinds of trust and agency business;

4. to carry on business as a general commercial company; and

5. to do all such other things as EFGFP Ltd. may think incidental to or connected with any of the above objects or conductive to their attainment or otherwise likely in any respect to be advantageous to EFGFP Ltd.

Recent Events

On 29 July 2009, EFG Financial Products (Monaco) S.A.M. ("**EFGFP SAM**") was incorporated in the Principality of Monaco as a subsidiary of EFGFP Ltd. and is wholly owned thereby. The company's object is among others, for its own account and for the account of third parties, directly or by participating, in the Principality of Monaco and abroad, the receipt and the transmission of orders in the financial market with regard to securities or future transactions for the account of third parties.

4. Business Overview

Principal Activities

The nature of EFGFP Ltd.'s business is predominantly to issue, promote and distribute certificates, notes, bonds, warrants and other derivative instruments

Business outlook

Subject to market conditions, EFGFP Ltd. plans to further develop its existing product range of certificates, notes, leverage products and other structured products, also focusing on complex structures. In addition, EFGFP Ltd. will also take more asset classes / underlyings, e.g. commodities, exchange rates, into consideration and intends to strengthen its tailor-made business. Further, EFGFP Ltd. plans to extend geographically its business activities (see Section "Principal Markets" below).

Principal Markets

As at the date of the Registration Document, EFGFP Ltd.'s products are publicly offered in Switzerland only. EFGFP Ltd. plans to extend its business activities to the European Economic Area and is in the process of establishing an European issuance and offering programme for certificates, notes, leverage products and other structured products. Simultaneously EFGFP Ltd.'s products will be increasingly offered in Asia through other Group entities.

5. Trend Information

There has been no material adverse change in the prospects of EFGFP Ltd. since the date of its last published audited financial statements for the year ended 31 December 2009.

6. Board of Directors and Executive Management

Board of Directors

The Board of Directors is responsible for the management of EFGFP Ltd.'s business. The Board of Directors currently comprises three members (including the Chairman) all of whom are non-executive directors.

Name	Function	Significant outside activities
David Gerard Gardner	Chairman	Managing Director EFG Offshore Limited; Board member EFG Private Bank Limited, EFG Trust Company Limited, EFG Trust Company (Singapore) Limited, EFG Fund Administration Limited, Stapleford Insurance Company Limited and various other EFG Group companies and EFG client related entities.
Christopher Paul Rowe	Director	Executive Director and Board member EFG Private Bank (Channel Islands) Ltd; Director of various EFG Group companies and EFG client related entities; Branch manager EFG Bank SA, Guernsey Branch
Sandro Dorigo	Director	Member of the Executive Committee of EFG Financial Products AG, Zurich (Head Business & Platform Management)

Executive Committee

Subject to the organisational regulations of the board of directors and mandatory law, the Board of Directors of EFGFP Ltd. has delegated EFGFP Ltd.'s operational management to the General Manager. The executive committee currently comprises one executive officer.

Name	Position held	Significant outside activities
Benjamin Reid	General Manager	None

The business address of the members of the Board of Directors and of the Executive Committee of EFGFP Ltd. is EFG House, St Julian's Avenue, St Peter Port, Guernsey, GY1 4NN.

The members of the Board of Directors and of the Executive Committee of EFGFP Ltd. have additional positions as described above which may potentially result in conflicts of interest between their duties towards EFGFP Ltd. and their private interests or other duties.

7. Major Shareholders

As at the date of the Registration Document, the share capital of EFGFP Ltd. amounts to CHF 5,000,000 divided into 5,000,000 ordinary shares with a face value of CHF 1.00 each; the shares are fully paid-up. There is only one class of shares. Ordinary shares grant the shareholders one vote per share at the ordinary and extraordinary general shareholders meetings. The general shareholders meetings, among others, elect the directors of EFGFP Ltd., appoint the auditors and consider the profit and loss account and the balance sheet of EFGFP Ltd. Also, the general shareholders meetings fix the remuneration of the directors and declare dividends to be paid to the shareholders. Shareholders representing not less than one-tenth of the issued share capital may ask the board of EFGFP Ltd. to convene an extraordinary general shareholders meeting. Ordinary shares confer on the shareholders the right to an equal share in dividends authorised by the directors and in case of a wound up of EFGFP Ltd., the right to an equal share in the distribution of the remaining assets of EFGFP Ltd.

The share capital is held in its entirety by EFG Financial Products Holding AG.

8. Historical Financial Information

For the financial year ended 31 December 2008 (as EFGFP Ltd. started its operations in November 2007 the financial statements cover the extended period from inception of the company on 16 November 2007 to 31 December 2008), EFGFP Ltd. has published financial information including the auditor's report, the income statement, the balance sheet, the cash flow statement and the notes to the financial statements (the "**EFGFP Ltd. Financial Statements 2008**"). The EFGFP Ltd. Financial Statements 2008 are included in pages F-1 to F-16 of Appendix 1 to this Registration Document.

For the financial year ended 31 December 2009, EFGFP Ltd. has published financial information including the auditor's report, the income statement, the balance sheet, the cash flow statement and the notes to the financial statements including the information as to the restatements and reclassifications made to the financial statements for the financial year ended 31 December 2008 (the "**EFGFP Ltd. Financial Statements 2009**"). The EFGFP Ltd. Financial Statements 2009 are included in pages G-1 to G-24 of Appendix 2 to this Registration Document.

The EFGFP Ltd. Financial Statements 2008 and the EFGFP Ltd. Financial Statements 2009 have been prepared in accordance with International Financing Reporting Standards ("IFRS").

Auditing of Historical Financial Information

The responsible auditors of EFGFP Ltd. (see Section IV.1. "EFG Financial Products (Guernsey) Ltd. - Statutory Auditors") have audited the historical financial information of EFGFP Ltd. for financial years ended 31 December 2008 and 31 December 2009 as mentioned above and have issued an unqualified opinion in each case.

Interim and other Financial Information

EFGFP Ltd. has not published interim financial information since the date of its last audited financial statements.

Legal and Arbitration Proceedings

EFGFP Ltd. is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering the previous 12 months which may have or have had in the recent past, significant effects on EFGFP Ltd.'s financial position or profitability.

Significant change in the financial and trading position of EFG Financial Products (Guernsey) Ltd.

There has been no significant change in the financial and trading position of EFGFP Ltd. since the date of the last audited financial statements of EFGFP Ltd. (31 December 2009).

9. Material Contracts

EFGFP Ltd. has entered into a "Lead Manager, Calculation Agency and Paying Agency Agreement" with EFGFP AG which essentially states that EFGFP AG will assume all of the tasks mentioned in the title of the agreement for the EFGFP Ltd.

Further, EFGFP Ltd. has issued an irrevocable financial guarantee in favour of EFG Bank AG that secures EFG Bank AG against any losses that it may incur on its claims against selected counterparties within EFGI up to a pre-determined maximum amount, equal to the net balance of deposits that EFGFP Ltd. has placed with EFG Bank AG. In order to primarily secure EFGFP Ltd.'s obligations under this financial guarantee, such deposits have also been pledged to EFG Bank AG as collateral (for details see pages G-23 et seq. of Appendix 2 to this Registration Document).

EFGFP Ltd. and EFGFP AG are parties to a guarantee agreement with EFGI (for details see Section V.9 "EFG International AG - Material Contracts").

IV. EFG INTERNATIONAL AG

1. Statutory Auditors

For the financial years ended 31 December 2008 and 31 December 2009, the independent auditors of EFGI were PricewaterhouseCoopers SA, Avenue Giuseppe-Motta 50, 1211 Geneva, Switzerland ("**PWC Switzerland**"). PWC Switzerland have audited the financial statements of EFGI for the financial years ended 31 December 2008 and 31 December 2009. PWC Switzerland are certified public accountants and member of the TREUHAND-KAMMER Swiss Institute of Certified Accountants and Tax Consultants (*TREUHAND-KAMMER Schweizerische Kammer der Wirtschaftsprüfer, Steuerexperten und Treuhandexperten*).

2. Selected Financial Information for the financial years 2008, 2009 and the first half of 2010

The following financial information has been extracted from the audited financial statements of EFGI for the financial years 2008 and 2009 as included in pages H-1 to H-3 of Appendix 3 to this Registration Document and I-31 to I-34 of Appendix 4 to this Registration Document respectively and from the interim financial statements for the first half-year 2010 as included in pages J-1 to J-5 of Appendix 5 to this Registration Document:

in CHF millions	Year ended 31 December 2008 (audited)	Year ended 31 December 2009 (audited)	Period from 1 January to 30 June 2009 (unaudited)	Period from 1 January to 30 June 2010 (unaudited)
Income				
Operating (loss)/income	946.3	859.1	412.1	(92.3)
(Loss)/profit before tax	221.4	109.6	32.1	(839.2)
	31 December 2008 (audited)	**31 December 2009 (audited)**		**30 June 2010 (unaudited)**
Balance Sheet				
Total assets	18,894.3	20,650.0		21,502.2
Financial liabilities designated at fair value	263.1	414.1		531.2
Total shareholders' equity	2,257.4	2,238.3		1,324.7

3. Information about EFG International AG

General Information

EFG International AG was incorporated and registered under the legal name EFG International AG in Zurich, Switzerland on 8 September 2005 as a stock corporation (*Aktiengesellschaft*) under Swiss law for an unlimited duration. As from that day, EFGI is registered in the Commercial Register of the Canton of Zurich, Switzerland under the number CH-020.3.028.719-1. EFGI's registered office is located at Bahnhofstrasse 12, 8001 Zurich, Switzerland. The telephone number of EFGI is +41 44 226 1717.

EFGI and its consolidated subsidiaries (the "**Group**") is a global private banking group offering private banking and asset management services.

Article 2 of EFGI's Articles of Association dated 29 April 2008 set out the objects of EFGI. Article 2 states that the purpose of EFGI is to hold direct and/or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance, and that EFGI has the power to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing. In addition, the company has the power to acquire, mortgage and sell real estate properties, both in Switzerland and abroad.

Recent Events

On 11 May 2010, EFGI announced that it has agreed terms to transfer its stake in Marble Bar Asset Management ("**MBAM**") to MBAM's senior management, and in exchange will receive a perpetual cashflow stream based on future MBAM revenues.

The transaction was concluded in July 2010. Following the exchange of EFGI's economic interest in MBAM for a perpetual share of income, MBAM is now an external hedge fund manager with client's assets under management of less than CHF 1 billion.

As announced on 28 July 2010, EFGI has effected write-downs, amongst others it has fully written-down its perpetual share of income from MBAM. These write-downs, totalling approximately CHF 859.5 million, after tax and minorities, resulted in a net loss attributable to Group shareholders of approximately CHF 799.2 million for the first half of 2010.

4. Business Overview

Principal Activities

EFGI is a holding company for a Swiss bank and other subsidiaries specialising in private banking and asset management. The Group's clients are both private individuals and institutional investors.

The Group's private banking business is centered around Client Relationship Officers (the "**CROs**") who work under its brand, supervision and responsibility, but manage clients on their own and have broad discretion in serving the Group's clients and in selecting suitable investment products and services for their clients' portfolios, albeit within its compliance, risk management, product approval and control framework. Subject to compliance with these legal, regulatory, product and internal risk management requirements, the Group's CROs can provide private banking and asset management services to a client in any location. The Group imposes no internal geographic or customer segment restrictions and the Group's management does not re-allocate clients among CROs without mutual agreement.

The Group hires CROs with relevant private banking experience or, in markets where the growth of private banking is relatively recent, an equivalent depth of professional experience. As a result the Group has assembled a group of talented, client-focused private bankers with a proven track record of building profitable private client relationships.

Each CRO operates as a separate profit centre or is part of a larger profit centre at his or her discretion and is paid a competitive base salary that corresponds to typical base salaries paid in the private bank market plus a contractually agreed bonus amounting to 15-20 per cent. of his or her "net contribution" (the difference between revenues attributable to the CRO and the direct costs attributable to the CRO).

The Group closely monitors the performance of its CROs, from both a financial and a compliance and risk management point of view, and expects them to meet certain defined performance thresholds. Credit decisions are taken by an independent credit committee.

Principal markets

The Group offers clients a range of investment advisory services, in-house investment products, margin loans and brokerage and trading services, as well as ancillary services, including time deposits and fiduciary placements, current accounts, custody services, foreign exchange execution services and trust services. The Group offers both in-house products and products developed by other banks. The Group's in-house products include structured products, conventional funds and hedge funds.

In addition to Switzerland, the Group's principal markets are Europe, the Americas (including the Caribbean Islands) and Asia. Regarding the geographic sector risk concentrations within the Group's customer loan portfolio see page I-75 of Appendix 4 to this Registration Document.

Investment Advisory Services

Clients handled by the Group's CROs have both discretionary and non-discretionary portfolios. Discretionary accounts are usually managed by the Group's centralised portfolio management service department. The substantial majority of EFGI's assets under management (comprising custodised securities, fiduciary placements, deposits, client loans, funds, mutual funds under management, third party custodised assets managed by the Group, third party funds administered by the Group and structured notes which are structured and managed by the Group (together, "**AUM**")) are in non-discretionary portfolios. The AUM in nondiscretionary portfolios are analysed and monitored by the Group's CROs, who provide tailor-made investment advice to clients, who make the ultimate investment decisions.

The Group advises its clients on individual equity and debt securities, as well as conventional funds, hedge funds and structured investment products. CROs have the discretion to recommend both in-house and third party investment products to clients, and do not receive non-market financial incentives to refer clients to inhouse products nor do they have any sales targets or budgets. In order to ensure that CROs recommend suitable third party products, a global list of approved third party products is maintained. CROs may recommend any of these products to clients and may request that management approve new products if they believe those products are well-suited to a particular client's or group of clients' needs.

Structured Products

The Group offers clients a selection of structured products. These products are often developed because of the needs of a particular client and, if the products are successful, may be offered to other clients. Structured products are typically notes containing embedded derivatives with specified risk and return characteristics. Structured products offered by the Group may be linked to equities, interest rates, foreign exchange rates, commodities, credit and other underlying rates or prices. These products (including their derivative elements) are issued by large third party financial institutions or by EFGFP Ltd. or EFGFP AG.

Funds

The Group offers a number of its own funds such as conventional funds, hedge funds and funds of hedge funds. Some of these funds focus on particular types of investments, such as bonds, cash or stocks, or industries, such as healthcare. Most of the Group's funds utilise a multi-manager approach which capitalises on the collective expertise of its fund managers.

Margin Loans

Virtually all the Group's lending is on a secured basis. The Group offers clients loans secured by pledges over diversified collateral portfolios consisting of primarily investment-grade bonds, equities, cash, insurance policies, hedge funds and real estate properties.

The Group had not suffered any loan losses since its inception, other than in relation to loans which were acquired as part of an acquisition and for which a provision was made at the time of the acquisition.

Brokerage and Trading Services

The Group has a nearly 24-hour trading capability five days a week in major financial markets due to the Group's global presence. This allows the Group to offer its clients efficient execution of trades. Trading operations are based in Geneva with supplemental operations in Hong Kong, London, Miami, Monaco, Stockholm and Zurich. The Group's trading activities are focused on executing trades for clients.

Ancillary Services

The Group offers clients a full range of services which are ancillary to its core investment advisory services, including time deposits and fiduciary placements and foreign exchange trading as well as custody services and trust services.

Time Deposits and Fiduciary Placements

The Group offers clients time deposits and fiduciary placements, each of which provide clients with relatively low-risk interest earning investments. Time deposits are deposits with one of the Group's banking subsidiaries that can be withdrawn only upon maturity. Fiduciary placements are interest-bearing deposits placed outside Switzerland and deposited in the name of a Swiss depositary bank for a fee, but held on a fiduciary basis for a client. Clients bear all the risks and benefits of the placement in order to avoid Swiss withholding tax on deposit interest.

Custody Services

The Group offers clients securities' custody services which complement the Group's other services. The Group generates safekeeping fees in respect of securities that it holds on behalf of clients. Also, the general fees for managing discretionary portfolios include a safekeeping fee for custody services. The Group also offers custody services for securities in portfolios that are managed by third party advisors or clients.

Trust Services

The Group offers its clients a range of trust services. The Group helps its clients to establish a number of different types of trusts and related structures and provides services of trust administration. The Group also acts as corporate trustee on behalf of clients and instructs other service providers.

5. Trend Information

Save as disclosed in Section IV.3 ("Recent Events") and as reflected in note 13 to the financial information contained in the interim report of EFG International AG for the first half year 2010 as included on page J-10 of Appendix 5 to this Registration Document, there has been no material adverse change in the prospects of EFGI since the date of its last published audited financial statements for the year ended 31 December 2009.

6. Board of Directors and Executive Committee.

Board of Directors and Executive Commitee

For the names and functions of the members of the Board of Directors and of the Executive Committee of EFGI and their principal outside activities of significance (if any) to EFGI reference is made to pages I-16 to I-25 of Appendix 4 to this Registration Document.

On 28 July 2010 the following changes to the Executive Committee of EFGI were announced:

Rudy van den Steen has resigned as Chief Financial Officer as of 1 October 2010. He will be succeeded by **Jean-Christophe Pernollet** who has been appointed as Chief Financial Officer and member of the Executive Committee as of 1 October 2010. Until 30 September 2010 Mr. Pernollet will remain a Partner of PricewaterhouseCoopers SA, Geneva.

Henric Immink has joined EFGI as Senior General Legal Counsel and will become Group General Counsel and Member of the Executive Committee with effect from 1 January 2011. Until 31 December 2010 Mr. Immink will remain a Partner of Python & Peter, Attorneys-at-law, Geneva.

Fred Link, Chief Risk Officer who has also been serving as Group General Legal Counsel, will focus exclusively on risk management from 1 January 2011.

The above appointments are subject to regulatory approval.

The business address of the members of the Board of Directors and of the Executive Committee of EFGI is Bahnhofstrasse 12, 8001 Zurich, Switzerland.

The members of the Board of Directors and of the Executive Committee of EFGI have additional positions as described above which may potentially result in conflicts of interest between the duties towards EFGI and their private interests or other duties.

Corporate Governance

As a publicly-listed Swiss company, EFGI is subject to the Directive on Information relating to Corporate Governance and its Annexes and Commentary, issued by the SIX Swiss Exchange. For details see pages I-11 to I-29 of Appendix 4 to this Registration Document.

7. Major Shareholders

As at the date of the Registration Document, the outstanding share capital of EFGI amounts to CHF 73,335,000, divided into 146,670,000 registered shares with a face value of CHF 0.50 each. EFGI's largest shareholder is EFG Bank European Financial Group SA, based in Geneva, with 49.34%. There is no other shareholder with a proportion of shares above 25%.

8. Historical Financial Information

For the financial year ended 31 December 2008, EFGI has published consolidated financial information including the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the notes and the auditor's report (the "**EFGI Consolidated Financial Statements 2008**"). The EFGI Consolidated Financial Statements 2008 are included on pages H-1 to H-77 of Appendix 3 to this Registration Document.

For the financial year ended 31 December 2009, EFGI has published consolidated financial information including the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the notes and the auditor's report (the "**EFGI Consolidated Financial Statements 2009**"). The EFGI Consolidated Financial Statements 2009 are included on pages I-30 to I-114 of Appendix 4 to this Registration Document.

For the financial year ended 31 December 2009, EFGI has published unconsolidated financial information including the parent company income statement, the parent company balance sheet, the notes and the auditor's report (the "**EFGI Unconsolidated Financial Statements 2009**"). The EFGI Unconsolidated Financial Statements 2009 are included on pages I-115 to I-125 of Appendix 4 to this Registration Document.

The EFGI Consolidated Financial Statements 2008 and the EFGI Consolidated Financial Statements 2009 have been prepared in accordance with IFRS. The EFGI Unconsolidated Financial Statements 2009 have been prepared in accordance with the Swiss Code of Obligations.

Auditing of Historical Financial Information

The responsible auditors of EFGI (see Section V.1 "EFG International AG – Statutory Auditors") have audited the historical financial information of EFGI for the two financial years ended 31 December 2008 and 31 December 2009 as mentioned above and have issued an unqualified opinion in each case.

Interim and other Financial Information

On 28 July 2010 EFGI has published unaudited interim financial information for the first half year 2010 including the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the notes to the condensed consolidated interim financial statements (the "**EFGI Condensed Consolidated Interim Financial Statements 2010**"). The EFGI Condensed Consolidated Interim Financial Statements 2010 are included on pages J-1 to J-15 of Appendix 5 to this Registration Document.

Legal and Arbitration Proceedings

The Group is involved in various legal proceedings in the course of normal business operations:

The Group is engaged in litigation proceedings in Switzerland linked to fraudulently approved contracts where a claim for approximately CHF 33 million has been filed. It is not possible to estimate the Group's possible loss in relation to these matters.

Two group entities are aware of a complaint in New York state court by the Trustee of the Fairfield Sentry, Fairfield Sigma and Fairfield Lambda funds seeking to recover certain payments to EFG entities in the amount of USD 160 million. The Group believes that the claims are without merit.

A class action lawsuit was filed on 22 January 2010 in the United States District Court, Southern District of Florida, whereby a U.S. plaintiff's firm has attempted to assert a claim against EFG Bank AG and EFG Capital International Corp. ("**EFG Capital**"), EFG Bank AG's U.S. broker-dealer subsidiary, on behalf of all EFGI customers who invested in the Fairfield Sentry Fund and had not redeemed their interests in the Fund as of 11 December 2008. Both EFG Bank AG and EFG Capital are wholly-owned subsidiaries of the Group. Before they have the opportunity to present a defence on the merits of the class action lawsuit, both EFG Bank AG and EFG Capital have filed respective motions to dismiss the lawsuit for, inter alia, failure to state a valid claim. EFGI considers these proceedings to be groundless and is contesting them vigorously as such in court. EFGI is confident that it will prevail and, thus, the claim will not be successful.

Significant change in EFGI's financial and trading position

There has been no significant change in EFGI's financial and trading position since the date of the last published unaudited interim financial statements of EFGI (30 June 2010).

9. Material Contracts

EFGI has entered into guarantee agreements with EFGFP Ltd. and EFGFP AG. EFGI has unconditionally and, subject to the provisions in the relevant guarantee, irrevocably guaranteed to EFGFP AG as lead manager acting on behalf of each holder EFGFP Ltd.'s and EFGFP AG's obligations in accordance with the terms and conditions of the relevant programme and the respective products, as the case may be.

V. GENERAL INFORMATION

1. Responsibility Statement

EFG Financial Products (Guernsey) Ltd. accepts responsibility for the information provided in this Registration Document.

EFG Financial Products (Guernsey) Ltd. hereby declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted.

2. Documents Available for Inspection

Copies of the following documents can be ordered free of charge from or will be available, during the usual business hours for inspection at EFG Financial Products AG, Brandschenkestrasse 90, 8027 Zurich, Switzerland:

- Articles of Association of EFG Financial Products (Guernsey) Ltd.;
- Articles of Association of EFG International AG;
- the annual report of EFG Financial Products (Guernsey) Ltd. for the financial year ended 31 December 2008;
- the annual report of EFG Financial Products (Guernsey) Ltd. for the financial year ended 31 December 2009;
- the annual report of EFG International AG for the financial year ended 31 December 2008;
- the annual report of EFG International AG for the financial year ended 31 December 2009 (containing consolidated and unconsolidated financial information for EFG International AG); and
- the unaudited interim financial statements of EFG International AG for the first half year ended 30 June 2010.

3. Information from Third Parties

The information relating to EFGI contained in this Registration Document is based on information provided by third parties. EFGFP Ltd. confirms that the information has been reported correctly and that – as far as EFGFP Ltd. is aware and EFGFP Ltd. has been able to infer from the information provided to it by third parties – no facts have been omitted that would make the information included incorrect or misleading. Otherwise, no other information or statements by third parties have been included in this Registration Document.

Appendix 1: Audited Financial Statements of EFG Financial Products (Guernsey) Ltd. for the financial year 2008

EFG Financial Products (Guernsey) Limited

Annual Report and Audited Financial Statements for the period ended December 31, 2008

Independent Auditors' Report to the Members of EFG Financial Products (Guernsey) Limited

We have audited the financial statements of EFG Financial Products (Guernsey) Limited for the period ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

26 February 2010

Income Statement

	Note	16 November 2007 - 31 December 2008 CHF
Gain on financial assets designated at fair value	3	26’001’151
Gain on financial liabilities designated at fair value	3	81’242’987
Loss from changes in replacement values of derivatives	3	(106’655’569)
Net trading income		**588’569**
Fee income	3	17’864’465
Fee expense	3	(7’462’082)
Net fee income		**10’402’383**
Other income		110’224
Operating income		**11’101’176**
Salaries and wages	11	(883’385)
Software costs	9	(616’623)
Other operating expenses	4	(199’117)
Net profit before tax		**9’402’051**
Income tax expense	5	-
Net profit		**9’402’051**

Balance Sheet

	Note	31 December 2008 CHF
Assets		
Cash and cash equivalents	13	4’933’699
Other assets	13	804’248
Financial instruments available-for-sale	13	2’741’640
Financial assets at fair value through profit and loss	6	693’782’084
Positive replacement values of derivatives	8	47’623’230
Intangible assets	9	3’952’492
Total assets		**753’837’393**
Liabilities		
Other liabilities	11	881’597
Deferred fee income	3	3’231’293
Financial liabilities at fair value through profit and loss	7	659’329’530
Negative replacement values of derivatives	8	69’882’448
Payable to related party	13	17’686’300
Total liabilities		**751’011’168**
Shareholders’ equity		
Share capital	12	5’000’000
Retained earnings		
Profit of the year		9’402’051
Dividend paid	12	(11’575’826)
Total shareholders’ equity		**2’826’225**
Total liabilities and shareholders’ equity		**753’837’393**

The financial statements on pages 6 to 19 were approved by the Board of Directors on 26 February 2010 and signed on its behalf by:

Chris Rowe, Director

David Gerard Gardner, Director

Statement of Cash Flows

	Note	31 December 2008 CHF
Cash flows from operating activities		
Net Profit		9'402'051
Adjustments to reconcile net profit to cash flows from operating activities		
Non-cash items included in net profit and other adjustments:		
Amortization	9	998'272
Net (increase) resulting from changes in fair value of financial assets	3	(26'001'151)
Net (increase) in other assets	10	(804'248)
Net (increase) decrease in operating assets		
Net increase resulting from changes in fair value of financial liabilities	3	(25'412'582)
Net increase resulting from changes in fair value of derivative financial instruments	8	22'259'218
Net increase in other liabilities	11	4'112'890
Net increase in related party payable	13	17'686'300
Net cash flows from operating activities		**2'240'750**
Cash flows from investing activities		
Investment in term deposits	6	(667'780'933)
Purchase of available-for-sale assets	13	(2'741'640)
Purchase of intangible assets	9	(4'950'764)
Net cash flows used in investing activities		**(675'473'337)**
Cash flows from financing activities		
Issuance of structured products	7	684'742'112
Shares issued	12	5'000'000
Dividends paid	12	(11'575'826)
Net cash flows from financing activities		**678'166'286**
Net change in cash and cash equivalents		**4'933'699**
Cash and cash equivalents at beginning of period		-
Net change in cash and cash equivalents		4'933'699
Cash and cash equivalents at end of period		**4'933'699**

Notes to the financial statements

General information

EFG Financial Products (Guernsey) Limited (EFGFP Guernsey) started operations in November 2007. EFGFP Guernsey is domiciled in Guernsey Channel Islands at EFG House St Julian's Avenue, St Peters Port, Guernsey.

EFGFP Guernsey is a registered limited share company incorporated in Guernsey.

EFGFP Guernsey's primary business is the structuring, issuance and sale of financial products.

EFGFP Guernsey is a wholly owned subsidiary of EFG Financial Products Holding AG, headquartered in Zurich (EFGFP Holding). EFG International AG (EFG International) has more than 50% of the voting rights of EFGFP Holding. EFG International is therefore the ultimate parent and ultimate controlling party of EFGFP Guernsey. EFG International publishes annual financial statements in accordance with International Financial Reporting Standards (IFRS).

These stand alone Financial Statements have been prepared as required for statutory purposes. On the 26 of February, 2010, the Board of Directors approved these financial statements for issue.

These financial statements cover the single extended period from inception of the company on 16 November 2007 to 31 December 2008. The functional and presentation currency of EFGFP Guernsey is the Swiss Franc (CHF).

Basis of preparation and principal accounting policies

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

EFGFP Guernsey prepares its stand alone Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board. The application of certain of these accounting principles requires considerable judgment based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the Financial Statements in the periods where assumptions are changed. Accounting treatments where significant assumptions and estimates are used are discussed in this section, as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results to differ. EFGFP Guernsey believes that the assumptions it has made are appropriate, and that EFGFP Guernsey's Financial Statements therefore present the financial position and results fairly, in all material respects. The alternative outcomes discussed below are presented solely to assist the reader in understanding EFGFP Guernsey's Financial Statements, and
are not intended to suggest that other assumptions would be more appropriate. Many of the judgments EFGFP Guernsey makes when applying accounting principles depend on an assumption, which EFGFP Guernsey believes to be correct.

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2008. As these standards and interpretations were effective during the first reporting period of EFGFP Guernsey, all such guidance has been reflected in the accounting for this initial reporting period.

EFGFP Guernsey has chosen not to early adopt the following standards and interpretations that were issued but are not effective until after 31 December 2008.

- IAS 1, Revised - Presentation of Financial Statements (effective 1 January 2009)
- IAS 23, Amendment - Borrowing costs (effective 1 January 2009)
- IAS 27, Revised - Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 28, Amendment - Single asset impairment testing (effective 1 January 2009)
- IAS 32 and IAS 1, Amendment - Puttable Financial Instruments (effective 1 January 2009)
- IAS 36, Amendment - Value in use impairment testing (effective 1 January 2009)
- IAS 38, Amendments - Recognition of prepayments (effective 1 January 2009)
- IAS 39, Recognition and measurement (effective 1 January 2009)
- IAS 39, Amendment - Eligible Hedged items (effective 1 July 2009)
- IFRS 2, Amendment - Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3, Revised - Business Combinations (effective 1 July 2009)
- IFRS 7, Amendment - Improving disclosures about Financial Instruments (effective 1 January 2009)
- IFRS 8, Operating Segments (effective 1 January 2009)
- IFRIC 9 and IAS 39, Amendment - Embedded Derivatives (effective 1 January 2009)
- IFRIC 13, Customer Loyalty Programmes (effective 1 January 2009)
- IFRIC 16, Hedges of a net investment in a foreign operation (effective 1 January 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- Amendments to various standards that form part of IASB's Annual Improvement Project (the majority of them are effective 1 January 2009)

The application of the above mentioned standards and interpretations is not expected to have a material impact on the EFGFP Guernsey's financial statements in the period of the initial application.

(a) Fair value of financial instruments

Derivative instruments, financial assets designated at fair value and financial liabilities designated at fair value, are recorded at fair value on the balance sheet. Changes in the fair value of these financial instruments are recorded in net trading income in the income statement. Key judgments affecting this accounting policy relate to EFGFP Guernsey's determination of the fair values for such assets and liabilities.

EFGFP Guernsey determines fair value using active market prices or using valuation techniques where no active market exists. When using valuation techniques, fair values are estimated, where possible, from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the balance sheet date. If available, market observable inputs are applied to valuation models. Market observable inputs were available for all significant valuation parameters, there were no estimations based on significant non-observable assumptions.

Valuation models are used primarily to value derivatives transacted in the over-the-counter market and non-listed structured products with host debt and embedded derivative components. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realized, in order to further validate and calibrate the models.

A variety of factors are incorporated in EFGFP Guernsey's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity. EFGFP Guernsey uses market observable prices and rates derived from market verifiable data. EFGFP Guernsey generally applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments in situations where previously used models have limitations and are assessed to be no longer adequate.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions EFGFP Guernsey holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the balance sheet.

(b) Financial Risk Management

Financial risk factors

EFGFP Guernsey's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

EFGFP Guernsey's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Board of Directors regularly assesses the main risk factors of EFGFP Guernsey. It is the strict policy of EFGFP Guernsey to hedge all of its outstanding liabilities in the form of financial products by congruent investments in underlying instruments or derivatives. The residual risk due to imperfect hedging of outstanding financial products is measured and limited by appropriate methods and limits.

Risk management is carried out by the Risk Control department under policies approved by senior management and the Board of Directors.

Market risk

EFGFP Guernsey takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Guernsey has market risks arising from its derivatives, financial assets and financial liabilities designated at fair value. Regular reports are submitted by risk control to management and the Board of Directors.

Market risk is created by the issuance of hybrid financial liabilities and this risk is then economically hedged by entering into offsetting external transactions (derivatives and deposits). Therefore overall EFGFP Guernsey has no significant remaining market risk exposure. It is management's policy to economically hedge market risk in this way and market risk exposures are controlled by monitoring this hedging process.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the companies, clients or market counterparties fail to fulfill their contractual obligations to EFGFP Guernsey. Credit risk arises mainly from receivables balances related to financial assets including its term deposits with EFG Bank, Guernsey Branch and its trading exposures, primarily derivatives and settlement balances with EFG Zurich. The credit risk management and controls are managed by Risk Control, which reports to the Board of Directors regularly. There have been no significant past due or impaired receivables.

The maximum exposure to credit risk is represented by the amounts shown on the balance sheet. Exposures to EFG Bank are not subject to collateral or any other credit mitigation. EFG International was rated A at 31 December 2008. Exposures to EFG Zurich are subject to a master netting agreement. As the overall balance with EFG Zurich was a liability amount, management considers there is no overall exposure to the credit risk of EFG Zurich at 31 December 2008.

Liquidity risk

Liquidity risk is the risk that EFGFP Guernsey may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

EFGFP Guernsey manages its exposure to liquidity risk by investing the cash proceeds from the issuance of hybrid financial liabilities in offsetting term deposits and derivatives with the same maturity date as the liability (as further discussed in the market risk section above). Therefore each liability falling due for payment is matched by a corresponding receipt on a maturing asset. Management monitors liquidity risk by monitoring this hedging process.

The table below analyses EFGFP Guernsey's financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Balances equal their carrying balances as the impact of discounting is not significant.

At December 31 2008 (CHF)	Due within 12 months	Due after 12 months	Total
Assets			
- Financial assets at fair value through profit and loss	497'499'045	196'283'039	693'782'084
- Derivatives	23'175'920	2 4'447'310	47'623'230
- Financial instruments available-for-sale	2'741'640	-	2'741'640
	523'416'605	220'730'349	744'146'954
Liabilities			
- Derivatives	60'002'739	9'879'709	69'882'448
- Structured products issued	443'648'288	215'681'242	659'329'530
- Payable to related party	17'686'300	-	17'686'300
	521'337'327	225'560'951	746'898'278
Net liquidity risk	(2'079'278)	4'830'602	2'751'324

Capital risk management

EFGFP Guernsey's objective for managing capital is to hold a sufficient amount to be able to continue and grow the business. Management considers capital to be equal to the IFRS equity of the entity. There are no externally imposed capital requirements.

Risk concentrations

Management considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments. Management has identified two risk concentrations, being exposures with EFG Bank, Guernsey Branch and EFGFP Zurich. The exposures to EFG Bank are considered to be a concentration due to its size and credit risk. The exposure to EFGFP Zurich is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Guernsey and as it is the single counter-party to all derivative trades.

(c) Summary of significant accounting policies

Financial assets and financial liabilities at fair value through profit and loss

A financial instrument may only be designated at fair value through profit or loss at inception and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines on the face of the balance sheet.

The conditions for applying the fair value option are met on the basis that:

- they are hybrid instruments which consist of a debt host and an embedded derivative component, or
- they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise

Hybrid instruments which fall under the criterion above include structured debt instruments issued. Structured debt instruments generally include embedded derivative components which refer to an underlying, e. g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent on one another. EFGFP Guernsey has designated all of its issued hybrid debt instruments as financial liabilities designated at fair value through profit or loss.

Besides for hybrid instruments, the fair value option is also applied to all term deposits. The application of the fair value option to these instruments reduces an accounting mismatch, as these deposits would otherwise be accounted for at amortized cost, whereas the offsetting liabilities are the hybrid financial instruments also designated at fair value through profit or loss.

Interest income and interest expense on financial assets and liabilities designated at fair value through profit or loss are included in the gain (loss) on changes in fair value of financial assets and financial liabilities at fair value.

EFGFP Guernsey uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), EFGFP Guernsey recognizes a financial asset on the balance sheet at the fair value of the consideration given or received. When EFGFP Guernsey becomes party to a sales contract of a financial asset, it derecognizes the asset.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the balance sheet and are reported as positive replacement values or negative replacement values. As EFGFP Guernsey enters into derivatives for trading purposes, realized and unrealized gains and losses are recognized in net trading income.

A derivative may be embedded in a "host contract." Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gain and loss from financial liabilities are reported in the income statement as trading income.

Financial instruments available for sale

Financial instruments that are available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are considered current assets if management intends to dispose of them within 12 months of the balance sheet date.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Intangible assets

Computer software is stated at cost less accumulated amortization and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognized in the income statement. Amortization is calculated using the straight-line method and software, the most significant intangible asset is amortized over a five year period. The acquisition cost of software capitalized is based on the cost to acquire the software and to bring it into a state of its' intended use.

Research and development costs are expensed as incurred. There were no research and development costs during the period ending 31 December 2008.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if applicable, are shown within current liabilities.

Deferred fee Income

EFGFP Guernsey earns an initial margin on the sale of its structured products. This initial margin is composed of a structuring and sales fee and a distribution fee. Management has estimated that this fee is earned over a five month period. EFGFP Guernsey therefore defers fee income over this period.

Foreign currency transactions and translation

Foreign currency transactions are initially recorded at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets and liabilities and non-monetary assets and liabilities measured at fair value through profit or loss are translated using the closing exchange rate. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated using the historical exchange rate. Realized foreign exchange differences resulting from the sale of assets or settlement of liabilities are recognized in net trading income. Unrealized exchange rate differences on monetary assets and liabilities are recorded in net trading income. Unrealized exchange rate differences on non-monetary financial assets held for trading and non-monetary financial assets designated at fair value through profit or loss are recognized in net trading income.

Related parties

EFGFP Guernsey entered into transactions with the following related parties during the financial period:
- EFG Financial Products AG (EFGFP Zurich)
- EFG Financial Products Holding AG (EFGFP Holding)
- EFG International AG (EFG International)

Share Capital

EFGFP Guernsey has 5'000'000 shares authorized with a par value of CHF 1.00 per share. There is only one class of shares.

Net Trading and Fee Income

CHF	2008
Net gain (loss) from financial assets designated at fair value	26'001'151
Net gain (loss) from financial liabilities designated at fair value	81'242'987
Net (loss) from changes in replacement values	(106'655'569)
Net trading income	**588'569**

The gains or losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period.

CHF	2008
Net fee income	10'402'383
Net fee income	**10'402'383**

Net fee income relates to the initial margin earned by EFGFP Guernsey upon issuance of its structured products, primary and secondary trades, and the distribution fee income collected on behalf of business partners and the distribution fees paid to these business partners. Fee income is deferred and amortized over a five month period, the period in which it is earned. Distribution fee expense is recognized immediately.

Other operating expense

CHF	2008
Other	199'117
Other operating expense	199'117

Income Tax

This company has been taxed at the company standard rate of 0%, therefore no tax has been paid during the year.

Financial assets designated at fair value through profit and loss

CHF	2008
Designated at fair value through profit or loss:	
-Term deposits held with EFG Bank, Guernsey Branch	693'782'084
Total financial assets at fair value through profit and loss	**693'782'084**

Financial assets designated at fair value through profit and loss include term deposits held with EFG Bank that are used to offset the exposures to similar term 'host debt' components of EFGFP Guernsey's issued products. The terms of the deposits range from 1 to 8 years.

The maximum exposure to credit risk on the Term Deposits held with EFG Bank is equal to the fair value. There are no collateral, credit derivatives or other similar instruments that reduce the maximum exposure to credit risk. There has been no gain or loss recognized during the year as a result of changes in the credit risk of EFG Bank.

Financial liabilities designated at fair value through profit and loss

CHF	2008
Designated at fair value through profit or loss at inception:	
- Hybrid financial instruments	659'329'530
Total financial liabilities at fair value through profit and loss	659'329'530

Financial liabilities designated at fair value include EFGFP Guernsey Issued Products. These issuances are hybrid financial instruments, containing debt hosts and embedded derivatives.

The company has estimated that the amount of this balance attributable to change in credit risk is nil for the period ended 31 December 2008.

Derivative Instruments

CHF	2008
OTC Derivatives with EFGFP Zurich	
- Positive replacement values	47'623'230
- Negative replacement values	(69'882'448)
Net negative replacement values	(22'259'218)

EFGFP Guernsey purchases OTC Options from EFGFP Zurich, a related party, at arms length terms. These derivatives are used to offset the economic risks it is exposed to from the issuance of its structured products.

Intangible assets

CHF	Opening Balance	Additions	Disposals	Amortization	2008 Year end Balance
Purchased software and licenses	-	4'950'764	-	(998'272)	3'952'492
	-	4'950'764	-	(998'272)	3'952'492

The amortization of software has been presented within software costs on the face of the income statement. Some software costs have been shared with EFGFP Zurich through its profit and cost sharing agreement. There were no impairment losses recognized during the period ending 31 December 2008.

Other assets

CHF	2008
Loans receivable	566'000
Other assets	238'248
Total other assets	804'248

Other Liabilities

CHF	2008
Salaries and wages	514'124
Other liabilities	367'473
Total other liabilities	881'597

Share Capital

The total authorized number of ordinary shares is 5'000'000 shares with a par value of CHF 1.00 per share. All issued shares are fully paid.

EFGFP Guernsey issued 5'000'000 shares to EFGFP Holding, on 16 November 2007 for total consideration of CHF 5'000'000.

EFGFP Guernsey paid dividends to EFGFP Holding during 2008 totaling CHF 11'575'826 or CHF 2.3152 per share.

Related party transactions

CHF	2008			
	EFGFP Zurich	EFGFP Holding	EFG Bank Guernsey Branch	Total
Cash and cash equivalents			4'933'699	4'933'699
Financial Assets designated at fair value through profit and loss			693'782'084	693'782'084
Financial instruments available for sale		2'741'640		2'741'640
Net negative replacement values	(22'259'218)			(22'259'218)
Net receivable (payable) to related parties	(17'686'300)			(17'686'300)
Other assets		300'000		300'000
Total	(39’945’518)	3'041'640	698'715'783	661’811’905
Profit sharing agreement	(10'175'225)			(10'175'225)
Distribution fees	(7'141'560)			(7'141'560)
Recharge of software license costs	(616'623)			(616'623)
Total	(17'933'408)			(17'933'408)
Dividends paid		(11'575'826)		(11'575'826)
Total		(11'575'826)		(11'575'826)

EFGFP Guernsey has significant transactions with its related parties. EFGFP Guernsey has entered into a profit and cost sharing agreement with EFGFP Zurich as the two companies share certain infrastructure and services. The amounts recharged during the period ending 31 December 2008 are shown above. In addition, EFGFP Zurich is a significant counterparty as a distributor of EFGFP Guernsey's issued products; EFGFP Guernsey pays distribution fees in this respect. EFGFP Guernsey purchases OTC derivatives from Zurich to offset its economic risk from the issuance of structured products with embedded derivatives, the respective balances are shown as net replacement values above. EFGFP Guernsey and EFGFP Zurich have entered into a master netting agreement allowing the parties to net settle the outstanding amounts due from these transactions across currencies.

The software costs of EFGFP Guernsey amounted to CHF 1'297'593 in 2008; these costs are reflected net of the amounts re-charged to EFGFP Zurich under their shared services agreement.

Other related party transactions include transactions with EFGFP Guernsey's immediate parent, EFGFP Holding and EFG Bank Guernsey Branch, a subsidiary of EFG International AG. EFGFP Guernsey temporarily held shares in EFGFP Holding during 2008; these shares have been classified as financial instruments available for sale. Other transactions include a loan receivable and dividends paid to EFGFP Holding. Transactions with EFG Bank Guernsey Branch consist of the deposits of cash and term deposits held with them.

All issued products issued by EFGFP Guernsey are guaranteed by EFG International AG.

Related party transactions were carried out at an arms length basis.

Contingent liabilities and commitments

EFGFP Guernsey did not have any significant commitments or contingencies outstanding at 31 December 2008.

Post balance sheet events

There have been no significant subsequent events.

Appendix 2: Audited Financial Statements of EFG Financial Products (Guernsey) Ltd. for the Financial Year 2009

EFG Financial Products (Guernsey) Limited

Annual Report and Audited Financial Statements for the year ended December 31, 2009

Report of the Directors

The Directors have the pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2009.

Principal activities

EFG Financial Products (Guernsey) Limited (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

Results

The results for the year ending 31 December 2009 are shown on page 6.

Dividends

The Directors recommended the payment of CHF 12'000'000 in respect of the 2009 year end. This dividend payment was approved on 16 March 2010.

Directors

The Directors of the Company at 31 December 2009, all of whom have been Directors for the year then ended (unless otherwise stated) were:
- Christopher Paul Rowe
- David Gerard Gardner
- James Tak Him Lee

Company Secretary

The name of the company secretary is EFG Bank, Guernsey Branch. The secretary had been secretary for the whole of the period then ended.

Independent Auditors

The appointed auditors, PricewaterhouseCoopers CI LLP have indicated their willingness to continue in office, and a resolution to reappoint them as auditors to the Company for the year 2010 will be approved at the annual general meeting.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Christopher Paul Rowe, Director
20 July 2010

David Gerard Gardner, Director
20 July 2010

Independent Auditors' Report to the Members of EFG Financial Products (Guernsey) Limited

We have audited the financial statements of EFG Financial Products (Guernsey) Limited for the year ended 31 December 2009 which comprise the Statement of comprehensive income, Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Director's Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

20 July 2010

Statement of comprehensive income

	Note	1 January 2009 - 31 December 2009	16 November 2007 - 31 December 2008
		CHF	CHF
Gain on financial assets designated at fair value	4	28’060’833	26’001’151
(Loss) / gain on financial liabilities designated at fair value	4	(89’844’495)	81’242’987
Gain / (loss) from changes in replacement values of derivatives	4	62’680’021	(106’655’569)
Net trading income		**896’359**	**588’569**
Fee income	5	38'341’100	17’864’465
Fee expense	5	(17’757’570)	(7’462’082)
Net fee income		**20’583’530**	**10’402’383**
Other operating income	6	1’665’571	1’382’123
Operating income		**23’145’460**	**12’373’075**
Personnel expenses	7	(4'355’235)	(883’386)
Depreciation and amortisation	14,15	(1’017’352)	(998’272)
Other operating expenses	8	(2’070’363)	(1’089’366)
Net profit before tax		**15’702’510**	**9’402’051**
Income tax expense	9	-	-
Net profit		**15’702’510**	**9’402’051**
Other comprehensive income		**-**	**-**
Total comprehensive income		**15’702’510**	**9’402’051**

Net profit and total comprehensive income was 100% attributable to EFGFP Guernsey shareholders.

The notes on pages 10 to 24 are an integral part of these financial statements.

Statement of financial position

	Note	31 December 2009 CHF	31 December 2008 CHF
Assets			
Cash and cash equivalents	20	13'235’350	4’933’699
Other assets	17	7’147’431	3’154’192
Receivable from related party	20	30'476’722	-
Financial instruments available-for-sale	12	-	2’741’640
Investment in subsidiary	16	759’125	-
Financial assets at fair value through profit and loss	10	1’142’352’707	693’782’084
Positive replacement values of derivatives	13	231'461'956	47’623’230
Property, plant and equipment	15	83’208	-
Intangible assets	14	2'991'111	3’952’492
Total assets		**1’428’507’610**	**756’187’337**
Liabilities			
Accrued salaries and wages	7	2’229’488	514’124
Other liabilities	18	11’001’863	2’717’417
Deferred fee income	5	2'183’948	3’231’293
Financial liabilities at fair value through profit and loss	11	1’229’445’869	659’329’530
Negative replacement values of derivatives	13	23'421'720	69’882’448
Payable to related party	20	141’695’987	17’686’300
Total liabilities		**1’409’978’875**	**753’361’112**
Shareholders’ equity			
Share capital	19	5’000’000	5’000’000
Retained earnings	19	(2’173’775)	-
Profit of the year		15’702’510	9’402’051
Dividend paid	19	-	(11’575’826)
Total shareholders’ equity		**18’528’735**	**2’826’225**
Total liabilities and shareholders’ equity		**1’428’507’610**	**756’187’337**

The notes on pages 10 to 24 are an integral part of these financial statements.

The financial statements on pages 6 to 24 were approved by the Board of Directors on 20 July 2010 and signed on its behalf by:

Christopher Paul Rowe, Director

David Gerard Gardner, Director

Statement of changes in equity

		CHF			
	Note	Share Capital	Dividends paid	Retained earnings	Total
Balance at 16 November 2007					
Issue of share capital	19	5’000’000	-	-	5’000’000
Dividends paid	19	-	(11’575’826)	-	(11’575’826)
Comprehensive income for the period		-	-	9’402’051	9’402’051
Balance at 31 December 2008		**5’000’000**	**(11’575’826)**	**9’402’051**	**2’826’225**
Issue of share capital	19	-	-	-	-
Dividends paid	19	-	-	-	-
Comprehensive income for the period		-	-	15’702’510	15’702’510
Balance at 31 December 2009		**5’000’000**	**(11’575’826)**	**25’104’561**	**18’528’735**

Net profit and total comprehensive income is 100% attributable to EFGFP Guernsey shareholders.

The notes on pages 10 to 24 are an integral part of these financial statements.

Statement of cash flows

	Note	1 January 2009 - 31 December 2009 CHF	16 November 2007 - 31 December 2008 CHF
Cash flows from / (used in) operating activities			
Net profit		15’702’510	9’402’051
Adjustments to reconcile net profit to cash flows from operating activities			
Non-cash items included in net profit and other adjustments:			
Amortisation	14,15	1’017’352	998’272
Net (increase) / decrease in operating assets:			
Net (increase) resulting from changes in fair value of financial assets	10	(28’502’420)	(26’001’151)
Net (increase) in other assets	17	(3’993’239)	(3’154’192)
Net decrease in available for sale financial assets	12	248’140	-
Net increase / (decrease) in operating liabilities:			
Net increase / (decrease) resulting from changes in fair value of financial liabilities	11	89’844’494	(25’412’582)
Net increase resulting from changes in fair value of derivative financial instruments	13	62’680’021	22’259’218
Net increase in accrued salaries and wages	7	1’715’364	514’124
Net (decrease) / increase in deferred income	5	(1’047’345)	3’231’293
Net increase in other liabilities	18	8’284’446	2’717’417
Net increase in net related party payable	20	93’532’965	17’686’300
Net cash flows from operating activities		**239’482’288**	**2’240’750**
Cash flows from used in investing activities			
Investment in subsidiary	16	(759’125)	-
Investment in term deposits	10	(420’068’203)	(667’780’933)
Investment in derivative instruments		(292’979’475)	-
Purchase of available-for-sale assets	12	-	(2’741’640)
Sale of available-for-sale financial assets	12	2’493’500	-
Purchase of intangible assets	14	(49’493)	(4’950’764)
Purchases of property, plant and equipment	15	(89’686)	-
Net cash flows used in investing activities		**(711’452’482)**	**(675’473’337)**
Cash flows from / (used in) financing activities			
Issuance of structured products	11	480’271’845	684’742’112
Shares issued	19	-	5’000’000
Dividends paid	19	-	(11’575’826)
Net cash flows from financing activities		**480’271’845**	**678’166’286**
Net increase in cash and cash equivalents		**8’301’651**	**4’933’699**
Cash and cash equivalents at beginning of period	20	4’933’699	-
Cash and cash equivalents at end of period		**13’235’350**	**4’933’699**

The notes on pages 10 to 24 are an integral part of these financial statements.

Notes to the financial statements

General information

EFG Financial Products (Guernsey) Ltd (EFGFP Guernsey) primary business is the structuring, issuance and sale of financial products.

EFGFP Guernsey started operations in November 2007.

EFGFP Guernsey, a registered limited share company incorporated in Guernsey, is domiciled in Guernsey Channel Islands at EFG House St Julian's Avenue, St Peters Port, Guernsey.

EFGFP Guernsey is a wholly owned subsidiary of EFG Financial Products Holding AG, headquartered in Zurich (EFGFP Holding). EFG International AG (EFG International) has more than 50% of the voting rights of EFGFP Holding. EFG International is therefore the ultimate parent and ultimate controlling party of EFGFP Guernsey. EFG International publishes annual financial statements in accordance with International Financial Reporting Standards (IFRS).

These financial statements have been prepared on a stand alone basis as required for statutory purposes. On 20 July, 2010, the Board of Directors approved these financial statements for issue.

These financial statements have been prepared for the year ended 31 December 2009.

The functional and presentation currency of EFGFP Guernsey is the Swiss Franc (CHF).

Basis of preparation and principal accounting policies

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

EFGFP Guernsey prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board. The application of certain of these accounting principles requires considerable judgment based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the periods where assumptions are changed. Accounting treatments where significant assumptions and estimates are used are discussed in this section, as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results to differ. EFGFP Guernsey believes that the assumptions it has made are appropriate, and that EFGFP Guernsey's financial statements therefore present the financial position and results fairly, in all material respects. The alternative outcomes discussed below are presented solely to assist the reader in understanding EFGFP Guernsey's financial statements, and are not intended to suggest that other assumptions would be more appropriate. Many of the judgments EFGFP Guernsey makes when applying accounting principles depend on an assumption, which EFGFP Guernsey believes to be correct.

(a) Investments in subsidiaries

EFG Financial Products (Monaco) SAM (EFGFP Monaco) was founded and incorporated on 9 September 2009 and is a wholly owned subsidiary of EFGFP Guernsey.

These separate financial statements contain information about EFGFP Guernsey as an individual company and do not contain consolidated financial information as the parent of EFGFP Monaco. The company has taken advantage of the exemption under IAS 27, *Consolidated and separate financial statements*, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financials statements of its ultimate parent, EFG International.

In accordance with IAS 27, EFGFP Guernsey has elected to recognise the investment in EFGFP Monaco at cost.

(b) Fair value of financial instruments

Derivative instruments, financial assets designated at fair value and financial liabilities designated at fair value, are recorded at fair value on the balance sheet. Changes in the fair value of these financial instruments are recorded in net trading income in the income statement. Key judgments affecting this accounting policy relate to EFGFP Guernsey's determination of the fair values for such assets and liabilities.

EFGFP Guernsey determines fair value using active market prices or using valuation techniques where no active market exists. When using valuation techniques, fair values are estimated, where possible, from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the balance sheet date. If available, market observable inputs are applied to valuation models. As of 31 December 2009 and 2008, respectively, all financial assets and financial liabilities were derived from market observable inputs for all significant valuation parameters (level 2).

Valuation models are used primarily to value derivatives transacted in the over-the-counter market and non-listed structured products with host debt and embedded derivative components. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realised, in order to further validate and calibrate the models.

A variety of factors are incorporated in EFGFP Guernsey's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity. EFGFP Guernsey uses market observable prices and rates derived from market verifiable data. EFGFP Guernsey generally applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments in situations where previously used models have limitations and are assessed to be no longer adequate.

When determining a change in fair value of a financial asset or liability attributable to a change in credit risk, as disclosed in notes 10 and 11, the company uses the change in credit spread of either the counterparty or itself as a basis on which to determine the change in fair value.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions EFGFP Guernsey holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value and model governance policies and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the balance sheet.

(c) Financial Risk Management

Financial risk factors

EFGFP Guernsey's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

EFGFP Guernsey's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Board of Directors regularly assesses the main risk factors of EFGFP Guernsey. It is the strict policy of EFGFP Guernsey to hedge all of its outstanding liabilities in the form of financial products by congruent investments in underlying instruments or derivatives. The residual risk due to imperfect hedging of outstanding financial products is measured and limited by appropriate methods and limits.

Risk management is carried out by the Risk Control department under policies approved by senior management and the Board of Directors.

Market risk

EFGFP Guernsey takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates, commodities and equity prices. EFGFP Guernsey has market risks arising from its derivatives, financial assets and financial liabilities designated at fair value. Regular reports are submitted by risk control to management and the Board of Directors.

Market risk is created by the issuance of hybrid financial liabilities and this risk is then economically hedged by entering into offsetting external transactions (derivatives and deposits). Therefore overall EFGFP Guernsey has no significant remaining market risk exposure related to the issuance of the hybrid financial liabilities. It is management's policy to economically hedge market risk in this way and market risk exposures are controlled by monitoring this hedging process.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the companies, clients or market counterparties fail to fulfil their contractual obligations to EFGFP Guernsey. Credit risk arises mainly from receivables balances related to financial assets including its term deposits with EFG Bank, Cayman Branch and Guernsey Branch and its trading exposures, primarily derivatives and settlement balances with EFG Zurich. The credit risk management and controls are managed by Risk Control, which reports to the Board of Directors regularly. There have been no significant past due or impaired receivables.

The maximum exposure to credit risk for financial assets recognised on the balance sheet is represented by the amounts shown on the balance sheet.

The maximum exposure to credit risk in respect of financial guarantees is equal to the notional amount of the guarantee, as disclosed in note 20. The exposures under the financial guarantee are not subject to any collateral or other credit enhancements. EFGFP Guernsey is exposed to the credit quality of a number of selected counterparties within EFG International. The credit rating of EFG International is considered an appropriate representation of the overall credit quality of the related group of counterparties.

EFG International was rated A at 31 December 2009.

Exposures to EFG Bank AG are subject to a master netting agreement. As the overall balance with EFG Bank AG was a liability amount, management considers there is no overall exposure to the credit risk of EFG Zurich at 31 December 2009.

Liquidity risk

Liquidity risk is the risk that EFGFP Guernsey may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

EFGFP Guernsey manages its exposure to liquidity risk by investing the cash proceeds from the issuance of hybrid financial liabilities in offsetting term deposits and derivatives with the same maturity date as the liability (as further discussed in the market risk section above). Therefore each liability falling due for payment is matched by a corresponding receipt on a maturing asset. Management monitors liquidity risk by monitoring this hedging process.

At each balance sheet date, the company reassesses the likelihood that it will be required to make a payment under its financial guarantees by considering the credit standing of the entities that have been guaranteed.

The table below analyses EFGFP Guernsey's financial instruments based on the remaining period at the balance sheet date to the contractual maturity date. Balances equal their carrying balances as the impact of discounting is not significant.

At December 31 2009 (CHF)	Due within 12 months	Due after 12 months	Total
Assets			
- Financial assets at fair value through profit and loss	578’717’457	563’635’250	1’142’352’707
- Derivatives	38’503’312	192’958’644	231’461’956
- Other receivable	6’797’199	-	6’797’199
	624’017’968	756’593’894	1’380’611’862
Liabilities			
- Derivatives	19’845’709	3’576’011	23’421’720
- Structured products issued	599’880’557	629’565’313	1’229’445’870
- Financial guarantee	6’797’199	-	6’797’199
- Other accounts payable	3’708’517	-	3’708’517
	630’231’982	633’141’324	1’263’373’306
Subtotal	(6’214’014)	123’452’570	117’238’556
- Net payable to related party	110’777’678	-	110’777’678
Net liquidity risk	(116’991’692)	123’452’570	6’460’878

Capital risk management

EFGFP Guernsey's objective for managing capital is to hold a sufficient amount to be able to continue and grow the business. Management considers capital to be equal to the IFRS equity of the entity. There are no externally imposed capital requirements.

EFGFP Guernsey aims to maintain a sound capital structure and it therefore considers not only the current situation but also projected developments. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of reporting year 2009, Guernsey Company law requires that a solvency test be performed by the board of directors prior to the approval of any dividends. The company is in compliance with this Law.

Risk concentrations

Management considers that a risk concentration exists when an individual or group of financial instruments are exposed to changes in the same risk factor, and that exposure could result in a significant loss based on plausible adverse future market developments.

Management has identified three risk concentrations, being exposures with EFG Bank, Cayman Branch, EFGFP Zurich and exposures to various related parties of EFG International under the financial guarantee. The exposures to EFG Bank and to the EFG International related parties are considered to be a concentration due to their size and credit risk. The exposure to EFGFP Zurich is considered to be a risk concentration due to its size, as it provides liquidity to EFGFP Guernsey and as it is the single counter-party to all derivative trades. Further information regarding these related party exposures are disclosed in note 20.

(d) Summary of significant accounting policies

Financial assets and financial liabilities at fair value through profit and loss

A financial instrument may only be designated at fair value through profit or loss at inception and this designation cannot subsequently be changed. Financial assets and financial liabilities designated at fair value are presented in separate lines on the face of the balance sheet.

The conditions for applying the fair value option are met on the basis that:
- they are hybrid instruments which consist of a debt host and an embedded derivative component, or
- they are items that are part of a portfolio which is risk managed on a fair value basis and reported to senior management on that basis, or
- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise

Hybrid instruments which fall under the criterion above include structured debt instruments issued. Structured debt instruments generally include embedded derivative components which refer to an underlying, e. g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent on one another. EFGFP Guernsey has designated all of its issued hybrid debt instruments as financial liabilities designated at fair value through profit or loss.

Besides for hybrid instruments, the fair value option is also applied to all term deposits. The application of the fair value option to these instruments reduces an accounting mismatch, as these deposits would otherwise be accounted for at amortised cost, whereas the offsetting liabilities are the hybrid financial instruments also designated at fair value through profit or loss.

Interest and dividend income on financial assets and liabilities designated at fair value through profit and loss are included in the gain (loss) on changes in fair value of financial assets and financial liabilities at fair value.

EFGFP Guernsey uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), EFGFP Guernsey recognises a financial asset on the balance sheet at the fair value of the consideration given or received. When EFGFP Guernsey becomes party to a sales contract of a financial asset, it derecognises the asset.

Derivative financial instruments

The replacement values of all derivative instruments are reflected at the fair value on the balance sheet and are reported as positive replacement values or negative replacement values. As EFGFP Guernsey enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in net trading income.

A derivative may be embedded in a "host contract." Such combinations are known as hybrid instruments and arise predominantly from the issuance of structured debt instruments. The values of the embedded derivatives are presented with the host debt as financial liabilities designated at fair value. Gain and loss from financial liabilities are reported in the income statement as trading income.

Financial instruments available for sale

Financial instruments that are available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are considered current assets if management intends to dispose of them within 12 months of the balance sheet date.

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.

Investment in subsidiary

For the purposes of these separate financial statements, the investment in subsidiary, EFGFP Monaco, has been recognised at cost.

Receivable and payable to related parties

Receivables from and payables to related parties are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. Amounts are not offset unless the company has the ability and intent to net settle the obligations with the related parties.

Intangible assets

Computer software is stated at cost less accumulated amortisation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the income statement. Amortisation is calculated using the straight-line method and software, the most significant intangible asset is amortised over a five year period. The acquisition cost of software capitalised is based on the cost to acquire the software and to bring it into a state of its' intended use.

Research and development costs are expensed as incurred. There were no research and development costs during the periods ending 31 December 2009 and 31 December 2008.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognised in the income statement. Depreciation is calculated using the straight-line method. Property, plant and equipment are depreciated over their useful lives, ranging from 4 to 5 years.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if applicable, are shown within current liabilities.

Deferred fee income

EFGFP Guernsey earns an initial margin on the sale of its structured products. This initial margin is composed of a structuring fee and a distribution fee. Management has estimated that the structuring fee income is earned over a five month period. EFGFP Guernsey therefore defers structuring fee income over this period. Distribution fees passed on to EFGFP Guernsey and then to EFGFP Guernsey's business partners, respectively are recognised immediately.

Impairment

For all financial assets not measured at fair value, the company assesses at the end of each reporting period 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 only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Foreign currency transactions and translation

Foreign currency transactions are initially recorded at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets and liabilities and non-monetary assets and liabilities measured at fair value through profit or loss are translated using the closing exchange rate. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated using the historical exchange rate. Realised foreign exchange differences resulting from the sale of assets or settlement of liabilities are recognised in net trading income. Unrealised exchange rate differences on monetary assets and liabilities are recorded in net trading income. Unrealized exchange rate differences on non-monetary financial assets held for trading and non-monetary financial assets designated at fair value through profit or loss are recognised in net trading income.

Financial guarantees

EFGFP Guernsey has issued a financial guarantee to EFG Bank up to the maximum amount of the outstanding term deposits of EFGFP Guernsey in case predefined subsidiaries of EFG International fail to make payments to EFG Bank. At the same time, EFG International guarantees to the investors of EFGFP Guernsey in case of a default on products issued by EFGFP Guernsey. As these cross guarantees have been given within the EFG Group structure, no consideration was exchanged by the parties.

The guarantee issued to EFG Bank has been recognised at fair value in accordance with IAS 39 and subsequently at the higher of amortised cost or the amount determined in accordance with IAS 37.

The corresponding receivable for the guarantee provided by EFG International is also recognised at the lower of the fair value of the guarantee received by EFG International and the fair value of the guarantee issued, which represents the cost value. Subsequently the guarantee received is amortised over the life of the corresponding liability.

The financial guarantees have been recognised within other assets and other liabilities.

Related parties

EFGFP Guernsey entered into transactions with the following related parties during the financial period:

- EFG Financial Products AG (EFGFP Zurich)
- EFG Financial Products Holding AG (EFGFP Holding)
- EFG International AG (EFG International)
- EFG Financial Products (Monaco) SAM (EFGFP Monaco)
- EFG Bank AG (EFG Bank Zurich)

- EFG Bank Guernsey Branch
- EFG Bank Cayman Branch

Share Capital

EFGFP Guernsey has 5'000'000 shares authorised with a par value of CHF 1.00 per share. There is only one class of shares.

Dividends

After the approval by the Company's shareholders, dividends are recognised as a liability until disbursement takes place.

Changes in accounting policies, comparability and other adjustments

Restatements made to the 2008 financial statements

EFGFP Guernsey has restated its 2008 financial statements to correct errors related to the 2008 financial statements.

EFGFP Guernsey failed to recognise a financial guarantee contract issued to its parent, EFG International, and the related premium receivable.

The total net impact of the restated items had no impact on net profit but did increase total assets and total liabilities by CHF 2.3 million at 31 December 2008.

Reclassifications made to the 2008 financial statements

Certain prior year balances have been reclassified within the statement of financial position and the statement of comprehensive income, respectively, in order to improve the disclosure detail provided and to better reflect the nature of these balances.

Comparability

As the period ending 31 December 2008 was an extended period, the amounts presented for the period ending 31 December 2009 and 31 December 2008 are not entirely comparable.

Effective 2009

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2009.

EFGFP Guernsey has adopted the following new and amended IFRSs as of 1 January 2009.

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there was no significant impact.
- IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. There was no significant impact from this change.
- IIAS 39, IFRS 7 amendments regarding 'reclassification of financial assets' – effective 1 July 2008. There was no significant impact from this change.
- IFRIC 9 and IAS 39 amendments regarding 'embedded derivatives – effective 1 July 2008. There was no significant impact from this change.
- IFRS 1 and IAS 27 amendments regarding consolidation and separate financial statements on the cost of an investment in a subsidiary, jointly controlled entity or associate – effective 1 January 2009. There was no significant impact from this change.
- Annual improvements to IFRSs (2008) – most amendments effective 1 January 2009. There were no significant impacts from these changes.

Other standards that became effective as of 1 January 2009 were not relevant for the company.

Effective 2010

EFGFP Guernsey has chosen not to early adopt the following standards that were issued but are not mandatory until the accounting period beginning on or after 1 January 2010.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009).
- IAS 38 (amendment), 'Intangible Assets'.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.
- IAS 1 (amendments), 'Presentation of financial statements' and 'additional exemptions.'
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions.'
- IAS 39 (amendment), 'Eligible hedged items.'
- IAS 32 (amendment), 'Presentation and classification of rights issues'
- IAS 24 (amendment), 'Related party disclosures'
- Annual improvements to IFRSs (2009) – most amendments effective 1 January 2010.

The company does not expect any significant impacts as a result of these changes effective as of 1 January 2010.

There have also been new IFRIC interpretations effective for the period beginning 1 January 2010. The company does not anticipate any significant impact for these interpretations.

Net trading income

CHF	2009	2008
Net gain from financial assets designated at fair value	28’060’833	26'001'151
Net (loss) gain from financial liabilities designated at fair value	(89’844’495)	81’242’987
Net gain (loss) from changes in replacement values	62’680’021	(106'655'569)
Net trading income	**896’359**	**588’569**

The gains or losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period.

Net fee income

CHF	2009	2008
Fee income	38’341’100	17’864’465
Fee expense	(17’757’570)	(7’462’082)
Net fee income	**20’583’530**	**10'402'383**

Net fee income relates to the initial margin earned by EFGFP Guernsey upon issuance of its structured products, primary and secondary trades, and the distribution fee income collected on behalf of business partners and the distribution fees paid to these business partners. Initial margin is deferred and amortised over a five month period, the period in which it is earned. Distribution fee income and distribution fee expense is recognised immediately.

Deferred fee income amounted to CHF 2’183’948 and CHF 3’231’293 for the periods ending 31 December 2009 and 2008, respectively.

Other operating income

CHF	2009	2008
Reimbursed software costs	953’795	760’249
Other income	711’776	621’874
Total other operating income	**1’665’571**	**1’382’123**

Pursuant to the profit and cost sharing agreement with EFGFP Zurich, EFGFP Guernsey was reimbursed certain software costs for the shared use of such software.

EFGFP Guernsey earned premiums related to the issuance of the financial guarantee contract as further described in note 20.

Other income relates to the amortisation of the guarantee as further described within the accounting policy for guarantees and note 20, related parties.

Personnel expenses

CHF	2009	2008
Salaries and wages	(4’151’763)	(853’238)
Other personnel expenses	(203’472)	(30’148)
Total Personnel expenses	**(4’355’235)**	**(883’386)**

Personnel expenses earned by employees but not yet paid are accrued and recognised as accrued salaries and wages on the statement of financial position.

Other operating expense

CHF	2009	2008
Software maintenance expense	(752'801)	(299'321)
Loss on sale of available-for-sale financial assets	(248'327)	-
General and administrative expenses	(357'459)	(168,171)
Other expense	(711'776)	(621'874)
Other operating expenses	**(2'070'363)**	**(1'089'366)**

EFGFP Guernsey's available-for-sale financial assets were disposed of during the period ending 31 December 2009. There had been no previous unrealised gain or loss recognised in equity, the amount stated above was the total realised loss upon sale of the financial assets recognised directly in the statement of comprehensive income.

Other expense relates to the amortisation of the guarantee as further described within the accounting policy for guarantees and note 20, related parties.

Income Tax

This company has been taxed at the company standard rate in Guernsey of 0%, therefore no tax has been paid during the year in Guernsey.

Financial assets designated at fair value through profit and loss

CHF	2009	2008
Designated at fair value through profit or loss:		
- Term deposits held with EFG Bank, Guernsey Branch	1'142'352'707	693'782'084
Total financial assets at fair value through profit and loss	**1'142'352'707**	**693'782'084**

Financial assets designated at fair value through profit and loss include term deposits held with EFG Bank that are used to offset the exposures to similar term 'host debt' components of EFGFP Guernsey's issued products. The terms of the deposits range from 1 to 8 years.

Financial liabilities designated at fair value through profit and loss

CHF	2009	2008
Designated at fair value through profit or loss at inception:		
- Hybrid financial instruments	1'229'445'869	659'329'530
Total financial liabilities at fair value through profit and loss	**1'229'445'869**	**659'329'530**

Financial liabilities designated at fair value include EFGFP Guernsey Issued Products. These issuances are hybrid financial instruments, containing debt hosts and embedded derivatives. Some issuances contain multiple embedded derivatives whose values may be interdependent. The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognised at the respective balance sheet dates.

There have not been any changes in credit risk for the periods ending 31 December 2009 and 2008 which had a significant impact on the above mentioned positions.

12 Financial instruments available-for-sale

CHF	2009	2008
Equity shares	-	2'741'640
Total financial instruments available-for-sale	**-**	**2'741'640**

During 2009, EFGFP Guernsey sold its' shares in EFGFP Holding for CHF 2'493'500, recognising a loss directly in the statement of comprehensive income of CHF 248'327. There had been no previous unrealised gains (losses) recognised in the statement of shareholders equity.

13 Derivative Instruments

CHF	2009	2008
OTC Derivatives with EFGFP Zurich		
- Positive replacement values	231'461'956	47'623'230
- Negative replacement values	(23'421'720)	(69'882'448)
Net positive (negative) replacement values	**208'040'236**	**(22'259'218)**

EFGFP Guernsey purchases OTC Options from EFGFP Zurich, a related party, at arms length terms. These derivatives are used to offset the economic risks it is exposed to from the issuance of its structured products.

14 Intangible assets

CHF	2009	2008
Historical Cost		
Balance at the beginning of the year	4'950'764	-
Additions	49'493	4'950'764
Disposals	-	-
Balance at the end of the year	**5'000'257**	**4'950'764**
Accumulated amortisation		
Balance at the beginning of year	(998'272)	-
Amortisation	(1'010'874)	(998'272)
Disposals	-	-
Balance at the end of the year	(2'009'146)	(998'272)
Intangible Assets at the end of the year	**2'991'111**	**3'952'492**

There were no impairment losses recognised during the periods ending 31 December 2009 and 2008, respectively.

15 Property, plant and equipment

CHF	Furniture / Equipment	Leasehold Improvements	IT equipment	2009	2008
Historical Cost					
Balance at the beginning of the year	-	-	-	-	-
Additions	56’755	25’641	7’290	89’686	-
Disposals	-	-	-	-	-
Balance at the end of the year	56’755	25’641	7’290	89’686	-
Accumulated depreciation					
Balance at the beginning of year	-	-	-	-	-
Depreciation	(4’161)	(1’296)	(1’021)	(6’478)	-
Disposals	-	-	-	-	-
Balance at the end of the year	(4’161)	(1’296)	(1’021)	(6’478)	-
Property, plant and equipment at the end of the year	**52’594**	**24’345**	**6’269**	**83’208**	-

There were no impairment losses recognised during the periods ending 31 December 2009 and 2008, respectively.

16 Investment in subsidiary

EFGFP Guernsey wholly owns EFGFP Monaco. For the purpose of these separate financials statements, the investment in EFGFP Monaco has been recognised at cost. The amount recognised as investment in subsidiary reflects the price paid for the shares of EFGFP Monaco, CHF 759’125, on 9 September 2009.

17 Other assets

CHF	2009	2008
Related party guarantee	6’797’199	2’349’944
Employee advance	188’000	566'000
Other assets	162’232	238'248
Total other assets	**7’147’431**	**3’154’192**

The related party guarantee provided by EFG International is recognised at the lower of the fair value of the guarantee received by EFG International and the fair value of the guarantee issued, which represents the cost value. Subsequently the guarantee received is amortised over the life of the corresponding liability.

18 Other Liabilities

CHF	2009	2008
Related party guarantee	6’797’199	2’349’944
Accounts payable	3’708’517	-
Accrued expenses	496’147	367'473
Total other liabilities	**11’001’863**	**2’717’417**

The related party guarantee issued to EFG Bank has been recognised at fair value in accordance with IAS 39 and subsequently at the higher of amortised cost or the amount determined in accordance with IAS 37.

19 Share Capital

The total authorised number of ordinary shares is 5'000'000 shares with a par value of CHF 1.00 per share. All issued shares are fully paid.

EFGFP Guernsey issued 5'000'000 shares to EFGFP Holding, on 16 November 2007 for total consideration of CHF 5'000'000.

EFGFP Guernsey paid dividends to EFGFP Holding during 2008 totalling CHF 11'575'826 or CHF 2.3152 per share.

Refer to note 22, subsequent events, regarding dividends declared and approved after the balance sheet date.

20 Related party transactions

EFGFP Guernsey has significant transactions with its related parties. EFGFP Zurich is a significant counterparty as a distributor of EFGFP Guernsey's issued products and as counterparty for financial transactions to economically hedge the exposures of EFGFP Guernsey’s issued products.

EFGFP Guernsey pays distribution fees in to EFGFP Zurich for the distribution of its’ products. Fees paid totalled 16’199’476 and CHF 7’141’560 during the periods ending 31 December 2009 and 2008, respectively.

EFGFP Guernsey purchased OTC derivatives from EFGFP Zurich to offset its economic risks of its’ issued products, specifically the embedded derivatives of these issued products. The net replacement value of these OTC derivatives amounted to a positive replacement value of CHF 208’040’236 and a negative replacement value of CHF 22’259’218 for the periods ending 31 December 2009 and 2008, respectively.

EFGFP Guernsey has also entered into a profit and cost sharing agreement with EFGFP Zurich as the two companies share certain infrastructure and services. The net amounts paid to EFGFP Zurich under this agreement during the periods ending 31 December 2009 and 2008 were CHF 20’811’371 and CHF 10’175’225.

EFGFP Guernsey and EFGFP Zurich have entered into a master netting agreement allowing the parties to net settle the outstanding amounts due from these transactions across currencies. The net payable to EFGFP Zurich for the year ending 31 December 2009 was CHF 111’219’265. This amount is expected to be settled net by currency. The net payable to EFGFP Zurich for the year ending 31 December 2008 was CHF 17’686’300, this amount was settled net across currencies.

On 12 November 2008, EFGFP Guernsey entered into an irrevocable credit guarantee with EFG Bank that insures EFG Bank against any losses that it may incur on its receivables from selected counterparties within EFG International up to a pre-determined maximum amount. The credit guarantee has no fixed maturity and will continue to be applied to any new eligible receivables unless otherwise terminated. The maximum amount of the guarantee is equal to the net balance of deposits that EFGFP Guernsey has placed with EFG Bank. These deposits have also been pledged as collateral against any obligations EFGFP Guernsey may have under the financial guarantee. At 31 December 2009 and 2008, respectively, the total balance of EFG Bank receivables that were guaranteed under this contract was equal to CHF 1'092 million and CHF 654 million, respectively. The liability has been recognised as an other liability, for further details see note 18.

EFG International provides a guarantee to all investors in structured products issued by EFGFP Guernsey. Although EFGFP Guernsey is not a legal counterparty to this guarantee, which is between EFG International and the investors, EFGFP Guernsey benefits from this guarantee through a lower cost of funding. The asset has been recognised as an other asset, for further details see note 17.

Other related party transactions include transactions with EFGFP Guernsey's immediate parent, EFGFP Holding, EFG Bank Cayman Branch and EFG Bank Guernsey Branch, subsidiaries of EFG International AG. EFGFP Guernsey temporarily held shares in EFGFP Holding during 2008; these shares were sold during 2009. Other transactions include a loan receivable and dividends paid to EFGFP Holding.

Transactions with EFG Bank Guernsey Branch and EFG Bank Cayman Branch consist of the deposits of cash and term deposits held with them. The term deposits are used to economically hedge the host debt portion of EFGFP Guernsey's structured products. Term deposits are recognised as financial assets designated at fair value. All assets held with EFG Bank Guernsey Branch were transferred to EFG Bank Cayman Branch on 7 September 2009. The fair value of the assets held with EFG Bank Cayman Branch and EFG Bank Guernsey Branch were CHF 1'156 million and CHF 699 million as of 31 December 2009 and 2008, respectively.

EFGFP Guernsey also paid distribution fees to EFG Bank, Monaco during the period ending 31 December 2009. These amounted to CHF 1'362'929.

Related party transactions were carried out at an arms length basis unless otherwise stated above.

21 Contingent liabilities and commitments

EFGFP Guernsey did not have any significant commitments or contingencies outstanding at 31 December 2009 that have not otherwise been disclosed.

22 Post balance sheet events

On 16 March 2010, the Board of Directors declared a dividend in the amount of CHF 12'000'000, CHF 2.40 per share, to be paid to the Company's shareholders. This transaction will be reflected in the financial statements for the year ended 31 December 2010.

There have been no other significant subsequent events.

Appendix 3: Audited Financial Statements of EFG International AG for the financial year 2008

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

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

CONSOLIDATED FINANCIAL STATEMENTS

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "The Group") are a leading global private banking group, offering private banking and asset management services. The Group's principal places of business are in the Bahamas, Bangkok, Bermuda, Buenos-Aires, Canada, Cayman, Channel Islands, Dubai, Finland, Gibraltar, Hong Kong, Liechtenstein, Luxembourg, Madrid, Miami, Monaco, Mumbai, New York, Paris, Singapore, Sweden, Switzerland, Taiwan and the United Kingdom. In Switzerland, the Group's offices are located in Zurich, Geneva, Lugano, Sion, Martigny, Verbier and Crans-Montana. Across the whole Group, the number of employees at 31 December 2008 was 2,455 (31 December 2007: 1,864).

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2008. These financial statements have been prepared in accordance with those IFRS (International Financial Reporting Standards) standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective or issued and early adopted as at the time of preparing these statements (31 March 2009). These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates is presented in notes 3 and 30.

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and IFRIC of the IASB, effective for accounting periods beginning on 1 January 2008.

These are as follows:

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

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

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

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

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

– IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Group will apply the IAS 19 (Amendment) from 1 January 2009.
– IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non controlling interests from 1 January 2010. The Group will consider the impact of the revised standard.
– IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.
– IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The Group will apply the IAS 39 (Amendment) from 1 January 2009.
- IFRS 2 (Amendment), 'Share based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009 and believes that this amendment will not have a significant impact on its financial statements.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non controlling interest in the acquiree either at fair vale or at the non controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IFRS 8 - 'Operating segments'. Replaces IAS 14. Governs the disclosure of information on the level of business segments regarding the manner and the financial impact of the business operations, as well as about the economic environment which the entity operates in (effective 1 January 2009).

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

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

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

(b) Consolidation

(i) Subsidiaries

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

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

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

A listing of the Company's main subsidiaries is set out in note 29.

(ii) Minority interests

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

Put options over minority shareholders

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

(iii) Associates

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

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the company's functional and presentation currency. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in other reserves.

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

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

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

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

(ii) Transactions and balances

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

(d) Derivative financial instruments and hedging

Derivative financial instruments, including : foreign exchange contracts, currency forwards and options, interest rate swaps and options, equity options, gold forwards and options, are initially recognised in the balance sheet at fair value on the date on which the derivative contract is enacted, and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

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

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

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

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

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 24.

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

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

(g) Property, plant and equipment

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

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

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

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

(h) Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash generating units for the purpose of impairment testing (note 30.2). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets - Client Relationships

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

(iii) Other intangible assets - Trademarks

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

(iv) Other intangible assets - Non-compete agreement

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

(v) Other intangible assets - Computer software

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

(i) Financial Assets and liabilities

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

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

(i) Designated at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

(iv) Held-to-maturity

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

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

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

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

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

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

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

(i) Available-for-sale assets

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

(ii) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

(k) Debt securities in issue

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

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

(l) Leases

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

(m) Deferred income tax

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

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

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

(n) Employee benefits

(i) Pension obligations

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

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

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

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

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

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

(ii) Short-term employee benefits

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

(iii) Share based compensation

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

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

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

(o) Related party transactions

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

(p) Provisions

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

(q) Segmental reporting

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

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

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

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

(r) Share Capital

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

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(s) Fiduciary activities

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

(t) Cash and cash equivalents

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

(u) Comparatives

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in Note 2 (h). The recoverable amounts of cash-generating units are determined based on fair value less costs to sell calculations. These calculations have been made on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs to sell. As the fair value less cost to sell exceeded the carrying amounts of each cash generating units, the value in use did not need to be estimated. Further information is presented in Note 30.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined by using valuation techniques (Note 4.4). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Financial assets designated at fair value - Life insurance policies

The Group follows the guidance of IAS 39 on the valuation of unquoted "designated at fair value" life insurance policies (note 4.4) using models. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.3 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield would result in a loss of CHF 17.6 million through the Income Statement, and a 3 months increase in actual life expectancies would result in a loss of CHF 16.3 million.

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

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies (note 4.4). The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.3 for sensitivity analysis to changes in life expectancies on the valuation of the life insurance policies. By way of illustration, a 100 basis point increase in the market yield would result in a loss of CHF 18.1 million through equity, and a 3 months increase in actual life expectancies would result in a loss of CHF 16.4 million.

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

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(f) Held-to-maturity investments

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

(g) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk, with most credit risk being limited to interbank placements with rated financial institutions, mortgages, Lombard loans and other secured loans, and market risk largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group.

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

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

4.1 Credit risk

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

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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

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

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

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents, are used by Executive Credit Committee for managing of the credit risk exposures.

4.1.2 Risk limit control and mitigation policies

To qualify as collateral for a margin loan, a client's securities portfolio must be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Over 90% of mortgages are booked in the UK subsidiary, EFG Private Bank Ltd and these mortgages are related predominantly to properties in prime London locations.

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

Management of exposure to financial institutions is based on a system of counterparty limits co-ordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set by the Group's Market, Bank and Country Risk Committee up to a certain absolute size or ceiling; depending on each counterparty's Fitch ratings and on its total equity. Beyond that ceiling, an opinion must be requested from the Group's Risk Unit, prior to submission to the Group's Risk Committee, for approval.

Other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are: Mortgages over residential and commercial properties; Charges over financial instruments such as debt securities and equities.

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

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

4.1.3 Impairment and provisioning policies

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

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

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

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

4.1.4 Exposure to credit risk

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

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

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

4.1.5 Loans and advances

Loans and advances are summarised as follows:

		31 December 2008		31 December 2007	
		Loans and advances to customers CHF millions	Due from other banks CHF millions	Loans and advances to customers CHF millions	Due from other banks CHF millions
Neither past due nor impaired	a)	7,302.8	3,730.6	7,748.6	3,501.0
Past due but not impaired	b)	121.5		171.4	
Impaired		14.7		3.3	
Gross		7,439.0	3,730.6	7,923.3	3,501.0
Less: allowance for impairment		(14.7)		(3.3)	
Net		**7,424.3**	**3,730.6**	7,920.0	3,501.0

The total impairment provision for loans and advances of CHF 14.7 million (2007: CHF 3.3 million) comprises specific provisions against individual loans. Note 22 relates to the impairment allowance for loans and advances to customers.

a) Loans and advances neither past due or impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired, can be assessed by reference to the internal rating system adopted by the Group.

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

b) Loans and advances past due, but not impaired

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

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

4.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at 31 December 2008, based on Moody's ratings:

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

4.1.7 Geographic concentration of credit exposure for financial assets

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

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

4.2 Market Risk

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

The Group engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco, Stockholm and Zurich. The Group does not engage in proprietary trading in securities, but does from time to time provide liquidity to clients holding selected securities. The Group maintains small proprietary positions in foreign exchange instruments.

The Group separates exposures to market risk into either trading or non-trading portfolios. Both securities and foreign exchange exposures are strictly limited by nominal overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. Adherence to all limits is monitored independently by the internal risk management department.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to currency risk in connection with the capital of our subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

4.2.1 Market risk measurement techniques

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks. It is used internally only, for control and management purposes. As part of the management of market risk, the Group may from time to time, undertake various hedging strategies (note 24). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets.

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

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The Group uses two different VaR models. The first is a delta based parametric approach (based on a variance/co-variance approach and uses a 99% one-tailed confidence level and assumes a 10-day holding period with a 250-day observation period for interest rate and equity VaR and 130-day observation period for foreign exchange VaR) and the second is a full valuation historical VaR approach (using 500 days of historical data). The results of these two approaches are added together without taking the benefits of any correlation effects.

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

(b) Alternative sensitivity analysis

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

i) Trading assets and designated at fair value through profit or loss, which includes Life insurance policies, Structured products, Private equity and Hedge funds
ii) Available for sale - Life insurance policies
iii) Financial liabilities - Life insurance policies and liabilities to purchase minority interests.

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

(c) Stress tests

VaR calculations are complimented by various stress tests, which identify the potential impact of extreme market scenarios on portfolios values. These stress tests simulate both exceptional movements in prices or rates; and drastic deteriorations in market correlations. In addition to nominal limits and stop losses, they are the primary tools used by internal market risk management. Stress test results are calculated monthly by the Market Risk Management Unit and reported to management. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.
The stress tests include:

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

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

4.2.2 VaR summary

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2008				
Interest rate risk	7.2	2.1	7.3	0.3
Currency	0.7	0.5	0.9	0.2
Equity price risk	2.0	3.2	4.8	1.9
VaR	**9.9**	**5.8**	**13.0**	**2.4**
2007				
Interest rate risk	2.3	1.0	2.3	0.3
Currency	0.2	0.2	0.4	-
Equity price risk	2.7	1.8	2.7	0.4
VaR	5.2	3.0	5.4	0.7

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

4.2.3 Alternative sensitivity analysis

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

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

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

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

4.2.4 Interest rate risk

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

	Up to 3 months CHF millions	3 - 12 months CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
31 December 2008						
Asset						
Cash and balances with central banks	107.2				8.0	115.2
Treasury bills	73.7					73.7
Due from other banks	3,556.4	75.3			98.9	3,730.6
Loans and advances to customers	6,301.6	992.7	109.5	20.5		7,424.3
Derivative financial instruments	278.2			49.0	125.6	452.8
Financial assets designated at fair value						
Trading Assets	640.6				79.7	720.3
Designated at inception	3.1			520.9	9.4	533.4
Investment securities						
Available-for-sale	1,816.5	1,181.7	15.3	301.3	36.6	3,351.4
Held-to-maturity	60.0	450.4	3.7			514.1
Other assets					132.6	132.6
Total financial assets	**12,837.3**	**2,700.1**	**128.5**	**891.7**	**490.8**	**17,048.4**
Liabilities						
Due to other banks	394.7	6.2				400.9
Due to customers	11,848.3	959.0	31.2		1,374.9	14,213.4
Derivative financial instruments	376.2				83.4	459.6
Financial liabilities designated at fair value	34.4			212.2	16.5	263.1
Other financial liabilities	15.1	124.7	214.1	325.7		679.6
Other liabilities					541.4	541.4
Total financial liabilities	**12,668.7**	**1,089.9**	**245.3**	**537.9**	**2,016.2**	**16.558.0**
On-balance-sheet interest repricing gap	168.6	1,610.2	(116.8)	353.8	(1,525.4)	490.4
Off-balance-sheet interest repricing gap	(26.2)	22.3	3.9	(57.8)		(57.8)
31 December 2007						
Total financial assets*	14,317.7	2,581.9	84.0	24.0	(218.2)	16,789.4
Total financial liabilities	13,495.2	1,085.9	44.2		896.9	15,522.2
On-balance-sheet interest repricing gap	822.5	1,496.0	39.8	24.0	(1,115.1)	1,267.2
Off-balance-sheet interest repricing gap	47.2		(47.2)			

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

4.2.5 Foreign exchange risk

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

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, at 31 December 2008, the Group did not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiaries (currency translation risk).

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure. See note 4.2.2 which reflects the Currency risk VaR.

4.3 Liquidity risk

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

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

4.3.1 Liquidity risk management process

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

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

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

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

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

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

4.3.2 Funding approach

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

4.3.3 Financial liabilities cash flows

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

	Up to 1 month CHF millions	1 - 3 months CHF millions	3 - 12 months CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2008						
Liabilities						
Due to other banks	299.5	13.3	48.0		40.1	400.9
Due to customers	10,894.8	2,359.4	935.0	24.2		14,213.4
Derivative financial instruments	9,852.4					9,852.4
Financial liabilities designated at fair value	16.5			34.4	212.2	263.1
Other financial liabilities	17.4	310.5	124.7	214.1	12.9	679.6
Other liabilities	168.9	27.8	80.2	181.5	83.0	541.4
Total financial liabilities	**21,249.5**	**2,711.0**	**1,187.9**	**454.2**	**348.2**	**25,950.8**
31 December 2007						
Liabilities						
Due to other banks	787.2	7.2	0.2		12.5	807.1
Due to customers	10,777.6	1,676.1	1,083.9	42.0		13,579.6
Derivative financial instruments	9,174.2					9,174.2
Debt securities in issue					158.0	158.0
Other liabilities	246.0	122.1	32.1	323.4	18.3	741.9
Total financial liabilities	20,985.0	1,805.4	1,116.2	365.4	188.8	24,460.8

4.3.4 Off-balance sheet items

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

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

(a) Loan commitments

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

(b) Financial guarantees and other financial facilities

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

(c) Operating lease commitments

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

4.3.5 Summary of Liquidity

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

4.4 Fair value of financial assets and liabilities

(a) No active market - valuation technique

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

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

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

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

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

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

(i) Due from other banks

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

(ii) Loans and advances to customers

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

(iii) Investment securities - Held-to-maturity

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

(iv) Due to other banks and customers

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

(v) Other financial liabilities

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

4.5 Capital Management

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

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

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

The Group's eligible capital comprises two tiers:

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

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

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

	31 December 2008 CHF millions	31 December 2007 CHF millions
Tier 1 capital		
Share capital	77.3	78.4
Share premium	1,205.3	1,263.1
Other reserves	160.1	517.1
Retained earnings	719.6	578.3
Minority shareholders	95.1	2.2
IFRS: Total shareholders' equity	**2,257.4**	2,439.1
Less: Proposed dividend on Ordinary Shares (note 48)	(35.3)	(51.3)
Less: Accrual for estimated expected future dividend on preference shares	(4.7)	(5.3)
Less: Available-for-sale investment securities revaluation reserve		(7.2)
Less: Loans to employees	(5.5)	(31.4)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(1,462.9)	(875.0)
Total qualifying Tier 1 capital	**749.0**	1,468.9
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)		3.2
Subordinated debt securities		158.0
Total regulatory capital	**749.0**	1,630.1
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,627.9	4,461.4
Non-counterparty related risk	75.9	68.6
Market risk*	698.5	377.8
Operational risk*	1,567.0	1,290.5
Total risk-weighted assets	**5,969.3**	6,198.3

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

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

5. NET INTEREST INCOME

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

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

6. NET BANKING FEE AND COMMISSION INCOME

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

7. DIVIDEND INCOME

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

8. NET TRADING INCOME

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

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

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

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

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

11. IMPAIRMENT CHARGES

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

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

12. OPERATING EXPENSES

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

13. STAFF COSTS

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

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

14. INCOME TAX EXPENSE

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

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

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

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

15. DEFERRED INCOME TAXES

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

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

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

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

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

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

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

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

The Group has subsidiaries with tax losses of CHF 113.0 million (2007: CHF 25.5 million) to carry forward against future taxable income, that will expire after 2014. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profits.

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2008			
Interest and discount income	192.2	669.6	861.8
Interest expense	(58.2)	(517.0)	(575.2)
Net interest income	**134.0**	**152.6**	**286.6**
Banking fee and commission income	187.2	484.3	671.5
Banking fee and commission expense	(40.7)	(59.1)	(99.8)
Net banking fee and commission income	**146.5**	**425.2**	**571.7**
Dividend income	3.2		3.2
Net trading income	19.5	68.8	88.3
Net loss from financial assets designated at fair value		(127.2)	(127.2)
Gains less losses from investment securities	36.0	71.6	107.6
Other operating income/(loss)	25.4	(9.3)	16.1
Net other income	**84.1**	**3.9**	**88.0**
Operating income	**364.6**	**581.7**	**946.3**
Impairment charges	(5.8)	(9.6)	(15.4)
Operating expenses	(260.8)	(448.7)	(709.5)
Profit before tax	**98.0**	**123.4**	**221.4**
Income tax expense	(25.1)	(0.4)	(25.5)
Net profit for the year	**72.9**	**123.0**	**195.9**
Net loss attributable to minority shareholders	3.3	22.7	26.0
Net profit attributable to Group shareholders	**76.2**	**145.7**	**221.9**

16. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION, (CONTINUED)

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2007			
Interest and discount income	130.1	636.1	766.2
Interest expense		(521.8)	(521.8)
Net interest income	130.1	114.3	244.4
Banking fee and commission income	228.8	496.9	725.7
Banking fee and commission expense	(53.1)	(82.8)	(135.9)
Net banking fee and commission income	175.7	414.1	589.8
Net trading income	25.8	49.9	75.7
Net income from financial assets designated at fair value	0.7	4.6	5.3
Gains less losses from investment securities	1.2	(1.5)	(0.3)
Other operating (loss)/income	0.4	(1.5)	(1.1)
Net other income	28.1	51.5	79.6
Operating income	333.9	579.9	913.8
Impairment charges		(1.0)	(1.0)
Operating expenses	(208.4)	(333.6)	(542.0)
Profit before tax	125.5	245.3	370.8
Income tax expense	(23.7)	(16.9)	(40.6)
Net profit for the year	101.8	228.4	330.2
Net loss attributable to minority shareholders	1.8		1.8
Net profit attributable to Group shareholders	103.6	228.4	332.0

17. CASH AND BALANCES WITH CENTRAL BANKS

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

18. CASH AND CASH EQUIVALENTS

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

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

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

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

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

20. DUE FROM OTHER BANKS

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

21. LOANS AND ADVANCES TO CUSTOMERS

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

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

	31 December 2008		31 December 2007	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	**2,340.5**	**31.5**	2,035.1	25.7
Europe (other)	**1,712.4**	**23.1**	2,229.8	28.2
Asia and Oceania	**1,620.0**	**21.8**	1,468.0	18.5
United Kingdom	**784.6**	**10.6**	849.5	10.7
Switzerland	**284.6**	**3.8**	295.1	3.7
Africa and Middle East	**250.8**	**3.4**	226.6	2.9
Luxembourg	**202.1**	**2.7**	636.5	8.0
United States and Canada	**120.7**	**1.6**	72.0	0.9
Greece	**108.6**	**1.5**	107.4	1.4
Total	**7,424.3**	**100**	7,920.0	100.0

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

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

	31 December 2008 CHF millions	31 December 2007 CHF millions
At 1 January	**3.3**	2.2
Exchange rate movements	**(1.9)**	0.1
Impairment charge for credit losses (Note 11)	**13.3**	1.0
At 31 December	**14.7**	3.3

23. COLLATERAL FOR LOANS

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

* *The unsecured loans include CHF 57.0 million (2007: 32.0 million) of loans made with no collateral and CHF 66.0 million (2007: CHF 24.6 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured", however within approved unsecured lending limits for the customer.*

See note 4.1 for further details on collateral.

24. DERIVATIVE FINANCIAL INSTRUMENTS

24.1 Derivatives

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

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

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

24.1 Derivatives, (continued)

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

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

24.2 Hedging activities

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

(a) Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at 31 December 2008 was negative CHF 0.8 million (2007: negative CHF 0.7 million).

25. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE - TRADING ASSETS

		31 December 2008 CHF millions	31 December 2007 CHF millions
Issued by public issuers:	Government	640.6	
Issued by non public issuers:	Other	79.7	
Total		**720.3**	-
Equity securities - at fair value:	Listed	79.7	
Debt securities - at fair value:	Listed	640.6	
Total		**720.3**	-

The movement in the account is as follows:

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

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

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

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

The movement in the account is as follows:

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

* See note 35.

27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

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

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

The movement in the account is as follows:

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

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

Equity reserve - revaluation of the investment securities available-for-sale:

Gains and losses arising from the changes in the fair value of available-for-sale investment securities, are recognised in a revaluation reserve for available-for-sale financial assets in equity. (Note 41)

The movement of the reserve, is as follows:

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

28. INVESTMENT SECURITIES - HELD-TO-MATURITY

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

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

The movement of the reserve, is as follows:

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

29. SHARES IN SUBSIDIARY UNDERTAKINGS

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

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank, Zurich	Bank	Switzerland	CHF	162,410
EFG Eurofinancière d'Investissements SAM, Monaco	Bank	Monaco	EUR	26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD	27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF	25,000
EFG Bank (Luxembourg) SA, Luxembourg	Bank	Luxembourg	EUR	20,000
EFG Private Bank Ltd, London	Bank	England & Wales	GBP	1,596
EFG Private Bank (Channel Islands) Ltd, Guernsey	Bank	Guernsey	GBP	5,000
EFG Bank AB (formerly EFG Bank Investment Bank AB), Stockholm	Bank	Sweden	SEK	100,000
PRS Investment Services (Cayman) Ltd, Georgtown	Private Banking & Fund Administration	Cayman Islands	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD	-
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD	276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD	500
EFG Wealth Management (India) Private Limited, Mumbai*	Investment Advisory	India	INR	75,556
EFG Gestion Privée (formerly Sycomore Gestion Privée SA), Paris*	Investment Advisory	France	EUR	240
Asesores y Gestores Financieros S.A., Madrid*	Investment Advisory	Spain	EUR	92
On Finance SA, Lugano*	Investment Advisory	Switzerland	CHF	1,000
EFG Offshore Ltd, Jersey	Trust Services	Jersey	GBP	841
EFG Platts Flello Ltd, Birmingham	Financial Planning	England & Wales	GBP	2
Ashby London Financial Services Ltd, Wolverhampton	Financial Planning	England & Wales	GBP	238
SIF Swiss Investment Funds SA, Geneva	Funds Administration	Switzerland	CHF	2,500
C.M. Advisors Ltd, Hamilton	Fund of Hedge Funds, Investment Advisor, Investment Manager	Bermuda	USD	12
Marble Bar Asset Management LLP, London*	Hedge Fund Management	England & Wales	USD	462,486
Marble Bar Asset Management (Cayman) Ltd, Georgetown*	Hedge Fund Management	Cayman Islands	USD	50
Quesada Kapitalförvaltning AB, Stockholm	Asset Management	Sweden	SEK	2,000
EFG Capital International Corp, Miami	Broker-dealer	USA	USD	12,200
EFG Finance (Bermuda) Ltd, Hamilton	Finance Company	Bermuda	USD	12
EFG Finance (Guernsey) Ltd, Guernsey	Finance Company	Guernsey	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	CHF	3
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	CHF	10,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	EUR	555,603

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

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

30. INTANGIBLE ASSETS

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

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

30.1 Increase in acquisition related intangibles during 2008

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

i) Marble Bar Asset Management

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

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

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

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

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

ii) Asesores y Gestores Financieros SA

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

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

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

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

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

iii) Sycomore Société de Gestion Privée

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

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

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

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

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

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

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

v) C.M. Advisors Limited

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

vi) PRS Group

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

30.2 Impairment tests

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

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

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

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

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

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

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

Acquisitions with significant earnouts:

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

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

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

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

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

31. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings* CHF millions	Leasehold improvements CHF millions	Furniture, equipment motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2007					
Cost	6.8	25.2	21.7	31.1	84.8
Accumulated depreciation	(1.2)	(13.1)	(15.4)	(20.4)	(50.1)
Net book value	5.6	12.1	6.3	10.7	34.7
Year ended December 2007					
Opening net book amount	7.7	10.0	6.3	10.7	34.7
Additions	0.1	8.4	2.8	12.0	23.3
Acquisition of subsidiary		0.2	0.9	0.3	1.4
Depreciation charge for the year		(2.6)	(1.8)	(4.9)	(9.3)
Depreciation charge for prior years - through Other reserves				(3.8)	(3.8)
Disposal and write-offs		(0.4)	(0.2)	(0.2)	(0.8)
Exchange rate adjustments	(0.3)	(0.1)	(0.7)	0.4	(0.7)
Closing net book value	7.5	15.5	7.3	14.5	44.8
At 31 December 2007					
Cost	5.7	33.2	23.2	41.9	104.0
Accumulated depreciation	(0.5)	(15.4)	(15.9)	(27.4)	(59.2)
Net book value	5.2	17.8	7.3	14.5	44.8
Year ended December 2008					
Opening net book amount	5.2	17.8	7.3	14.5	44.8
Additions		13.2	6.6	9.4	29.2
Acquisition of subsidiary		1.8	0.5	0.4	2.7
Depreciation charge for the year		(4.5)	(2.8)	(6.6)	(13.9)
Disposal and write-offs	(0.2)		0.4	(0.4)	(0.2)
Exchange rate adjustments	(1.6)	(1.8)	(1.3)	(0.8)	(5.5)
Closing net book value	**3.4**	**26.5**	**10.7**	**16.5**	**57.1**
At 31 December 2008					
Cost	3.8	38.9	19.2	34.4	96.3
Accumulated depreciation	(0.4)	(12.4)	(8.5)	(17.9)	(39.2)
Net book value	**3.4**	**26.5**	**10.7**	**16.5**	**57.1**

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

32. OTHER ASSETS

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

33. DUE TO OTHER BANKS

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

34. DUE TO CUSTOMERS

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

35. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

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

Synthetic life insurances

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

Liability to purchase minority interests

The minority shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International. This right applies from 1 January 2010 and that right expires on the occurance of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. The liability was recognised by reclassification from Group equity at inception date on 2 April 2008. As of 31 December 2008, the financial liability was valued at CHF 34.4 million (previous year CHF 0).

36. OTHER FINANCIAL LIABILITIES

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

37. DEBT SECURITIES IN ISSUE

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

The floating rate note was redeemed on 17 December 2008.

38. OTHER LIABILITIES

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

Legal proceedings

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

39. RETIREMENT BENEFIT OBLIGATIONS

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

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 3.0 million, the fair value of plan assets is CHF 3.2 million and the unfunded liability decreased by CHF 0.2 million in the current year.

The Switzerland plan - defined benefit

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

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

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

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

39. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

Amounts recognised in the Balance sheet, include:

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

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

The movement in net liability, is as follows:

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

The movement in unrecognised actuarial loss, is as follows:

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

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

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

39. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

The asset allocation, is as follows:

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

The principal annual actuarial assumptions used, were as follows:

Discount rate (p.a)	2.75	3.25
Expected return on plan assets (p.a.)	4.00	4.00
Future salary increases (p.a.)	1.00	1.00
Future pension increases (p.a.)	0.00	0.00
Turnover (average)	9.90	13.75
	Age	Age
Retirement age (Male/Female)	65/64	65/64

The assumptions regarding expected mortality rates are set based on advice, published statistics and experience. The average life expectancy at 31 December 2008 (based on the average age of 67.5) for current male pensioners is 15.9 years and for current female pensioners (based on the average age of 66.1) is 19.5 years.

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

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

40. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

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

40.1 Share Capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2007	73.4	6.0	-	(0.1)	79.3
Preference shares repurchased				(0.0)	-
Ordinary shares repurchased			(0.9)		(0.9)
At 31 December 2007	73.4	6.0	(0.9)	(0.1)	78.4
Ordinary shares repurchased			(1.1)		(1.1)
At 31 December 2008	**73.4**	**6.0**	**(2.0)**	**(0.1)**	**77.3**

40.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF million
At 1 January 2007	1,324.7	2.0	18.8	(7.2)	1,338.3
Preference shares repurchased				(0.1)	(0.1)
Ordinary shares repurchased			(75.1)		(75.1)
At 31 December 2007	1,324.7	2.0	(56.3)	(7.3)	1,263.1
Options sold**	5.9				5.9
Ordinary shares repurchased			(63.7)		(63.7)
At 31 December 2008	**1,330.6**	**2.0**	**(120.0)**	**(7.3)**	**1,205.3**

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

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

40.3 Number of shares

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

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

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

The Board of directors is authorised, at any time until 29 April 2010, to increase the share capital by a maximum of CHF 9,165,000 by issuing up to 18,330,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

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

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

41. OTHER RESERVES

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

* *Minority put option represents the put options of the minority shareholders of Asesores y Gestores Financieros SA which give rise to a financial liability that corresponds to the estimated discounted repurchase amount, which is deducted from shareholders' equity when the put options are created.*

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

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

43. CONTINGENT LIABILITIES AND COMMITMENTS

43.1 Contingent liabilities

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

43.2 Future annual commitments under operating leases

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

44. FIDUCIARY TRANSACTIONS

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

45. SEGMENTAL REPORTING

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

45.1 Geographic segmentation

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

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

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

45.2 Business segmentation

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

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

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

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

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

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

47. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

47.1 Basic

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

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group and amounting to 3,008,631 (2007: 155,050). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on preference shares. The latter has been computed by using a dividend rate from 1st January 2008 until 30 April 2008 of 4.816%. The estimated dividends for the period after the AGM is based on a rate of 4.876% from 30 April 2008 until 30 October 2008 and a rate of 4.716% thereafter. The average number of shares excludes the average number of EFG Fiduciary Certificates owned by the Group.

47.2 Diluted

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

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

48. DIVIDEND PER SHARE

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 29 April 2009, a dividend in respect of 2008 of CHF 0.25 (2007: CHF 0.35) per share amounting to approximately CHF 35.3 million, net of dividends not payable on treasury shares (2007: CHF 50.2 million) is to be proposed. The financial statements for the year ended 31 December 2008 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2009.

49. RELATED PARTY TRANSACTIONS

49.1 Related party transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2008		
Assets		
Due from other banks	297.8	
Derivatives	0.4	
Loans and advances to customers	0.1	15.5
Investment securities	4.0	
Liabilities		
Due to other banks	21.6	
Derivatives	3.5	
Due to customers	1.6	22.2
Other liabilities	0.8	
Year ended 31 December 2008		
Interest income	38.7	1.4
Interest expense	(2.0)	(0.2)
Commission income	1.2	
Commission expense	(1.1)	
Other operating income	2.2	
Other operating expenses	(0.7)	

49.1 Related party transactions, (continued)

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

Key management personnel includes directors and key management of the company and its parent, and closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2007: Nil).

49.2 Key management compensation (including directors)

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

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

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

50. STOCK OPTION PLAN

EFG International launched it's Employee Stock Option Plan in 2006. These options have a vesting period of three years and may be exercised at any time during a period beginning five years from the grant date and ending seven years from the grant date. No options were exercised during the year.

The expense recorded in the income statement spreads the cost of the grant equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Employee Stock Option Plan in the income statement for the period ended 31 December 2008 was CHF 20.4 million (2007: CHF 8.8 million).

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

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

50.1 2008 option plan

EFG International granted 2,197,275 options on 23 February 2008. All classes have a vesting period of three years and an exercise period beginning five years from the grant date and ending seven years from the grant date. A deemed value of each In-the-money Options was estimated to be CHF 12.25, of each At-the-money Options of CHF 7.86 and each Zero Strike Option at CHF 29.23 using a modified version of the Black Scholes Merton formula which takes into account expected dividend yield as well as other funding costs during the period between the end of the vesting period and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 35.95), expected volatility (30%), dividend yield (2%), other funding costs (5%), the expected life of the options (72 months) and the risk free rate (2.6%). Expected volatility was calculated using estimates of the expected volatility over the expected life of the options after taking account of third party quotes, historic volatility and volatility of other private banks listed in Switzerland.

The expected life of the options has been assumed to be the mid-point of the exercise period. The risk free rate is the yield on Swiss treasury notes with an outstanding maturity of 72 months as of the grant date. Dividend yield has been calculated according to management's estimates of the long term dividend payments. Other funding costs represent adjustments made by market participants when pricing options that cannot be hedged or exercised and, pursuant to IFRS 2, may be applied only after the vesting period.

50.2 2009 option plan

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

51. INFORMATION RELATING TO THE EFG FIDUCIARY CERTIFICATES IN CIRCULATION

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

52. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

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

Assets under Administration are trust assets administered by the Group.

53. POST BALANCE SHEET EVENTS

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

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

54. BOARD OF DIRECTORS

The Board of Directors of EFG International comprises the following:

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

55. SWISS BANKING LAW REQUIREMENTS

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

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

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

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

Under Swiss law, the fair value option is not available.

(c) Derivative financial instruments

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

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

(d) Goodwill and Intangible Assets

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

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

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

(e) Extraordinary income and expense

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

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

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

Report of the statutory auditor on the consolidated financial statements

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

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers SA

Alex Astolfi Audit Expert Auditor in charge	Eric Maglieri Audit expert

Geneva, 8 April 2009

Appendix 4: Audited Financial Statements of EFG International AG for the financial year 2009

RISK MANAGEMENT

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

EFG International's business activities are predominantly carried out on behalf of its clients, by whom most of the risk is therefore borne. Consequently, the company takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients as well as exposures to banks and financial institutions. EFG International is exposed to limited market risk (price and liquidity), which is mainly restricted to foreign exchange and interest rate gapping positions maintained within defined parameters. EFG International is also exposed to operational and reputational risks. Ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which has delegated certain functions to its Risk Committee, which sets policies and risk appetite in collaboration with the EFG Group Risk Committee (the "GRC").

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

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

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

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

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

CREDIT RISK

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

CREDIT RISKS RELATED TO CLIENTS

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by 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 Organization 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.

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 small proprietary positions in linear foreign exchange instruments. Both securities and foreign exchange exposures are strictly limited by nominal overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. Adherence to all limits is monitored independently by the Global Risk Management Division, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market, counterparty and country risks through the whole EFG International organisation.

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

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

MARKET RISK MEASUREMENT AND LIMITS IN TRADING

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

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

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

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

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

CURRENCY RISK

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

ASSET/LIABILITY MANAGEMENT

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

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

LIQUIDITY RISK

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

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

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

OPERATIONAL RISK

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

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

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

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

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

REPUTATION RISK

Reputation risk for EFG International may arise from service delivered to clients that is sub-standard, 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.

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.

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. EFG Group provides a large range of financial services, with a presence in 38 countries and over 26,000 employees worldwide.

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

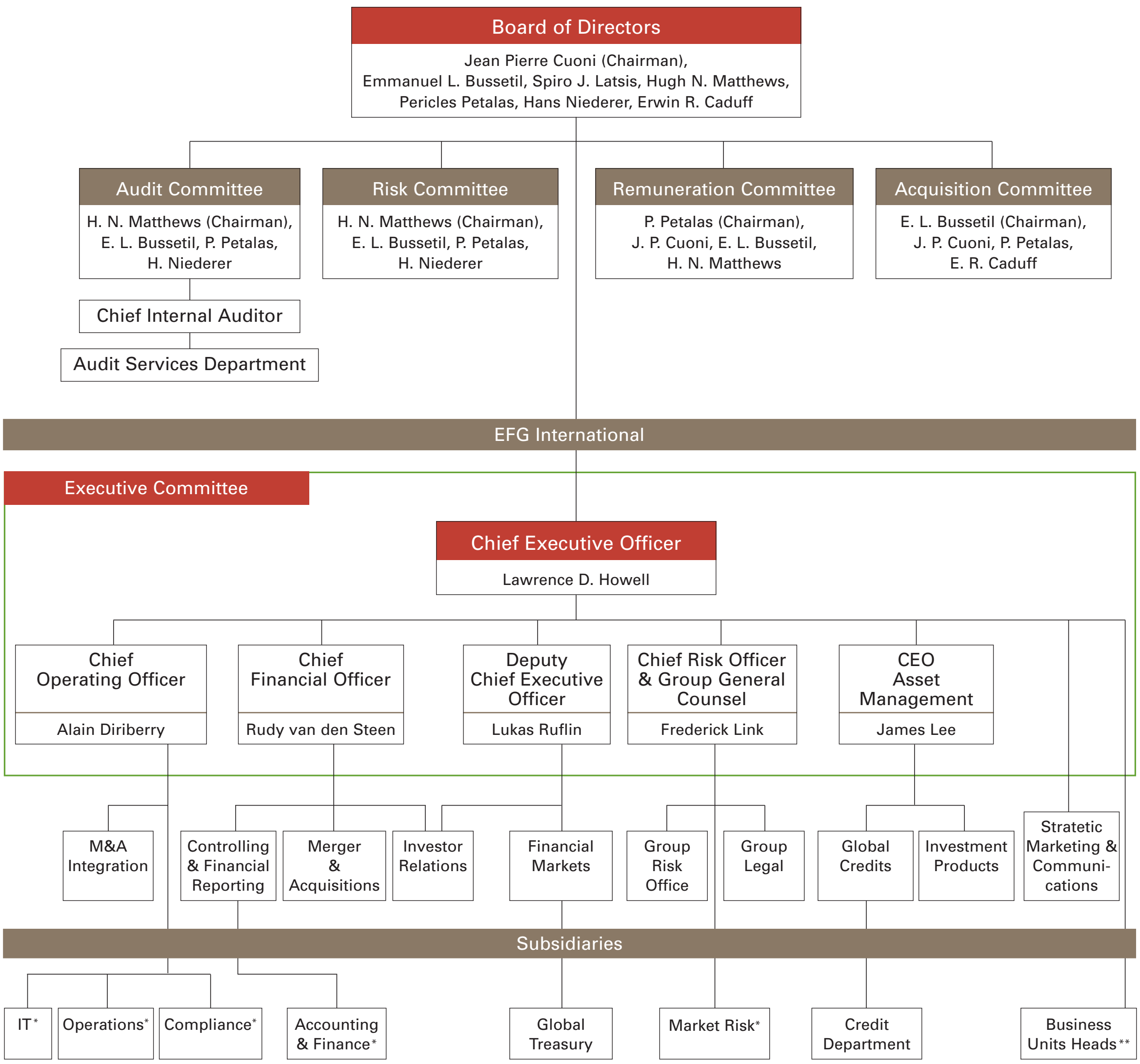
As a publicly listed Swiss company, EFG International AG (EFG International) is subject to the Directive on Information relating to Corporate Governance and its Annexes and Commentary, issued by the SIX Swiss Exchange. The information provided in this section adheres to the structure of the SIX Swiss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

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 Operational structure of EFG International

EFG International is a global private banking and asset management group operating in over 50 locations in 30 countries. The EFG International Group comprises two primary businesses. Private Banking and Asset Management. The Private Banking business is managed on a regional basis with the primary regions being Switzerland, Asia, Americas, United Kingdom and Rest of Europe. The Asset Management business is managed on a Global basis and thus is reported as a single segment. Further information can be found in note 44, "Segmental Reporting" to our consolidated financial statements.

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



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

1.2 Group entities

The consolidated entities are listed on page 129. There are no listed companies belonging to the EFG International Group other than EFG International.

1.3 Significant shareholders

The shareholding structure of EFG International as of December 31, 2009 is shown in the table below.

As of December 31, 2009	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA*	72,366,556	49.34%
Lawrence D. Howell	8,052,000	5.49%
Cuoni Family Interests	6,830,500	4.66%
Norges Bank	4,567,253	3.11%
Other Shareholders	54,853,691	37.40%
Total	**146,670,000**	**100.00%**

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies. More details can be found in the disclosed notice of 10 August 2009 on SIX Swiss Exchange (http://www.six-swiss-exchange.com – News – significant shareholders – EFG International).

At year-end 2009, EFG International Group held a stake of EFG International registered shares corresponding to 8.38% of the total share capital of EFG International.

1.4 Lock-up agreements

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

1.5 Cross-shareholdings

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

2. CAPITAL STRUCTURE

2.1 Capital

Share capital

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

The registered shares are traded on the main segment of the SIX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 2,097,381,000 on 31 December 2009.

Participation capital

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

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

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

The Class C and D preference Bons de Participation expire on 29 April 2010 and will not be submitted for renewal to the 2010 Annual General Meeting.

2.2 Authorised and conditional capital in particular

Authorised capital

The Board of Directors is authorised, at any time until 29 April 2010, to increase the share capital by no more than CHF 9,165,000 by issuing no more than 18,330,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free reserves are permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

In addition, the Board of Directors is authorised to withdraw the preferred subscription rights of the shareholders and the participants and to allocate them to third parties for the financing of the acquisition of all or part of an enterprise or of an investment in another company, or for new investments purposes for EFG International at market conditions at the moment of the issuance, as well as, in particular, for direct or indirect fund raising purposes on the international capital markets. If and when issued, Class C and Class D preference Bons de Participation will rank prior to the shares, both in terms of dividend and liquidation dividend rights.

Conditional capital

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

2.3 Changes in capital structure

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

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2009:

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 2009:

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

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

2.5 Profit sharing certificates

There are no profit sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

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

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

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

2.7 Convertible bonds and warrants/options

EFG International, acting through its subsidiary EFG Financial Products and EFG Financial Products (Guernsey) Ltd., has issued warrants and structured notes which reference EFG International shares. These instruments are generally classified as cash-settled derivatives and are held for trading. To hedge the economic exposure, EFG Financial Products 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 Stock Option Plan and has sold a total of 55,000 options to employees with a strike price of CHF 49.25 per share, 457,996 options with a strike price of CHF 24.00 per share and 17,091 restricted stock units with a zero exercise price. Further details can be found under section 5.1.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

The Board of Directors currently comprises seven members all of whom are non-executive directors (a member resigned during the term of office). The Board of Directors of EFG Bank is composed of the same members as the Board of Directors of EFG International.

No member of the Board has held a management position in EFG International or any of its group companies over the last three years. No director has any significant business connection with EFG International or any of its subsidiaries. The law firm Niederer Kraft & Frey AG of which Dr. Hans Niederer is a partner has provided legal services to EFG International in connection with a number of matters.

Jean Pierre Cuoni is a Swiss citizen, born in 1937. He was appointed Chairman of the Board of Directors of EFG International effective as of 8 September 2005. Mr. Cuoni has been Chairman of the Board of Directors of EFG Bank since 1997 and has been a member of the Board of Directors and the Advisory Board of EFG Bank European Financial Group SA since 1995.

Prior to these positions, Mr. Cuoni was Chief Executive of Coutts and Co International (1990-94) and Chief Executive of Handelsbank NatWest, the Swiss subsidiary of NatWest (1988-90). Beforehand, Mr. Cuoni spent 28 years with Citibank in New York, Paris, Geneva, Lausanne and Zurich, and was the Regional Head of Private Banking for Europe and Middle East/Africa and Senior Officer (Country Corporate Officer) for Citicorp and Citibank in Switzerland. Mr. Cuoni was Senior Vice President of Citibank N.A. from 1981 to 1988 and Chairman of Citibank (Switzerland) S.A. from 1982 to 1988.

Mr. Cuoni received his Federal Commercial Banking Diploma in 1957 and attended the Executive Development Programme at IMD in Lausanne in 1974. Mr. Cuoni was part of the Swiss Bankers Association as a member of the Board (1982-93) and as a member of the Executive Committee of the Board (1985-93). He was Chairman of the Association of Foreign Banks in Switzerland (1986-93) and member of the Board of the Association of Swiss Exchanges (1988-92), as well as member of the Board of the Zurich

Chamber of Commerce (1988-96). From 1998 until 2004 he was Vice President of the British Swiss Chamber of Commerce. Since 1985, Mr. Cuoni has been member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva. He is presently also a member of the Board of Right to Play International in Toronto as well as of Right to Play Switzerland in Zurich.

Emmanuel Leonard Bussetil is a British citizen, born in 1951. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005 and has been a member of the Board of Directors of EFG Bank since 2001. He is the Group Finance Executive of EFG 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 is a Fellow of the Institute of Chartered Accountants of England and Wales. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972-73) and at Morland and Partners, Liverpool (1974-76).

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

Mr. Latsis obtained his bachelor degree in Economics in 1968, a masters degree in Logic and Scientific Method in 1970 and a doctorate in Philosophy in 1974, all from the London School of Economics. He is an Honorary Fellow and a member of the Court of Governors of the London School of Economics. He is also a member of the Board of Trustees 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 (1994-96), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960-69), Brussels, Los Angeles and New York (1969-71) and Zurich (1971-94).

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

Pericles Petalas is a Swiss citizen, born in 1943. He was appointed a member of the Board of Directors of EFG International effective as of 8 September 2005. He has been a member of the Board of Directors of EFG Bank since 1997. Mr. Petalas has been Chief Executive Officer of EFG 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 (1978-80) and Petrola International, Athens (1977-78).

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

Hans Niederer is a Swiss citizen, born in 1941. He was appointed a member of the Board of Directors of EFG International effective as of 5 October 2005. Mr. Niederer is a partner at Niederer Kraft & Frey AG, attorneys-at-law and a member of the Board of Directors of various companies. He is Vice Chairman of the Board of Investec Bank (Switzerland) AG, LB(Swiss) Privatbank AG and Hinduja Bank (Suisse) SA as well as a member of the Boards of Algerian Foreign Commerce Bank Ltd, SLB Commercial Bank and LB(Swiss) Investment AG.

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

Erwin Richard Caduff is a Swiss citizen, born in 1950 and educated in Switzerland. 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, an employment agency specializing in executive search for wealth management. Previously he worked in Singapore for Deutsche Bank AG (1998-2007) as managing director and Head of Private Wealth Management, Banque Paribas, Singapore as Head of Private Banking for South East Asia (1997-1998) and Head of the Zurich Branch of Paribas (Suisse) SA (1993-1997). Between 1990 and 1993 he was Chief Representative for Coutts & Co in Singapore and between 1987 and 1990 he was at Citibank, Singapore Private Banking after working for Citibank Zurich (1986-1987). Between 1976 and 1986 he worked for Swiss Volksbank in Zurich and in Singapore.

Apostolos Tamvakakis is a Greek citizen and born in 1957. He was appointed a member of the Board of Directors of EFG International effective as of 29 April 2009. For the past five years he was Chairman and CEO of LAMDA Development S.A. Previously Mr. Tamvakakis has served as Deputy Governor and Board Member of National Mortgage Bank (1996-1998) and as Vice Chairman of the Board of National Bank of Greece (1998-2004). Between 1990 and 1996 he worked for ABN AMRO Bank as Deputy General Manager for Greece and prior to that for Investment Bank (Athens) and Mobil Oil Hellas S.A. Mr. Tamvakakis is member the Board of Directors of Foundation for Economic and Industrial Research and the American-Hellenic Chamber of Commerce.

Previously, he had served as Vice Chairman of Greek Securities S.A., President of the Steering Committee of the Interalpha Group of Banks, President of Ethnocards, National Securities and ETEVA, President of the Southeastern European Board of the Europay Mastercard group, and as a member of many Boards of Directors and committees.

Mr. Tamvakakis was awarded his Bachelor of Arts in Economics from Athens University (1978) and holds a Master of Arts in Econometrics and Mathematical Economics from Canada.

Mr. Tamvakakis resigned from the Board of Directors of EFG International in December 2009 due to his appointment as CEO of National Bank of Greece.

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

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

3.3 Elections and terms of office

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

The tenure of all the current members of the Board of Directors will expire at the 2010 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 internal regulations of the Company. The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board meeting. In order to make a binding decision, a simple majority of the Board of Directors must be present. The Board of Directors takes decisions on the basis of an absolute majority of present members. In the event of a tie, the Chairman does not have a casting vote.

The Board of Directors met six times in 2009. Meetings typically last half a day.

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

Audit committee

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

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

The role of the audit committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role. The audit committee comprises at least three Board members (at present, Mr. Matthews has been appointed as Chairman and Messrs. Bussetil, Petalas and Niederer have been appointed as members of the audit committee).

The audit committee meets quarterly as well as when necessary to review the accounts before approval by the Board. Meetings typically last three to four hours and are attended by members of the executive management responsible for areas supervised by the audit committee. During 2009, the audit committee met five times.

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

Risk committee

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

The risk committee comprises at least three Board members (at present, Mr. Matthews has been appointed as Chairman and Messrs. Bussetil (until his resignation Mr. Tamvakakis), 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 2009, the risk committee met four times.

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

Remuneration committee

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

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

The remuneration committee comprises of at least three Board members (at present Mr. Petalas has been appointed as Chairman and Messrs. Cuoni, 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. During 2009, the remuneration committee met four times.

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

Acquisitions committee

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

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

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

During 2009, the acquisitions committee met once.

3.5 Definition of areas of responsibility

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

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

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

The EFG International Group is organised as a single structure, reporting to the Chief Executive Officer. Various support, service or control Units report either directly to the Chief Executive Officer, or to member of the Executive Committee.

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

Chief Executive Officer

The Chief Executive Officer (CEO) of EFG International is responsible to the Board of Directors for the overall management and performance of the EFG International Group. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents the EFG International Group towards third parties and regulators and is co-responsible (together with the Board of Directors and the other senior executives) towards the Swiss Federal Banking Commission (as of 1 January 2009, the Swiss Financial Market Supervisory Authority (FINMA)) for the prudent management and regulation-compliant operation of the organisation.

Deputy Chief Executive Officer

The Deputy Chief Executive Officer assists the Chief Executive Officer 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, the Corporate Office and – together with the CFO – for capital raising. In addition he assumes the responsibility as CEO of EFG Bank (since January 2010).

Chief Financial Officer

The Chief Financial Officer (CFO) has ultimate responsibility for the financial management of the EFG International Group. A major part of his time is spent on the evaluation of mergers/ acquisitions and the consequent presenting of opportunities to the Board delegated Acquisitions Committee. Other ultimate responsibilities include financial reporting, financial regulatory reporting and capital management.

Chief Operating Officer

The Chief Operating Officer is responsible for the management, co-ordination, supervision, planning and control of the Operations and Technology activities of the Group. He is also responsible for supervising and coordinating the Compliance function, the relationship with internal and external auditors and the regulators across the EFG International Group. In addition, he is responsible for the evaluation and management of operational risks and is ultimately responsible for the product approval process. He is an alternate chairman of the Executive Credit Committee and chairs the Group Product Committee.

Chief Risk Officer and Group General Counsel

The Chief Risk Officer and General Counsel is responsible for two key functions:

– As Chief Risk Officer, he monitors and assesses risk throughout the whole EFG International organization, encompassing market, counterparty, country, liquidity and other risks. In this function, he also reports to the EFG International Risk Committee, and provides an indpendent oversight on credit and operational risks, albeit these risks are addressed primarily by the Head of Credit Control and the Chief Operating Officer.

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

CEO Asset Management

The primary responsibility of the Chief Executive Officer Asset Management is to leverage financial product know-how and resources across the company. He is directly responsible for EFG Financial Products, Marble Bar Asset Management LLP, Capital Management Advisors, and the other asset management and funds businesses within EFG International's group of companies. In addition, the Head of Investment Finance/Credit reports to the CEO with supervision delegated to Jim Lee.

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

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

Members of the Executive Committee attend each of the Board meetings during the year and are available to answer questions from the Board. The Chief Executive Officer provides a written report to the Board on a quarterly basis summarising developments in the business and is available to answer questions from the Board. In addition, the Chief Financial Officer reports on the financial results to the Board on a quarterly basis.

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

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

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

See also the information on risk management on page 45.

4. EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

Lawrence D. Howell is a U.S. citizen, born in 1953. He is Chief Executive Officer of EFG International. Previously, he was the Chief Executive Officer of EFG Bank (since 1997) and a member of the management (since 1997). From 1995 to 1997 he was CEO of the Zurich office of Banque de Depôts, the predecessor entity to EFG 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.

Lukas Ruflin was appointed as Deputy CEO of EFG International as of June 2009 and as CEO of EFG Bank effective as of January 2010. He 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.

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

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

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

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

Frederick Link was appointed as Group General Counsel and Corporate Secretary of EFG International in March 2006 and Chief Risk Officer in July 2008. He is responsible for risk assessment, management and controlling throughout the EFG International Group, as well as providing legal advice throughout the group. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products. Mr. Link is a US citizen, was born in 1975.

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

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 Chief Executive Officer 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.

4.2 Other activities and vested interests

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

4.3 Management contracts

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

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

General

Compensation of the Board of Directors, the CEO and other member of the Executive Committee, as well as other senior executives, is set by the Board of Directors' remuneration committee (see section 3.4 above). The committee convenes once a year 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 remuneration committee determines the compensation of members of the Executive Committee by considering market compensation levels for similar positions as well as the individual performance and contribution to the business of each employee. The remuneration committee does not benchmark compensation against particular competitors.

The EFG International group has adopted a stock option plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the "Stock Option Plan") in order to strengthen the Company's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Stock Option Plan will cover any options granted during the financial years 2005 to 2010 and last up to the point in time that all options and restricted stock units granted under the Stock Option Plan have either been exercised or have expired.

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

Details of the options granted under the Stock Option Plan can be found in Note 49 to Consolidated Financial Statements of the EFG International group included in this annual report.

Members of the Board of Directors

The compensation of members of the Board of Directors who receive compensation is determined by the remuneration committee and does not include any cash bonus or other variable component.

Executive Committee and other Members of the Executive Management

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

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

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

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

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

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

6.2 Statutory quorums

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

6.3 Convocation of the Annual General Meeting

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

6.4 Agenda

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

6.5 Registrations in the share register

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

Stock options and restricted stock units granted to officers and employees would become exercisable upon a mandatory or a voluntary tender offer that becomes unconditional according to the Swiss Federal Act on Stock Exchanges. The individual lock-up undertakings as described in section 1.4 above would no longer be effective if EFG Bank European Financial Group SA ceases to have a controlling interest in EFG International.

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

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

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

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 4,908,278 for auditing the 2009 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 473,343 and fees for tax advice, consultancy and other services of CHF 66,665 were paid.

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

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

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

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

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

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

The audit committee and the Chairman's Office report back to the Board of Directors about their contacts and discussions with the external auditors.

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

9. INFORMATION POLICY

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

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

EFG INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009 CHF millions	Year ended 31 December 2008 CHF millions
Interest and discount income		413.6	861.8
Interest expense		(150.3)	(575.2)
Net interest income	5	**263.3**	286.6
Banking fee and commission income		594.8	671.5
Banking fee and commission expense		(97.2)	(99.8)
Net banking fee and commission income	6	**497.6**	571.7
Dividend income	7	3.5	3.2
Net trading income	8	55.8	88.3
Net gain/(loss) from financial instruments designated at fair value	9	3.2	(127.2)
Gains less losses from investment securities	10	25.2	107.6
Other operating income		10.5	16.1
Net other income		**98.2**	88.0
Operating income		**859.1**	946.3
Impairment charges	11	(5.4)	(15.4)
Operating expenses	12	(744.1)	(709.5)
Operating profit before tax		109.6	221.4
Income tax expense	14	(5.4)	(25.5)
Net profit for the period		104.2	195.9
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group		101.1	221.9
Net profit attributable to non-controlling interests		3.1	-
Net loss attributable to non-controlling interests		-	(26.0)
		104.2	195.9
		CHF	CHF
Earnings per ordinary share			
Basic	46.1	0.57	1.33
Diluted	46.2	0.55	1.32

The notes on pages 82 to 159 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009 CHF millions	Year ended 31 December 2008 CHF millions
Net profit for the period		**104.2**	195.9
Other comprehensive income			
Fair value (losses)/gains on available-for-sale investment securities, before tax	28	(19.5)	66.5
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	28	(25.2)	(107.6)
Tax effect on changes in fair value of available-for-sale investment securities	28	3.2	(4.3)
Currency translation differences, before tax		2.5	(297.6)
Tax effect on currency translation differences		5.7	
Other comprehensive income for the period, net of tax		(33.3)	(343.0)
Total comprehensive income for the period		**70.9**	(147.1)
Total comprehensive income for the period attributable to:			
Equity holders of the Group		69.5	(119.5)
Non-controlling interests		1.4	(27.6)
		70.9	(147.1)

The notes on pages 82 to 159 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009

	Note	31 December 2009 CHF millions	31 December 2008 CHF millions
Assets			
Cash and balances with central banks	17	**265.4**	115.2
Treasury bills and other eligible bills	19	**770.8**	73.7
Due from other banks	20	**3,519.6**	3,730.6
Loans and advances to customers	21	**8,217.5**	7,424.3
Derivative financial instruments	24	**285.9**	452.8
Financial assets designated at fair value:			
Trading Assets	25	**310.5**	720.3
Designated at inception	26	**714.8**	533.4
Investment securities:			
Available-for-sale	27	**4,299.1**	3,351.4
Held-to-maturity	29	**510.5**	514.1
Intangible assets	31	**1,491.3**	1,763.0
Property, plant and equipment	32	**56.0**	57.1
Deferred income tax assets	15	**32.4**	25.8
Other assets	33	**176.2**	132.6
Total assets		**20,650.0**	18,894.3
Of which assets to significant shareholders		***9.8***	*10.4*
Liabilities			
Due to other banks	34	**447.1**	400.9
Due to customers	35	**15,727.9**	14,213.4
Derivative financial instruments	24	**454.0**	459.6
Financial liabilities designated at fair value	36	**414.1**	263.1
Other financial liabilities	37	**1,002.0**	679.6
Current income tax liabilities		**9.1**	12.9
Deferred income tax liabilities	15	**51.5**	66.0
Other liabilities	38	**306.0**	541.4
Total liabilities		**18,411.7**	16,636.9
Equity			
Share capital	40.1	**73.2**	77.3
Share premium	40.2	**1,157.4**	1,205.3
Other reserves	41	**160.1**	160.1
Retained earnings		**762.0**	719.6
		2,152.7	2,162.3
Non-controlling interests		**85.6**	95.1
Total shareholders' equity		**2,238.3**	2,257.4
Total equity and liabilities		**20,650.0**	18,894.3
Of which subordinated liabilities		-	-
Of which liabilities to significant shareholders		***38.5***	*5.3*

The notes on pages 82 to 159 form an integral part of these consolidated financial statements

	Note	Year ended 31 December 2009 CHF millions	Year ended 31 December 2008 CHF millions
Cash flows from operating activities			
Interest received		**430.0**	821.1
Interest paid		**(159.7)**	(553.4)
Banking fee and commission received		**598.7**	677.1
Banking fee and commission paid		**(91.8)**	(97.0)
Dividend received	7	**3.5**	3.2
Net trading income		**50.4**	72.4
Other operating (payments)/receipts		**3.5**	(24.7)
Staff costs paid		**(439.8)**	(404.5)
Other operating expenses paid		**(192.8)**	(201.0)
Income tax paid		**(21.1)**	(49.6)
Cash flows from operating activities before changes in operating assets and liabilities		**180.9**	243.6
Changes in operating assets and liabilities			
Net decrease in treasury bills		**(145.5)**	
Net (increase)/decrease in due from other banks		**(397.0)**	(51.0)
Net (increase)/decrease in derivative financial instruments		**156.1**	(3.6)
Net increase in loans and advances to customers		**(620.1)**	(718.9)
Net decrease/(increase) in other assets		**(43.8)**	12.9
Net (decrease)/increase in due to other banks		**(37.4)**	(156.9)
Net increase in due to customers		**1,367.0**	2,637.3
Net decrease in other liabilities		**36.7**	(40.9)
Net cash flows from operating activities		**496.9**	1,922.5
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired			(848.1)
Disposal of minority share in subsidiaries and businesses			3.4
Purchase of securities		**(11,075.3)**	(10,950.0)
Proceeds from sale of securities		**10,397.1**	9,287.3
Purchase of property, plant and equipment	32	**(14.4)**	(29.2)
Purchase of intangible assets		**(80.8)**	(10.7)
Proceeds from sale of property, plant and equipment		**0.4**	0.1
Net cash flows used in investing activities		**(773.0)**	(2,547.2)
Cash flows from financing activities			
Dividends paid on Bons de Participation		**(25.4)**	(30.4)
Dividends paid on ordinary shares	47	**(33.3)**	(50.2)
Distributions to non-controlling interests		**(0.8)**	(10.9)
Ordinary shares repurchased	40	**(74.6)**	(64.8)
Ordinary shares sold	40	**15.2**	
Shares issued to non-controlling interests			99.1
Issuance of structured products		**6,100.5**	1,178.9
Redemption of structured products		**(5,609.6)**	(509.8)
Repayments from other borrowed funds			(150.7)
Net cash flows from/(used) in financing activities		**372.0**	461.2
Effect of exchange rate changes on cash and cash equivalents		**0.1**	(362.7)
Net change in cash and cash equivalents		**96.0**	(526.2)
Cash and cash equivalents at beginning of period	18	**3,844.2**	4,370.4
Net change in cash and cash equivalents		**96.0**	(526.2)
Cash and cash equivalents	18	**3,940.2**	3,844.2

The notes on pages 82 to 159 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 Argentina, Bahamas, Bermuda, Canada, Cayman, Channel Islands, Dubai, France, Gibraltar, Hong Kong, India, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and the United States of America. Across the whole Group, the number of employees at 31 December 2009 was 2,394 (31 December 2008: 2,455).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland, and listed on the SIX Swiss Exchange, 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 16 March 2010.

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 2009. These financial statements have been prepared in accordance with those IFRS (International Financial Reporting Standards) standards and IFRIC (International Financial Reporting Interpretations Committee) interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2010). These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates is presented in notes 3 and 31.

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, effective for accounting periods beginning on 1 January 2009. These are as follows:

New and amended standards adopted by the Group:

– IAS 1 (revised) Presentation of Financial Statements
  Effective as of 1 January 2009, the revised International Accounting Standard (IAS) 1 affects the presentation of both owner changes in equity and comprehensive income. The Group continues to present owner changes in equity in the "Statement of changes in equity", but detailed information relating to non-owner changes in equity, such as foreign exchange translation, cash flow hedges and financial investments available-for-sale, is now presented in the "Statement of comprehensive income".

When implementing these amendments, the Group also adjusted the format of its "Statement of changes in equity" and added the "Statement of comprehensive income".

- IAS 1 (revised) Presentation of Financial Statements, and IAS 32 (revised) Financial Instruments: Presentation
  The IASB issued a further amendment to IAS 1 and an amendment to IAS 32 regarding puttable financial instruments and obligations arising on liquidation. The IAS 32 amendment clarifies under which circumstances puttable financial instruments and obligations arising on liquidation have to be treated as equity instruments.
  The amendment is limited in scope and is restricted to the accounting for such instruments under IAS 1, IAS 32, IAS 39 and IFRS 7. The amendment to IAS 1 requires additional information about puttable financial instruments and obligations arising on liquidations which have to be treated as equity instruments. The Group adopted the amendments on 1 January 2009. The adoption of the amendments did not have any impact on the Group's financial statements.
- IFRS 7 (revised) Financial Instruments: Disclosures
  This standard was revised in March 2009 when the International Accounting Standards Board (IASB) published the amendment "Improving Disclosures about Financial Instruments". Effective as of 1 January 2009, the amendment requires enhanced disclosures about fair value measurements and liquidity risk. The enhanced fair value measurement disclosure requirements include: a fair value hierarchy (i. e., categorization of all financial instruments into levels 1, 2 and 3 based on the relevant definitions); significant transfers between level 1 and level 2; reconciliation of level 3 instruments at the beginning of the period to the ending balance (level 3 movement table); level 3 profit or loss for positions still held at balance sheet date; and sensitivity information for the total position of level 3 instruments and the basis for the calculation of such information. The amended liquidity risk disclosure requirements largely confirm the previous rules for providing maturity information for non-derivative financial liabilities, but amend the rules for providing maturity information. The adaption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the group.
- IFRS 2 (amendment) Share-based payment
  The amendment is effective from the 1st January 2009 and deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or company's financial statements.
- IFRS 8 Operating Segments
  Effective from 1 January 2009 onwards and replaces IAS 14 Segment Reporting. Under the requirements of the new standard, the Group's external segmental reporting is now based on the internal reporting to the Executive Committee (or the "chief operating decision maker"), which makes decisions on the allocation of resources and assesses the performance of the reportable segments.
  In accordance with the new structure announced in June 2009 (Asset Management), and following the guidance of IFRS 8, the Group is disclosing seven reportable segments in 2009.
- Reassessment of embedded derivatives
  Issued in March 2009, the supplement Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 clarifies that on reclassification of a financial asset out of the "Held for trading" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.
  The application of this guidance had no impact on the Group's financial statements.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
  Issued on 1 October 2008 and became effective on 1 January 2009. IFRIC 16 provides guidance in determining which foreign exchange risks arising from net investments in foreign operations of the Group's subsidiaries, associates, joint ventures or branches qualify for hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and Measurement.
  IFRIC 16 clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognized in the entity's consolidated financial statements.
  The application of this guidance had no impact on the Group's financial statements.

– IAS 39 Hedging using internal contracts
This amendment was issued to clarify that an entity should no longer use hedge accounting for transactions between segments in their separate financial statements. This amendment was originally made as part of the 2007/08 improvements project, but the IASB has taken the opportunity to make further textual amendments in this regard in paragraph 80 of IAS 39.
This amendment is effective for periods beginning on or after 1 January 2009 and has no 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 2010 or later periods, but the Group has not early adopted them:

– IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
– IFRS 5 (amendment), 'Disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations' specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. The scope of IFRS 5 has been defined more precisely to clarify that IFRS 5 specifies all disclosure required with respect to non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosure requirements of other standards are no longer mandatory, unless those standards require specific disclosures for those assets (or groups) presented as held-for-sale or discontinued operations. Effective for periods beginning on or after 1 January 2010, the amendment is not expected to have a material impact on the Group financial statements.
– IFRS 9 'Financial Instruments'
The International Accounting Standards Board (IASB) published in November 2009 IFRS 9 Financial Instruments. The standard forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard, to be known as IFRS 9 Financial Instruments. The effective date of the new classification and measurement guidance is 1 January 2013.
– IAS 1 (amendment), 'Presentation of financial statements'. The amendment was published in April 2009 and provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group financial statements.
– IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.
– IAS 36 (amendment), 'Unit of accounting for goodwill impairment test'. This amendment is to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments'. Effective for periods beginning on or after 1 January 2010, the amendment is not expected to have any impact on the Group's financial statements.
– IAS 38 (amendments), 'Additional consequential amendments arising from IFRS 3 (revised)' and 'Measuring the fair value of an intangible asset acquired in a business combination'. The amendments were made to paragraphs 36 and 37 of IAS 38, 'Intangible assets', to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible

assets acquired in a business combination and also to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. Effective for periods beginning on or after 1 January 2010, these amendments are not expected to have a material impact on the Group's financial statements.

– IAS 38 (amendment), 'Intangible Assets'. The Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
– IAS 39 (amendments), 'Scope exemption for business combination contracts'
  Amendments to the scope of IAS 39 to clarify that:
  (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.
  To be prospectively applied to all unexpired contracts with an effective period beginning on or after 1 January 2010.
– IAS 39 (amendments), 'Cash flow hedge accounting'
  Amendment to clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.
– IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
  The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution if reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's or company'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 given, equity instruments or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

A listing of the Company's main subsidiaries is set out in note 30.

(ii) Non-controlling interests

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

Put options over minority shareholders

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

(iii) Associates

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

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the company's functional and presentation currency. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in other reserves.

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

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

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

	2009 Closing rate	2009 Average rate	2008 Closing rate	2008 Average rate
USD	1.030	1.085	1.061	1.083
GBP	1.664	1.696	1.540	1.997
EUR	1.484	1.510	1.492	1.587
SEK	0.145	0.142	0.136	0.165

(ii) Transactions and balances

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

(d) Derivative financial instruments and hedging

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

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

Certain derivatives embedded in other financial instruments, such as the 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 or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

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

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

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 24.

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

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

(g) Property, plant and equipment

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

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

– Leasehold improvements: 5-20 years
– Computer hardware: 3-5 years
– Furniture, equipment and motor vehicles: 3-10 years

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

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported under 'Intangible assets', while goodwill on acquisition of associates is included in 'Investments in associates'. The carrying amount of goodwill is reviewed 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 31.2). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets - Client Relationships

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

(iii) Other intangible assets - Trademarks

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

(iv) Other intangible assets - Non-compete agreement

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

(v) Other intangible assets - Computer software

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

(i) Financial Assets and liabilities

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

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

(i) Designated at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

(iv) Held-to-maturity

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

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

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

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

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

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

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

(i) Available-for-sale assets

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

(ii) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

(k) Debt securities in issue

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

(l) Leases

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

(m) Deferred income tax

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

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

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

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

(n) Employee benefits

(i) Pension obligations

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

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

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

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

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

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

(ii) Short-term employee benefits

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

(iii) Share based compensation

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

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

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

(o) Related party transactions

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

(p) Provisions

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

(q) 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 with changes in presentation in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in Note 2 (h). The recoverable amounts of cash-generating units are determined based on 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 utilization period (not exceeding 5 years). An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 31.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined by using valuation techniques (note 4.2.1). 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 designated at fair value - Life insurance policies

The Group follows the guidance of IAS 39 on the valuation of unquoted “designated at fair value” life insurance policies (note 4.2.1) using models. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy. See note 4.2.4 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 16.7 million through the Income Statement, and a 3 month increase in actual life expectancies would result in a loss of CHF 16.3 million.

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

The Group follows the guidance of IAS 39 on the valuation of unquoted available-for-sale life insurance policies. 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 17.2 million through equity, and a 3 month increase in actual life expectancies would result in a loss of CHF 16.7 million.

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

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(f) Held-to-maturity investments

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

(g) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk, with most credit risk being limited to interbank placements with rated financial institutions, mortgages, Lombard loans and other secured loans, and market risk largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group.

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

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

4.1 Credit risk

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

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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

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

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

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents, are used by Group Risk unit for managing of the credit risk exposures.

4.1.2 Risk limit control and mitigation policies

To qualify as collateral for a margin loan, a client's securities portfolio must be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Over 90% of mortgages are booked in the UK subsidiary, EFG Private Bank Ltd and these mortgages are related predominantly to properties in prime London locations.

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

Management of exposure to financial institutions is based on a system of counterparty limits co-ordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set by the Group's Market, Bank and Country Risk Committee up to a certain absolute size or ceiling; depending on each counterparty's Fitch ratings and on its total equity. Beyond that ceiling, an opinion must be requested from the Group's Risk Unit, prior to submission to the Group's Risk Committee, for approval.

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

The principal collateral types for loans and advances are:

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

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

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

4.1.3 Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at 31 December 2009 and 2008, before and after collateral held or other credit enhancements. Equity-related financial instruments are not included in the below analysis as not considered as subject to credit risk.

	Maximum exposure *before* collateral held or other credit enhancements		Exposure *after* collateral held or other credit enhancements	
31 December	2009 CHF millions	2008 CHF millions	2009 CHF millions	2008 CHF millions
Balances with central banks	265.4	107.2	265.4	107.2
Treasury bills and other eligible bills	770.8	73.7	770.8	73.7
Due from other banks	3,519.6	3,730.6	3,519.6	3,730.6
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	6,357.2	6,068.8	97.3	123.0
Mortgages	1,860.3	1,355.5		
Derivative financial instruments	285.9	452.8	227.2	312.4
Financial assets designated at fair value:				
Trading Assets - Debt securities	54.9	640.6	54.9	640.6
Designated at inception - Debt securities	702.4	524.0	339.2	311.8
Investment securities - Debt securities	4,776.9	3,828.9	4,776.9	3,828.9
Other assets	176.2	132.6	176.2	132.6
On-balance sheet assets	**18,769.6**	16,914.7	**10,227.5**	9,260.8
Financial guarantees	288.3	311.2	4.0	7.3
Loan commitments, and other credit related guarantees	232.7	235.4	2.0	34.8
Off-balance sheet assets	**521.0**	546.6	**6.0**	42.1
Total	**19,290.6**	17,461.3	**10,233.5**	9,302.9

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 98.6% (2008: 98.4%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

31 December 2009 based on Moody's ratings:

	Aaa - Aa	A	Baa - Ba	B - C	Unrated	Total
Balances with central banks	265.4					265.4
Treasury bills and other eligible bills	770.8					770.8
Due from other banks	2,207.4	1,157.7	117.0		37.5	3,519.6
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans	44.3	10.0	37.0	6.0		97.3
Mortgages						-
Derivative financial instruments	7.0	143.5	52.0		24.7	227.2
Financial assets designated at fair value:						
Trading Assets - Debt securities	7.3	33.3	14.3			54.9
Designated at inception - Debt securities	86.6	215.8	30.0		6.8	339.2
Investment securities - Debt securities	3,898.4	828.1	24.0		26.4	4,776.9
Other assets					176.2	176.2
Total on-balance sheet assets 2009	**7,287.2**	**2,388.4**	**274.3**	**6.0**	**271.6**	**10,227.5**
Financial guarantees					4.0	4.0
Loan commitments, and other credit related guarantees					2.0	2.0
Total off-balance sheet assets 2009	**-**	**-**	**-**	**-**	**6.0**	**6.0**

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 2009		31 December 2008	
		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)	8,171.7	3,519.6	7,302.8	3,730.6
Past due but not impaired	b)	45.8		121.5	
Impaired		17.0		14.7	
Gross		8,234.5	3,519.6	7,439.0	3,730.6
Less: allowance for impairment		(17.0)		(14.7)	
Net		**8,217.5**	**3,519.6**	7,424.3	3,730.6

The total impairment provision for loans and advances of CHF 17.0 million (2008: CHF 14.7 million) comprises specific provisions against individual loans. Note 22 relates to the impairment allowance for loans and advances to customers.

a) Loans and advances neither past due or impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired, can be assessed by reference to the internal rating system adopted by the Group.

	Loans and advances to customers		
		Individuals	
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2009			
Grade 1–2	5,115.6	86.4	5,202.0
Grade 3	922.6	1,447.4	2,370.0
Grade 4–5	279.7	275.3	555.0
Grade 6–7	38.6	6.1	44.7
Grade 8			
Grade 9–10			
	6,356.5	**1,815.2**	**8,171.7**
31 December 2008			
Grade 1–2	4,686.4	45.0	4,731.4
Grade 3	1,282.2	1,123.8	2,406.0
Grade 4–5	44.8	88.3	133.1
Grade 6–7	28.1	4.2	32.3
Grade 8			
Grade 9–10			
	6,041.5	1,261.3	7,302.8

b) Loans and advances past due, but not impaired

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

		Individuals	
	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2009			
Greater than 180 days, past due	0.4	33.5	33.9
Less than 180 days, past due	0.3	11.6	11.9
Total	**0.7**	**45.1**	**45.8**
Fair value of collateral		79.2	79.2
31 December 2008			
Greater than 180 days, past due	19.0	68.4	87.4
Less than 180 days, past due	8.3	25.8	34.1
Total	27.3	94.2	121.5
Fair value of collateral	43.4	175.4	218.8

4.1.5 Impairment and provisioning policies

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

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

Grade descriptions	2009 Loans and advances %	2009 Impairment provision %	2008 Loans and advances %	2008 Impairment provision %
Grade 1–2	63.2		63.6	
Grade 3	28.8		32.3	
Grade 4–5	6.7		1.8	
Grade 6–7	1.1		2.1	
Grade 8	0.0		0.0	
Grade 9–10	0.2	100.0	0.2	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 2009, based on internal ratings:

Moody's rating	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at fair value CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held to maturity CHF millions	Total CHF millions
Grade 1–2	770.8	7.3	149.9	3,391.7	506.7	4,826.4
Grade 3		33.3	515.7	828.1		1,377.1
Grade 4		14.3	30.0	24.0		68.3
Unrated			6.8	22.6	3.8	33.2
Total	**770.8**	**54.9**	**702.4**	**4,266.4**	**510.5**	**6,305.0**

4.2 Market Risk

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

The Group engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Cayman, Geneva, Guernsey, Hong Kong, London, Miami, Monaco, Stockholm and Zurich. The Group does not engage in proprietary trading in securities, but does from time to time provide liquidity to clients holding selected securities.

The Group separates exposures to market risk into either trading or non-trading portfolios. Both securities and foreign exchange exposures are strictly limited by nominal overnight and Value at Risk (VaR) limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. Adherence to all limits is monitored independently by the internal risk management department.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to currency risk in connection with the capital of our subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

4.2.1 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 (ie as price) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	31 December 2009				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	0.1	196.6		196.7	
Interest rate derivatives	2.9	6.6		9.5	
Other derivatives	21.6	11.4	46.7	79.7	
Total derivatives assets					**285.9**
Trading assets:					
Equity	255.6			255.6	
Debt	54.9			54.9	
Total trading assets					**310.5**
Designated at inception:					
Equity	2.0	10.4		12.4	
Debt	64.8			64.8	
Life Insurance Portfolio			637.6	637.6	
Total financial assets designated at inception					**714.8**
Investment securities: Available-for-sale					
Equity	4.9		27.8	32.7	
Debt	2,620.1	1,295.9		3,916.0	
Life Insurance Portfolio			350.4	350.4	
Total investment securities available-for-sale					**4,299.1**
Total assets measured at fair value	**3,026.9**	**1,520.9**	**1,062.5**	**5,610.3**	**5,610.3**
Derivative financial instruments (liabilities):					
Currency derivatives		154.2		154.2	
Interest rate derivatives	0.3	11.9		12.2	
Other derivatives	271.2	16.4		287.6	
Total derivatives liabilities					**454.0**
Financial liabilities designated at fair value:					
Equity	78.4			78.4	
Debt			335.7	335.7	
Total financial liabilities designated at fair value					**414.1**
Total liabilities measured at fair value	**349.9**	**182.5**	**335.7**	**868.1**	**868.1**
Assets less liabilities measured at fair value	**2,677.0**	**1,338.4**	**726.8**	**4,742.2**	**4,742.2**

(b) Movements of level 3 instruments

	Assets in Level 3				
	Derivative financial instruments CHF millions	Trading assets CHF millions	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in level 3 CHF millions
At 1 January 2009	49.5		522.7	337.2	909.4
Total gains or losses					
in consolidated income statement	(3.8)		15.1	25.0	36.3
in statement of other comprehensive income				(15.0)	(15.0)
Purchases	3.5		129.5	49.1	182.1
Disposals	(1.2)		(9.4)	(9.4)	(20.0)
Transfers out of Level 3*			(4.1)		(4.1)
Exchange differences	(1.3)		(16.2)	(8.7)	(26.2)
At 31 December 2009	**46.7**	**-**	**637.6**	**378.2**	**1,062.5**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(3.8)	-	15.1	25.0	36.3

	Liabilities in Level 3		
	Derivative financial instruments CHF millions	Financial liabilities designed at fair value CHF millions	Total Liabilitites in level 3 CHF millions
At 1 January 2009		246.6	246.6
Total gains or losses			
in consolidated income statement			-
in statement of other comprehensive income			-
Purchases		101.5	101.5
Disposals			-
Minority put option (see note 41)		(12.6)	(12.6)
Transfers out of Level 3*			-
Exchange differences		0.2	0.2
At 31 December 2009	**-**	**335.7**	**335.7**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-	-

* *Transfers out of level 3 include an investment in an unquoted equity holding where the Group acquired "significant influence" and thus is no longer an investment security. See note 33.*

The total gains or losses for the period included in profit or loss for assets held at the end of the reporting period is composed of CHF 50.0 million recorded in Net interest income and CHF (13.7) million recorded in Net gain/(loss) from financial instruments designated at fair value.

No significant transfer between level 1 and level 2 instruments occured 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, and
iv) option pricing models

Valuation technique		31 December 2009 CHF millions	31 December 2008 CHF millions
Recent arm's length transactions	**Products**		
Financial assets designated at fair value	Unquoted private equity holding	-	1.8
Discounted cash flow analysis			
Derivatives	Credit default swap	2.2	
Available-for-sale - Equity securities	Equities in stock exchanges and clearing houses	27.8	28.1
Financial liabilities designated at fair value	Liabilities to purchase minority interests	(22.0)	(34.4)
Discounted cash flow analysis, and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	44.5	49.0
Financial assets designated at fair value	Physical life settlement policies	337.7	308.7
Financial assets designated at fair value	Physical life settlement policies*	299.9	212.2
Available-for-sale	Physical life settlement policies	350.4	309.6
Financial liabilities designated at fair value	Synthetic life settlement policies*	(313.7)	(212.2)
Total		**726.8**	662.8

* *Assets valued at CHF 299.9 million (2008: CHF 212.2 million) and similarly valued liabilities are linked and thus a change in value in one would be 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 2009				
Financial Assets				
Due from other banks	(i)	3,519.6	3,519.7	0.1
Loans and advances to customers	(ii)	8,217.5	8,240.2	22.7
Investment securities - Held-to-maturity	(iii)	510.5	478.9	(31.6)
		12,247.6	**12,238.8**	**(8.8)**
Financial Liabilities				
Due to other banks	(iv)	447.1	447.2	(0.1)
Due to customers	(iv)	15,727.9	15,729.5	(1.6)
Other financial liabilities	(v)	1,002.0	1,021.9	(19.9)
		17,177.0	**17,198.6**	**(21.6)**
Net financial instruments		**(4,929.4)**	**(4,959.8)**	**(30.4)**
31 December 2008				
Financial Assets				
Due from other banks		3,730.6	3,730.7	0.1
Loans and advances to customers		7,424.3	7,457.0	32.7
Investment securities - Held-to-maturity		514.1	480.5	(33.6)
		11,669.0	11,668.2	(0.8)
Financial liabilities				
Due to other banks		400.9	401.0	(0.1)
Due to customers		14,213.4	14,225.0	(11.6)
Other financial liabilities		679.6	693.9	(14.3)
		15,293.9	15,319.9	(26.0)
Net financial instruments		(3,624.9)	(3,651.7)	(26.8)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

(iii) Investment securities - Held-to-maturity

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

(iv) Due to other banks and customers

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

(v) Other financial liabilities

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

	31 December 2009 CHF millions	31 December 2008 CHF millions
At 1 January	**3.3**	0.5
Deferred profit on new transactions	5.9	3.3
Recognized profit in the income statement	(3.4)	(0.5)
At 31 December	**5.8**	3.3

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 24). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets.

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

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The Group uses two different VaR models. The first is a delta based parametric approach (based on a variance/co-variance approach and uses a 99% one-sided confidence level and assumes a 10-day holding period with a 250-day observation period for interest rate and equity VaR and 130-day observation period for foreign exchange VaR) and the second is a full valuation historical VaR approach. The results of these two approaches are added together without taking the benefits of any correlation effects.

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

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
2009				
Interest rate risk	**2.0**	**4.1**	**7.2**	**2.0**
Currency risk	**0.7**	**1.8**	**3.0**	**0.4**
Equity price risk	**2.8**	**2.9**	**4.8**	**2.0**
VaR	**5.5**	**8.8**	**15.0**	**4.4**
2008				
Interest rate risk	7.2	2.1	7.3	0.3
Currency risk	0.7	0.5	0.9	0.2
Equity price risk	2.0	3.2	4.8	1.9
VaR	9.9	5.8	13.0	2.4

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 minority interests.

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

The following risks exist for positions at 31 December 2009 for which VaR is not calculated above.

Risk	Category	Product	Impact from CHF millions	Market value CHF millions	P&L CHF millions	Equity CHF millions
i) Price risk						
	Financial assets designated at fair value	Quoted equities	10% price decrease	4.7	(0.5)	
	Available for sale	Unquoted equities	10% price decrease	27.8		(2.8)
	Financial assets designated at fair value	Life insurance companies	10% price decrease	299.9*	(30.0)	
	Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(313.7)*	31.4	
	Financial liabilities at fair value	Liabilities to purchase minority interests	20% increase in revenue	(22.0)	-	
ii) Interest rate risk						
	Financial assets designated at fair value	Life insurance policies	100 bps increase in IRR**	337.7	(16.7)	
	Available for sale	Life insurance policies	100 bps increase in IRR**	350.4		(17.2)
iii) Life expectancy (actual changes based on actuarial evidence)						
	Financial assets designated at fair value	Life insurance policies	3 month increase	337.7	(16.3)	
	Available for sale	Life insurance policies	3 month increase	350.4		(16.7)

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

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

(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 monthly by the Market Risk Management Unit and reported to management. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

The stress tests include:

i) risk factor stress testing, where stress movements are applied to each risk category, and

ii) ad hoc stress testing, which includes applying possible stress events to specific positions or regions

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

4.2.5 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.

	Up to 3 months CHF millions	3 - 12 months CHF millions	1 - 5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
31 December 2009						
Assets						
Cash and balances with central banks	251.3				14.1	265.4
Treasury bills	624.2	146.6				770.8
Due from other banks	3,379.4	111.3			28.9	3,519.6
Loans and advances to customers	6,665.6	1,218.1	124.2	196.1	13.5	8,217.5
Derivative financial instruments	147.3				138.6	285.9
Financial assets designated at fair value:						
Trading Assets			55.4	12.4	242.7	310.5
Designated at inception			64.8	637.6	12.4	714.8
Investment securities:						
Available-for-sale	2,236.8	1,078.7	565.4	385.5	32.7	4,299.1
Held-to-maturity		506.7	3.8			510.5
Other assets					176.2	176.2
Total financial assets	**13,304.6**	**3,061.4**	**813.6**	**1,231.6**	**659.1**	**19,070.3**
Liabilities						
Due to other banks	329.4	80.9	2.4		34.4	447.1
Due to customers	14,792.9	832.0	43.0		60.0	15,727.9
Derivative financial instruments	99.0				355.0	454.0
Financial liabilities designated at fair value				313.7	100.4	414.1
Other financial liabilities	334.3	165.3	413.3	89.1		1,002.0
Other liabilities					306.0	306.0
Total financial liabilities	**15,555.6**	**1,078.2**	**458.7**	**402.8**	**855.8**	**18,351.1**
On-balance-sheet interest repricing gap	(2,251.0)	1,983.2	354.9	828.8	(196.7)	719.2
Off-balance-sheet interest repricing gap	124.4	(4.8)	(47.2)	5.5	-	77.9
31 December 2008						
Total financial assets	12,837.3	2,700.1	128.5	891.7	490.8	17,048.4
Total financial liabilities	12,668.7	1,089.9	245.3	537.9	2,016.2	16,558.0
On-balance-sheet interest repricing gap	168.6	1,610.2	(116.8)	353.8	(1,525.4)	490.4
Off-balance-sheet interest repricing gap	(26.2)	22.3	3.9	(57.8)		(57.8)

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 intraday and overnight limits. In addition, daily and monthly stop loss limits are in place. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions. From time to time, the Group may hedge its foreign exchange exposure arising from highly probable future cash flows in non CHF currencies, using forward contracts.

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, at 31 December 2009, the Group did not have currency hedging arrangements in place to minimise the effects of exchange rate fluctuations on the reporting of its subsidiaries (currency translation risk).

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure. See note 4.2.4 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 liquidation of marketable securities and drawdowns on lines of credit with the Swiss National Bank.

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

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

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, 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 2009						
Liabilities						
Due to other banks	322.0	23.6	3.5	59.5	38.5	447.1
Due to customers	13,856.4	1,196.2	620.8	54.5		15,727.9
Derivative financial instruments	4,957.0	3,505.9	947.3	505.6		9,915.8
Financial liabilities designated at fair value	30.3	48.1		22.0	313.7	414.1
Other financial liabilities	268.3	58.3	162.4	404.5	108.5	1,002.0
Other liabilities	237.0	27.3	4.1	18.8	18.8	306.0
Total financial liabilities	**19,671.0**	**4,859.4**	**1,738.1**	**1,064.9**	**479.5**	**27,812.9**
Total off balance-sheet	**31.0**	**52.5**	**259.6**	**232.0**	**102.6**	**677.7**
31 December 2008						
Due to other banks	299.5	13.3	48.0		40.1	400.9
Due to customers	10,894.8	2,359.4	935.0	24.2		14,213.4
Derivative financial instruments	9,852.4					9,852.4
Financial liabilities designated at fair value	16.5			34.4	212.2	263.1
Other financial liabilities	17.4	310.5	124.7	214.1	12.9	679.6
Other liabilities	168.9	27.8	80.2	181.5	83.0	541.4
Total financial liabilities	21,249.5	2,711.0	1,187.9	454.2	348.2	25,950.8
Total off balance-sheet	85.4	43.7	254.0	244.1	134.2	761.4

4.3.4 Summary of Liquidity

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

4.4 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; 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; and
- 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 includes amounts in respect of credit risk, market risk, non-counterparty related risk, settlement risk and operational risk.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2009 and 2008. 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 2009 CHF millions	31 December 2008 CHF millions
Tier 1 capital		
Share capital	73.2	77.3
Share premium	1,157.4	1,205.3
Other reserves	160.1	160.1
Retained earnings	762.0	719.6
Minority shareholders	85.6	95.1
IFRS: Total shareholders' equity	**2,238.3**	2,257.4
Less: Proposed dividend on Ordinary Shares (note 47)	(13.4)	(35.3)
Less: Accrual for estimated expected future dividend on Bons de Participation	(3.7)	(4.7)
Less: Available-for-sale investment securities revaluation reserve	(9.2)	
Less: Loans to employees	(3.5)	(5.5)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(1,413.0)	(1,462.9)
Total qualifying Tier 1 capital	**795.5**	749.0
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)	4.1	
Total regulatory capital	**799.6**	749.0
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,776.1	3,627.9
Non-counterparty related risk	70.4	75.9
Market risk*	344.7	698.5
Operational risk*	1,640.4	1,567.0
Total risk-weighted assets	**5,831.6**	5,969.3

	31 December 2009 %	31 December 2008 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	**13.7**	12.5

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

5. NET INTEREST INCOME

	31 December 2009 CHF millions	31 December 2008 CHF millions
Interest and discount income		
Banks and customers	**256.9**	608.7
Treasury bills and other eligible bills	**3.7**	37.3
Trading securities	**1.1**	0.3
Financial assets designated at fair value	**27.5**	18.0
Available-for-sale securities	**109.6**	177.9
Held-to-maturity	**14.8**	19.6
Total interest and discount income	**413.6**	861.8
Interest expense		
Banks and customers	(150.3)	(566.1)
Debt securities in issue		(9.1)
Total interest expense	**(150.3)**	(575.2)
Net interest income	**263.3**	286.6

Interest income accrued on impaired financial assets is CHF Nil (2008: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

Banking fee and commission income		
Lending activities commission	0.4	0.2
Securities and investment activities commission	512.5	576.1
Other services commission	81.9	95.2
Total fee and commission income	**594.8**	671.5
Commission expenses	(97.2)	(99.8)
Net banking fee and commission income	**497.6**	571.7

7. DIVIDEND INCOME

Trading assets	2.1	2.3
Available-for-sale securities	1.4	0.9
Total	**3.5**	3.2

8. NET TRADING INCOME

Foreign exchange	38.7	86.8
Interest rate instruments		(1.4)
Equity securities	17.1	2.9
Total	**55.8**	88.3

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

	31 December 2009 CHF millions	31 December 2008 CHF millions
Interest rate instruments	**1.2**	(9.1)
Equity securities	**4.5**	(13.0)
Life insurance securities	**(2.5)**	(105.1)
Total	**3.2**	(127.2)

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain on disposal of Available-for-sale securities - Transfer from Equity		
Equity securities		25.1
Debt securities	19.8	33.6
Life insurance securities	5.4	48.9
Total	**25.2**	107.6

11. IMPAIRMENT CHARGES

Impairments on amounts due from customers*	7.5	13.3
Reversal of impairments on amounts due from customers	(2.1)	
Impairments of other assets		2.1
Total	**5.4**	15.4

* *In 2008 a significant portion of the impairment on amounts due from customers includes provision made for unauthorised overdrafts that arose as a result of declines in clients collateral values where margin calls procedures and stop loss selling levels were breached.*

12. OPERATING EXPENSES

Staff costs (note 13)	(469.0)	(447.4)
Professional services	(30.7)	(29.0)
Advertising and marketing	(8.8)	(11.2)
Administrative expenses	(76.3)	(83.5)
Operating lease rentals	(39.7)	(34.2)
Depreciation of property, plant and equipment (note 32)	(15.6)	(13.9)
Amortisation of intangible assets		
Computer software and licences (note 31)	(6.6)	(5.2)
Other intangible assets (note 31)	(65.7)	(52.0)
Other	(31.7)	(33.1)
Operating expenses	**(744.1)**	(709.5)

13. STAFF COSTS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Wages, salaries and staff bonuses	(375.7)	(356.8)
Social security costs	(30.1)	(28.6)
Pension costs		
Defined benefits (note 39)	(7.8)	(13.0)
Defined contribution	(9.7)	(7.4)
Employee Stock Option plan (note 49)	(25.0)	(20.4)
Other	(20.7)	(21.2)
Staff costs	**(469.0)**	(447.4)

As at 31 December 2009 the number of employees of the Group was 2,394 and the average for the year was 2,362 (31 December 2008: 2,455 and average for the year: 2,199).

14. INCOME TAX EXPENSE

Current tax	(15.9)	(35.8)
Deferred tax benefit/(charge) (note 15)	10.5	10.3
Total income tax expense	**(5.4)**	(25.5)

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

Operating profit before tax	109.6	221.4
Tax at the weighted average applicable rate of 11% (2008: 11%)	(12.1)	(24.3)
Tax effect of:		
Income not subject to taxes	7.5	(8.9)
Different tax rates in different countries	(0.8)	7.7
Total income tax expense	**(5.4)**	(25.5)

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

15. DEFERRED INCOME TAXES

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

	31 December 2009 CHF millions	31 December 2008 CHF millions
Deferred income tax assets and liabilities comprise the following:		
Deferred income tax assets	32.4	25.8
Deferred income tax liabilities	(51.5)	(66.0)
Net deferred income tax liabilities	**(19.1)**	(40.2)

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

At 1 January	(40.2)	(24.8)
Income statement charge for period	10.5	10.3
Available-for-sale adjustment through equity	3.7	(3.7)
Arising from acquisitions		(22.5)
Changes in estimates related to prior years	7.9	
Exchange differences	(1.0)	0.5
At 31 December	**(19.1)**	(40.2)

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

Tax losses carried forward	30.7	24.9
Temporary differences - income under IFRS not recognised in taxable income	1.7	0.9
Deferred income tax assets	**32.4**	25.8
Arising from acquisition of intangibles	(50.3)	(35.7)
Temporary differences - expenses under IFRS not recognised in taxable income	(1.2)	(30.3)
Deferred income tax liabilities	**(51.5)**	(66.0)
Net deferred income tax liabilities	**(19.1)**	(40.2)

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

Utilisation of tax losses carried forward	0.7	1.0
Creation of deferred tax assets	(12.8)	(17.3)
Change in tax rate		(1.9)
Other temporary differences	1.6	7.9
Deferred income tax (benefit)/charge	**(10.5)**	(10.3)

The Group has subsidiaries with tax losses of CHF 184.0 million (2008: CHF 113.0 million) to carry forward against future taxable income, that will expire after 2015. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profits.

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2009			
Interest and discount income	149.6	264.0	413.6
Interest expense	(75.0)	(75.3)	(150.3)
Net interest income	**74.6**	**188.7**	**263.3**
Banking fee and commission income	217.7	377.1	594.8
Banking fee and commission expense	(45.8)	(51.4)	(97.2)
Net banking fee and commission income	**171.9**	**325.7**	**497.6**
Dividend income	12.2	(8.7)	3.5
Net trading income	42.5	13.3	55.8
Net gain/(loss) from financial assets designated at fair value	(0.5)	3.7	3.2
Gains less losses from investment securities	3.0	22.2	25.2
Other operating income/(loss)	42.0	(31.5)	10.5
Net other income	**99.2**	**(1.0)**	**98.2**
Operating income	**345.7**	**513.4**	**859.1**
Impairment charges	(7.1)	1.7	(5.4)
Operating expenses	(303.0)	(441.1)	(744.1)
Operating profit before tax	**35.6**	**74.0**	**109.6**
Income tax expense	(8.6)	3.2	(5.4)
Net profit for the year	**27.0**	**77.2**	**104.2**
Net result attributable to non-controlling interests	(4.1)	1.0	(3.1)
Net profit attributable to equity holders of the Group	**22.9**	**78.2**	**101.1**

16. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION, (CONTINUED)

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2008			
Interest and discount income	192.2	669.6	861.8
Interest expense	(58.2)	(517.0)	(575.2)
Net interest income	134.0	152.6	286.6
Banking fee and commission income	187.2	484.3	671.5
Banking fee and commission expense	(40.7)	(59.1)	(99.8)
Net banking fee and commission income	146.5	425.2	571.7
Dividend income	3.2		3.2
Net trading income	19.5	68.8	88.3
Net gain/(loss) from financial assets designated at fair value		(127.2)	(127.2)
Gains less losses from investment securities	36.0	71.6	107.6
Other operating income/(loss)	25.4	(9.3)	16.1
Net other income	84.1	3.9	88.0
Operating income	364.6	581.7	946.3
Impairment charges	(5.8)	(9.6)	(15.4)
Operating expenses	(260.8)	(448.7)	(709.5)
Operating profit before tax	98.0	123.4	221.4
Income tax expense	(25.1)	(0.4)	(25.5)
Net profit for the year	72.9	123.0	195.9
Net result attributable to non-controlling interests	3.3	22.7	26.0
Net profit attributable to equity holders of the Group	76.2	145.7	221.9

17. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Cash in hand	**8.6**	8.0
Balances with central banks	**256.8**	107.2
Cash and balances with central banks	**265.4**	115.2

18. CASH AND CASH EQUIVALENTS

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

	31 December 2009 CHF millions	31 December 2008 CHF millions
Cash and balances with central banks	265.4	115.2
Treasury bills and other eligible bills	625.3	73.7
Due from other banks - At sight	680.4	632.8
Due from other banks - At term	2,369.1	3,022.5
Cash and cash equivalents with less than 90 days maturity	**3,940.2**	3,844.2

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Treasury bills	193.9	36.5
Other eligible bills	576.9	37.2
Treasury bills and other eligible bills	**770.8**	73.7
Pledged treasury bills with central banks and clearing system companies.	*133.3*	*15.9*

Treasury bills and other eligible bills are debt securities purchased with a maximum term of 90 days.

20. DUE FROM OTHER BANKS

At sight	680.4	632.8
At term - with maturity in less than 90 days	2,369.1	3,022.5
At term - with maturity in more than 90 days	470.1	75.3
Due from other banks	**3,519.6**	3,730.6
Pledged due from other banks	*272.6*	*238.0*

21. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Due from customers	6,374.2	6,080.5
Mortgages	1,860.3	1,358.5
Gross loans and advances	8,234.5	7,439.0
Less: Provision for impairment losses (note 22)	(17.0)	(14.7)
Net loans and advances	**8,217.5**	7,424.3

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

	31 December 2009		31 December 2008	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,690.1	32.7	2,340.5	31.5
Europe (other)	2,095.4	25.5	1,821.0	24.6
Asia and Oceania	1,555.3	19.0	1,620.0	21.8
United Kingdom	1,047.0	12.7	784.6	10.6
Switzerland	253.4	3.1	284.6	3.8
Africa and Middle East	272.9	3.3	250.8	3.4
Luxembourg	167.3	2.0	202.1	2.7
United States and Canada	136.1	1.7	120.7	1.6
Total	**8,217.5**	**100**	7,424.3	100

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

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

	31 December 2009 CHF millions	31 December 2008 CHF millions
At 1 January	14.7	3.3
Exchange differences	(0.9)	(1.9)
Impairment charge for credit losses (Note 11)	5.4	13.3
Utilisation of provision	(2.2)	
At 31 December	**17.0**	14.7

23. COLLATERAL FOR LOANS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Loans and advances to customers		
Mortgages	1,860.3	1,355.5
Secured by other collateral	6,259.9	5,945.8
Unsecured*	97.3	123.0
Total loans and advances	**8,217.5**	7,424.3
Off balance sheet commitments		
Contingent liabilities secured by other collateral	515.0	504.5
Contingent liabilities unsecured	6.0	42.1
Total	**521.0**	546.6

* *The unsecured loans include CHF 61.0 million (2008: 57.0 million) of loans made with no collateral and CHF 36.3 million (2008: CHF 66.0 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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

24.1 Derivatives

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

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.

24.1 Derivatives, (continued)

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

	31 December 2009			31 December 2008		
	Contract/ notional amount CHF millions	Fair value Assets CHF millions	Fair value Liabilities CHF millions	Contract/ notional amount CHF millions	Fair value Assets CHF millions	Fair value Liabilities CHF millions
Derivatives held for trading						
Currency derivatives						
Currency forwards	9,556.7	158.7	116.4	10,044.2	249.8	341.6
OTC currency options	2,695.4	37.9	37.8	1,050.9	33.8	33.5
Futures	6.2	0.1				
		196.7	**154.2**		283.6	375.1
Interest rate derivatives						
Interest rate swaps	435.3	2.5	8.6	54.2	1.2	2.0
OTC interest rate options	90.0	2.3	1.8	55.4	0.3	0.3
Interest rate futures	294.1	2.9	0.3	57.8		3.5
		7.7	**10.7**		1.5	5.8
Other derivatives						
Equity options and index futures	1,495.3	31.1	287.6	1,396.2	117.9	77.1
Credit default swaps		2.2				
Total return swaps	139.0	44.5		323.6	49.0	
Commodity options and futures	26.6	1.9				
		79.7	**287.6**		166.9	77.1
Total derivative assets/liabilities held for trading		**284.1**	**452.5**		452.0	458.0
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	37.6	1.8	1.5	25.7	0.8	1.6
Total derivative assets/liabilities held for hedging		**1.8**	**1.5**		0.8	1.6
Total derivative assets/liabilities		**285.9**	**454.0**		452.8	459.6

24.2 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 2009 was positive CHF 0.3 million (2008: negative CHF 0.8 million).

25. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE - TRADING ASSETS

		31 December 2009 CHF millions	31 December 2008 CHF millions
Issued by public issuers:	Government	3.2	640.6
Issued by public issuers:	Banks	15.8	
Issued by non public issuers:	Other	291.5	79.7
Total		**310.5**	720.3

Equity securities - at fair value:	Listed	255.6	79.7
Debt securities - at fair value:	Listed	54.9	640.6
Total		**310.5**	720.3

The movement in the account is as follows:

At 1 January	720.3	-
Additions	3,839.5	718.8
Disposals	(4,268.5)	
Gains from changes in fair value	19.2	1.5
At 31 December	**310.5**	720.3

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

		31 December 2009 CHF millions	31 December 2008 CHF millions
Issued by public issuers:	Government	63.3	
Issued by non public issuers:	Banks		1.1
Issued by non public issuers:	Private equity investment		1.8
Issued by non public issuers:	Others	13.9	9.6
Issued by other issuers:	US life insurance companies*	299.9	212.2
Issued by other issuers:	US life insurance companies	337.7	308.7
Total		**714.8**	533.4

Equity securities - at fair value:	Quoted	12.4	7.6
Equity securities - at fair value:	Unquoted - Recent arm's length transactions		1.8
Debt securities - at fair value:	Listed	63.3	1.8
Debt securities - at fair value:	Unlisted	1.5	1.3
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis*	299.9	212.2
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis	337.7	308.7
Total		**714.8**	533.4

The movement in the account is as follows:

At 1 January	533.4	37.6
Additions	531.5	722.3
Disposals (sale and redemption)	(366.8)	(108.4)
Gains/(losses) from changes in fair value	16.7	(118.1)
At 31 December	**714.8**	533.4

* See note 36.

27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

		31 December 2009 CHF millions	31 December 2008 CHF millions
Issued by public bodies:	Government	**1,640.4**	22.9
Issued by public bodies:	Other public sector	**88.2**	203.9
Issued by other issuers:	Banks	**2,179.9**	2,750.2
Issued by other issuers:	US life insurance companies	**350.4**	309.6
Issued by other issuers:	Other	**40.2**	64.8
		4,299.1	3,351.4

Debt securities - at fair value:	Listed	**2,628.3**	213.3
Debt securities - at fair value:	Quoted	**93.6**	211.0
Debt securities - at fair value:	Unquoted - Discounted cash flow analysis	**1,194.1**	2,580.9
Equity securities - at fair value:	Listed	**0.3**	0.3
Equity securities - at fair value:	Quoted	**4.6**	3.2
Equity securities - at fair value:	Unquoted - Other valuation Models	**27.8**	33.1
Life insurance policies securities - at fair value:	Unquoted - Discounted cash flow analysis	**350.4**	309.6
Gross securities available-for-sale		**4,299.1**	3,351.4
Allowance for impairment		**-**	-
Total		**4,299.1**	3,351.4
Pledged securities with central banks and clearing system companies		***573.8***	*38.1*

The movement in the account is as follows:

At 1 January	**3,351.4**	3,537.7
Exchange differences	**7.4**	(778.5)
Additions	**6,704.3**	9,715.8
Disposals (sale and redemption)	**(5,761.6)**	(9,194.4)
Gains from changes in fair value	**(19.5)**	66.5
Accrued interest	**17.1**	4.3
At 31 December	**4,299.1**	3,351.4

28. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE EQUITY RESERVE

Equity reserve - revaluation of the investment securities available-for-sale:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities, are recognised in a revaluation reserve for available-for-sale financial assets in equity. (Note 41)

The movement of the reserve, is as follows:

	31 December 2009 CHF millions	31 December 2008 CHF millions
At 1 January	(38.2)	7.2
Fair value (losses)/gains on available-for-sale investment securities, before tax	(19.5)	66.5
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(25.2)	(107.6)
Tax effect on changes in fair value of available-for-sale investment securities	3.2	(4.3)
At 31 December	**(79.7)**	(38.2)

29. INVESTMENT SECURITIES - HELD-TO-MATURITY

		31 December 2009 CHF millions	31 December 2008 CHF millions
Issued by public bodies:	Government	134.1	135.3
Issued by public bodies:	Other public sector	372.6	375.1
Issued by other issuers:	Financial services	3.8	3.7
Total		**510.5**	514.1

The Group has not reclassified any investment securities during the year (2008: Nil).

The movement in the account, is as follows:

	31 December 2009 CHF millions	31 December 2008 CHF millions
At 1 January	514.1	566.1
Exchange differences	(2.4)	(57.0)
Additions		4.8
Redemptions	(0.2)	
Accrued interest	(1.0)	0.2
At 31 December	**510.5**	514.1
Pledged securities with central banks and clearing system companies.	*44.5*	*119.3*

30. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2009:

Name	Line of business	Country of incorporation		Share Capital (000s)
Main Subsidiaries				
EFG Bank AG, Zurich	Bank	Switzerland	CHF	162,410
EFG Bank (Monaco) (formerly Eurofinancière d'Investissements SAM, Monaco)	Bank	Monaco	EUR	26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP	3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD	27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF	25,000
EFG Bank (Luxembourg) SA, Luxembourg	Bank	Luxembourg	EUR	28,000
EFG Private Bank Ltd, London	Bank	England & Wales	GBP	1,596
EFG Private Bank (Channel Islands) Ltd, Guernsey	Bank	Guernsey	GBP	5,000
EFG Bank AB (formerly EFG Investment Bank AB), Stockholm	Bank	Sweden	SEK	100,000
PRS Investment Services (Cayman) Ltd, Georgetown	Private Banking & Fund Administration	Cayman Islands	USD	-
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD	-
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD	276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD	500
EFG Wealth Management (India) Private Limited, Mumbai	Investment Advisory	India	INR	75,556
EFG Banque Privée SA (formerly EFG Gestion Privée SA), Paris	Investment Advisory	France	EUR	10,000
Asesores y Gestores Financieros S.A., Madrid	Investment Advisory	Spain	EUR	92
On Finance SA, Lugano	Investment Advisory	Switzerland	CHF	1,000
EFG Offshore Ltd, Jersey	Trust Services	Jersey	GBP	9
EFG Platts Flello Ltd, Birmingham	Financial Planning	England & Wales	GBP	2
Ashby London Financial Services Ltd, Wolverhampton	Financial Planning	England & Wales	GBP	200
SIF Swiss Investment Funds SA, Geneva	Funds Administration	Switzerland	CHF	2,500
C.M. Advisors Ltd, Hamilton	Fund of Hedge Funds, Investment Advisor, Investment Manager	Bermuda	USD	12
Marble Bar Asset Management LLP, London	Hedge Fund Management	England & Wales	USD	389,000
Marble Bar Asset Management (Cayman) Ltd, Georgetown	Hedge Fund Management	Cayman Islands	USD	50
Quesada Kapitalförvaltning AB, Stockholm	Asset Management	Sweden	SEK	2,000
EFG Capital International Corp, Miami	Broker-dealer	USA	USD	12,200
EFG Finance (Bermuda) Ltd, Hamilton	Finance Company	Bermuda	USD	12
EFG Finance (Guernsey) Ltd, Guernsey	Finance Company	Guernsey	EUR	26
EFG Finance (Jersey) Ltd, Jersey	Finance Company	Jersey	CHF	3
EFG Financial Products Holding AG, Zurich	Holding	Switzerland	CHF	10,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	EUR	573,603
LFS Invest VII AB, Stockholm	Investment Company	Sweden	SEK	100

All the subsidiaries above are 100% held, with the exception of Marble Bar Asset Management (90.01%), EFG Financial Products Holding AG (56.6%), EFG Wealth Management (India) Private Ltd (75%), Asesores y Gestores Financieros S.A. (72%) and LFS Invest VII AB (10.7% and control).

31. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Intangible Assets CHF millions
At 1 January 2008				
Cost	40.1	227.7	1,006.3	1,274.1
Accumulated amortisation	(28.2)	(33.5)	(21.0)	(82.7)
Net book value	11.9	194.2	985.3	1,191.4
Year ended December 2008				
Opening net book amount	11.9	194.2	985.3	1,191.4
Acquisitions and revaluation of earnout obligations	10.7	378.7	376.6	766.0
Acquisition of subsidiary, net of amortisation	0.4			0.4
Amortisation charge for the year				
- Computer software and licences	(5.2)			(5.2)
Amortisation charge for the year				
- Other intangible assets		(52.0)		(52.0)
Exchange differences	(0.4)	(45.5)	(91.7)	(137.6)
Closing net book value	17.4	475.4	1,270.2	1,763.0
At 31 December 2008				
Cost	32.4	553.8	1,291.2	1,877.4
Accumulated amortisation	(15.0)	(78.4)	(21.0)	(114.4)
Net book value	17.4	475.4	1,270.2	1,763.0
Year ended December 2009				
Opening net book amount	17.4	475.4	1,270.2	1,763.0
Acquisitions and revaluation of earnout obligations	3.3		(194.5)	(191.2)
Amortisation charge for the year				
- Computer software and licences	(6.6)			(6.6)
Amortisation charge for the year				
- Other intangible assets		(65.7)		(65.7)
Exchange differences		(3.4)	(4.8)	(8.2)
Closing net book value	**14.1**	**406.3**	**1,070.9**	**1,491.3**
At 31 December 2009				
Cost	33.7	546.7	1,091.9	1,672.3
Accumulated amortisation and impairment	(19.6)	(140.4)	(21.0)	(181.0)
Net book value	**14.1**	**406.3**	**1,070.9**	**1,491.3**

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

31.1 Decrease in acquisition related intangibles during 2009

		Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Revaluation of earnout obligations				
Marble Bar Asset Management	i		(137.3)	(137.3)
C.M. Advisors Limited	ii		(46.7)	(46.7)
Others			(10.5)	(10.5)
		-	**(194.5)**	**(194.5)**

i) Marble Bar Asset Management

At 31 December 2008 the carrying value of goodwill and net intangibles was CHF 660.9 million. In March 2010, the earnout agreement with the sellers/principals based on the financial performance for the years 2008, 2009 and 2010 was replaced with a 20% profit participation by the managers/principals. Accordingly, the deferred acquisition liability of CHF 137.3 million at the end of 2008 (approximately 21% of the carrying value of the year-end 2008 balance), was offset against the goodwill value carried on the asset side for MBAM at 31 December 2009. In exchange, the Group's profit entitlement has decreased from 100% to 80% of the businesses pre tax profit generation, thereby ensuring an improved structural alignment between the interests of the managers/principals and the Group. The goodwill was decreased by CHF 137.3 million as explained above and after current year amortisation of intangibles of CHF 27.0 million and exchange rate movements, the carrying value is CHF 483.4 million.

ii) C.M. Advisors Limited

At 31 December 2008 the carrying value of goodwill and net intangibles was CHF 270.9 million. During 2009 the earnout agreement was terminated and final payments were made under the agreement, resulting in the estimated contingent purchase payments reflected at end of 2008 of CHF 46.7 million being reversed. As a result, the goodwill was decreased by CHF 46.7 million (2008: CHF 20.4 million decrease) and after current year amortisation of intangibles of CHF 19.6 million (2008: CHF 9.2 million), and foreign currency effects reducing the value by CHF 4.5 million, the carrying value is CHF 200.0 million.

The increase in amortisation of intangibles between 2008 and 2009 represents accelerated amortisation of client relationships where the expected future useful lives of the assets has been reassessed.

31.2 Impairment tests

The Group's goodwill and intangible assets (together "Intangibles") acquired in business combinations are reviewed 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. Given the ongoing volatility in the financial markets, changed industry dynamics made it necessary for the Group to monitor even more closely whether there was indication that goodwill allocated to its CGU's were impaired.

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2009 balances of Intangibles allocated to all its segments remain recoverable.

Carrying values have been compared to recoverable amounts, which are calculated on fair value less costs to sell for all acquisitions except for the Asset Management CGU's (C.M. Advisors Limited and Marble Bar Asset Management) which are assessed using a value in use approach. The Group has adopted value in use tests for the C.M. Advisors Limited and Marble Bar Asset Management CGU's in 2009 (in 2008 the Group used fair value less costs to sell basis), based upon management's latest five year forecasts. The risk discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 7%.

For each of the Private Banking CGU's, 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 (3% to 5% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 8.5 and 14) based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

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

		31 December 2009		
	Recoverable amount based on	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Asset Management cash generating units				
Marble Bar Asset Management	Value in use	224.4	259.0	483.4
C.M. Advisors Limited	Value in use	11.1	188.9	200.0
Private Banking cash generating units				
Derivative Structured Asset Management	Fair value less costs to sell	10.9	233.4	244.3
Asesores y Gestores Financieros SA	Fair value less costs to sell	42.7	53.6	96.3
PRS Group	Fair value less costs to sell	37.7	52.7	90.4
Banque Edouard Constant	Fair value less costs to sell		76.3	76.3
Harris Allday	Fair value less costs to sell	27.3	38.1	65.4
Bank von Ernst (Liechtenstein) AG	Fair value less costs to sell	9.4	32.2	41.6
Banque Monégasque de Gestion	Fair value less costs to sell	8.1	28.7	36.8
Other Cash Generating Units	Fair value less costs to sell	34.7	108.0	142.7
Total carrying values		**406.3**	**1,070.9**	**1,477.2**

Asset Management CGU's

Goodwill and Intangible assets of the Asset Management cash generating units at 31 December 2009 amounted to CHF 683.4 million (CHF 931.8 million at 31 December 2008). The assessment of goodwill and intangibles of this segment, which was most affected by the financial market crises, was a key focus. In its review of the year-end 2009 Intangibles, the Group considered the performance outlook of its asset management businesses and the underlying business operations of MBAM and CMA, to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the estimated cash flows the operations will generate from their businesses, discounted back to their present value using a discount rate that reflects the risk profile of the hedge fund activities, the Group concluded that goodwill allocated to the segment remained recoverable at 31 December 2009.

The conclusion was reached on the basis of the forecast results of those activities which management expects to generate positive cash flows in future years. The forecasts are based on an expectation that the financial services environment and interest rate environment will gradually improve over the next three years and reach an average growth level thereafter. The fair value obtained from the model exceeded the book value of the MBAM and CMA businesses. However, if the external conditions in the industry further deteriorate and/or if the anticipated investment returns for investors turn out to be worse than anticipated in the Group's performance forecasts, the goodwill and intangibles carried in this segment may need to be impaired in future periods.

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

– Marble Bar Asset Management ("MBAM")

In the case of MBAM, the following performance indicators and results were forecasted (USD millions unless stated) based on planned business initiatives:

	2009	2010	2011	2012
Unleveraged assets under management at end of period	1,627	1,625	2,380	3,386
Average leveraged assets under management	2,165	2,025	2,880	3,922
Gross Investment Return (% p.a.)	4.0%	12.5%	15.0%	15.0%
Operating income	47.5	78.8	119.2	158.4
Profit before tax	9.1	16.5	34.4	55.2

Initiatives and actions underpinning this growth, are as follows:

1. The earnout agreement with the sellers/principals, whereby up to USD 300 million was potentially payable at the beginning of 2011 based on the financial performance for the years 2008, 2009 and 2010, has been replaced with a 20% profit participation by the managers/principals. Accordingly the deferred acquisition liability of CHF 137.3 million (approximately 21% of the carrying value of the year-end 2008 balance) reflected at the end of 2008, was offset against the goodwill value carried on the asset side at 31 December 2009. In exchange, the Group's profit entitlement has decreased from 100% to 80% of the businesses pre tax profit generation, thereby ensuring an improved structural alignment between the interests of the managers/principals and the Group.

2. Dedicated fund raising initiative with the Group's CRO network, with market related fee sharing in place, of both management and performance fees.

3. New asset raising initiatives through UCITs, new offices in Singapore and New York.

4. Significant hiring of several high-profile traders.

The valuation of goodwill and intangibles is sensitive to future earnings from the cash generating units. If the profits forecasted for 2010-2012 attributable to MBAM declined 50% compared to the above forecasts, the total goodwill and intangibles would decrease by approximately USD 114 million to be charged to the Income Statement as an impairment charge.

A large portion of the MBAM revenues are from incentive fees on the investment returns generated in the funds managed by MBAM. Thus, the forecasted profits are substantially dependent on the targeted investment returns being effectively achieved. Accordingly the business is heavily dependent on the Chief Investment Officer and the key traders and their ability to continue to generate risk-adjusted returns in line with the historic 10%-15% annualised compound gross investment return.

– C.M. Advisors Limited ("CMA")

In the case of CMA, the following performance indicators and results were forecasted (USD millions unless stated) based on planned business initiatives:

	2009	2010	2011	2012
Average assets under management	1,112	2,078	4,324	8,380
Return on average assets under management (basis points)	94	73	69	72
Operating income	10.4	15.1	29.7	60.0
Profit before tax	5.3	10.1	22.2	48.9

Initiatives and actions underpinning this growth, are as follows:

1. The earnout agreement with the sellers/principals was terminated in 2009. Accordingly the final earn out payments were made and deferred acquisition liabilities of CHF 46.7 million have been reversed. No deferred acquisition obligations remain at 31 December 2009 (2008 approximately 21% of the carrying value of the year-end 2008 balance was outstanding), as part was paid and part was offset against the goodwill value carried on the asset side for CMA.

2. Utilisation of the Fund of Hedge Funds platform to deliver value through providing a wider range of products across multiple distribution channels, and expansion of its research and product universe to include long-only fund of funds as well as broader asset allocation products, including on-shore products.

3. New asset raising initiatives through broadening the product range provided, acting as advisor to the Group's funds and providing bespoke solutions (for example restructuring illiquid asset pools).

4. CMA will become the Group's centre of excellence on third party hedge funds, providing due diligence services and operational support to the Group's private banking booking centres.

5. Benefit from the Group's strategic initiative to re-align its Hedge Fund pricing policy and to substantially reduce the number of third party Hedge Funds in custody, by acting as advisor throughout the process to the Group's private banking businesses.

The valuation of goodwill and intangibles is sensitive to future earnings from the relevant cash generating units. A significant portion of the CMA revenues are from fees on assets under management generated by the funds managed by CMA. Thus, the forecasted profits are substantially dependent on the targeted growth in assets under management being effectively achieved, and then maintenance of CMA's track record in hedge fund analysis and due diligence performed by its research team.

If the revenue generating assets under management do not grow to circa USD 4 billion over the next 3 years the profits are unlikely to support the value in use and if they only grow to USD 2 billion, impairment of approximately USD 104 million is likely to arise. If the profits forecasted for 2010-2012 attributable to CMA declined 50% compared to the above forecasts, the Intangibles recoverable value would decrease by approximately USD 60 million to be charged to the Income Statement as an impairment charge.

Private Banking CGU's

Intangibles of the Private Banking CGU's at 31 December 2009 amounted to CHF 793.8 million (CHF 813.8 million at 31 December 2008). The assessment of goodwill and intangibles of this segment the Group considered the performance outlook of its private banking businesses and the underlying business operations to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the fair value less costs to sell using percentages of Assets under Management and PE's based on expected future revenues, the Group concluded that goodwill allocated to the segment remained recoverable at 31 December 2009.

The conclusion was reached on the basis of the forecast results of those activities which management expects to generate positive cash flows in future years. The forecasts are based on an expectation that the financial services environment and interest rate environment will gradually improve over the next three years and reach an average growth level thereafter. The fair value obtained from the model exceeded the book value of the Private Banking businesses. However, if the external conditions in the industry further deteriorate and/or if the anticipated growth in Assets under Management and resulting growth in operating income do not occur, the goodwill and intangibles carried in this segment may need to be impaired in future periods.

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

– Derivative Structured Asset Management

In the case of Derivatives Structured Asset Management ("DSAM"), which comprises the product structuring business, Swedish private banking business and Quesada Kapitalförvaltning AB business, the following performance indicators and results were forecasted (CHF millions unless stated) based on planned business initiatives:

	2009	2010	2011	2012
Assets under management	4,789	7,649	10,985	15,389
Return on average assets under management (basis points)	71	66	54	46
Operating income	33.1	40.8	50.0	60.6
Profit before tax	(6.0)	17.0	21.3	26.7

Initiatives and actions underpinning this growth, are as follows:

1. In 2009 a significant cost cutting programme was initiated reducing headcount by approximately 40%.

2. Renewed focus on private banking and traditional asset management businesses in order to diversify away from reliance on structured products and capitalise on the banking infrastructure.

3. Maintain the structured products distribution capability, as the market for structured products anticipated to recover over next two years as interest rates start increasing.

4. Growth in Assets under Management through ongoing recruitment of CRO's, and resulting acquisition of new clients assets.

The valuation of Intangibles is sensitive to future earnings from the relevant cash generating units. A large portion of the DSAM's revenues are derived from the levels of assets under management, and from product structuring and distribution to clients. Thus, the forecasted profits are substantially dependent on the ability of DSAM CRO's to be hired and retained, and for these CROs to bring in new client relationships. If the profits forecasted for 2010-2012 attributable to the DSAM declined 50% compared to the above forecasts, the total goodwill and intangibles would decrease by approximately CHF 136 million to be charged to the Income Statement as an impairment charge.

– Asesores y Gestores Financieros SA ("AyG")

In the case of the AyG business, the following performance indicators and results were forecasted (EUR millions unless stated) based on planned business initiatives:

	2009	2010	2011	2012
Operating income	14.0	21.8	34.5	45.4
Profit before tax and non controlling interests	(2.2)	3.2	11.9	18.2

Initiatives and actions underpinning this growth, are as follows:

1. Continued focus on private banking and traditional asset management businesses.

2. Growth in operating income driven by Assets under Management through ongoing recruitment of CRO's, and resulting acquisition of new clients assets.

The valuation of goodwill and intangibles is sensitive to future earnings from the relevant cash generating units. A large portion of the AyG's revenues are from CRO's bringing in new assets under management on which revenues will be generated. Thus, the forecasted profits are substantially dependent on the ability of AyG's CRO's to grow the assets under management. If the profits forecasted for 2010-2012 attributable to AyG declined 50% compared to the above forecasts, the total goodwill and intangibles would decrease by approximately EUR 35 million to be charged to the Income Statement as an impairment charge.

Similar risks are faced by the Group's other private banking businesses and if the assets under management at any of these businesses was to permanently decline, then an impairment of these assets would be likely.

The table below shows the sensitivity to permanent declines in assets under management.

	Current assets under management CHF billions	Impairment impact of 50% decline in forecast profit before tax CHF millions
PRS Group	2.0	40.3
Banque Edouard Constant	3.7	0
Harris Allday	3.7	31.8
Bank von Ernst (Liechtenstein) AG	1.3	19.1
Banque Monégasque de Gestion	0.8	4.1

With respect to certain acquisitions, the total consideration price is based on earn-out multiples implying that such consideration price can increase or decrease in the future depending on the future revenues generated by the business acquired. For the major acquisitions at 31 December 2009 the below table summarises the estimated acquisition price that has already been fixed, and the portion of the total acquisition price that will vary based on the estimated future payments (which are derived from contractual factors based on future earnings, and the future years earnings that these relate to).

Acquisitions with significant earnouts

	Residual period of earn-out	Fixed component %	Variable component %
PRS Group	2010 to 2011	84	16
Quesada	2010 to 2014	69	31
MBAM	Terminated	100	-
DSAM	2010 to 2011	100	-
CMA	Terminated	100	-

32. 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 2008					
Cost	5.7	33.2	23.2	41.9	104.0
Accumulated depreciation	(0.5)	(15.4)	(15.9)	(27.4)	(59.2)
Net book value	5.2	17.8	7.3	14.5	44.8
Year ended December 2008					
Opening net book amount	5.2	17.8	7.3	14.5	44.8
Additions		13.2	6.6	9.4	29.2
Acquisition of subsidiary		1.8	0.5	0.4	2.7
Depreciation charge for the year		(4.5)	(2.8)	(6.6)	(13.9)
Disposal and write-offs	(0.2)		0.4	(0.4)	(0.2)
Exchange differences	(1.6)	(1.8)	(1.3)	(0.8)	(5.5)
Closing net book value	3.4	26.5	10.7	16.5	57.1
At 31 December 2008					
Cost	3.8	38.9	19.2	34.4	96.3
Accumulated depreciation	(0.4)	(12.4)	(8.5)	(17.9)	(39.2)
Net book value	3.4	26.5	10.7	16.5	57.1
Year ended December 2009					
Opening net book amount	3.4	26.5	10.7	16.5	57.1
Additions	0.3	6.3	3.7	4.1	14.4
Depreciation charge for the year	(0.1)	(5.0)	(3.1)	(7.4)	(15.6)
Disposal and write-offs		(0.1)	(0.3)		(0.4)
Exchange differences	0.3		0.1	0.1	0.5
Closing net book value	**3.9**	**27.7**	**11.1**	**13.3**	**56.0**
At 31 December 2009					
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**

33. OTHER ASSETS

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
Prepaid expenses and accrued income	63.0	69.2
Settlement balances	31.9	15.4
Current income tax assets	1.6	
Other assets*	79.7	48.0
Other assets	**176.2**	132.6

* *Includes an investment of CHF 4.1 million in a private equity holding where the Group has in excess of 20% shareholding and Board representation.*

34. DUE TO OTHER BANKS

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
Due to other banks at sight	285.5	299.5
Due to other banks at term	161.6	101.4
Due to other banks	**447.1**	400.9

35. DUE TO CUSTOMERS

Non interest bearing	6,713.2	2,896.0
Interest bearing	9,014.7	11,317.4
Due to customers	**15,727.9**	14,213.4

36. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Synthetic life insurance		313.7	212.2
Equities		78.4	16.5
Liabilities to purchase minority interests		22.0	34.4
		414.1	263.1
Debt securities - at fair value:	Unquoted -		
	Discounted cash flow analysis	313.7	212.2
Equity securities - at fair value:	Unquoted -		
	Recent arm's length transactions	48.1	
Equity securities - at fair value:	Listed	30.3	16.5
Equity securities - at fair value:	Discounted cash flow analysis	22.0	34.4
Total		**414.1**	263.1

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 life insurance policies securities at fair value recorded at CHF 299.9 million (see note 26).

Liability to purchase minority interests

The minority shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applies 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. In 2009 the agreement was restructured and an adjustment of CHF 12.6 million has been reflected as a change in equity as a result of the amended terms of the contract. As of 31 December 2009, the financial liability was valued at CHF 22.0 million (2008: CHF 34.4 million).

37. OTHER FINANCIAL LIABILITIES

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
Structured products issued	1,002.0	679.6
	1,002.0	679.6

38. OTHER LIABILITIES

Contingent acquisition obligations	41.1	313.1
Deferred income and accrued expenses	149.1	147.2
Settlement balances	35.7	42.3
Short term compensated absences	7.8	8.0
Other liabilities	72.3	30.8
Total other liabilities	**306.0**	541.4

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 a claim for approximately CHF 33 million has been filed. The Group is defending the case vigorously and it is not practicable to estimate the Group's possible loss in relation to these matters.

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.

39. 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 4.5 million, the fair value of plan assets is CHF 4 million and the unfunded liability increased by CHF 0.4 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 greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets.

The Switzerland plan - defined benefit

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

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
At 1 January	189.0	163.0
Service cost	8.8	7.8
Employee's contributions	6.5	6.2
Benefit payments	(17.1)	1.8
Interest cost	5.1	5.2
Supplemental Cost under IAS 19		6.7
Pension transfers	(4.3)	(4.2)
Actuarial (gain)/loss for the year	(5.6)	2.5
At 31 December	**182.4**	189.0

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

At 1 January	167.3	165.4
Employee's contributions	6.5	6.2
Employer's contributions	12.2	13.0
Benefit payments	(17.1)	1.8
Expected return on plan assets	6.8	6.7
Actuarial loss for the year	(8.3)	(21.6)
Pension transfers	(4.3)	(4.2)
At 31 December	**163.1**	167.3

39. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
At 31 December		
Present value of funded obligation	182.4	189.0
Fair value of plan assets	(163.1)	(167.3)
Deficit/(surplus)	19.3	21.7
Unrecognised actuarial loss	(23.7)	(26.5)
Pension (prepaid)/accrual	(4.4)	(4.8)
Unrecognised asset at year end		4.8
Net (asset)/liability recognised in balance sheet	**(4.4)**	-
Experience adjustments on plan liabilities	(3.6)	(4.6)
Experience adjustments on plan assets	(8.3)	(21.6)

None of the plan assets have been pledged as collateral (2008: Nil).

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

	At 31 December 2009 CHF millions	At 31 December 2008 CHF millions
At 1 January	-	-
Net periodic pension cost	7.8	6.3
Supplemental Cost under IAS 19		6.7
Employer's contributions	(12.2)	(13.0)
Pension prepaid	**(4.4)**	-
At 31 December	**(4.4)**	-

The movement in unrecognised actuarial loss, is as follows:

At 1 January	26.5	2.4
Actuarial (gain)/loss for the year arising on defined benefit obligation	(5.6)	2.5
Actuarial loss arising on the plan assets	8.3	21.6
Effect from asset ceiling	(4.8)	
Loss recognised in year	(0.7)	
At 31 December	**23.7**	26.5

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

Service cost	8.8	7.8
Interest cost	5.1	5.2
Expected return on plan assets	(6.8)	(6.7)
Amortization of the corridor's variance	0.7	
Net periodic pension cost	**7.8**	6.3
Supplemental Cost under IAS 19		6.7
Total periodic pension cost (note 13)	**7.8**	13.0

The asset allocation, is as follows:

	At 31 December 2009 %	At 31 December 2008 %
Debt instruments	**74.4**	53.7
Equity instruments	**4.1**	16.1
Cash	**21.2**	24.4
Real estate	**0.0**	4.3
Other	**0.3**	1.5
	100.0	100.0

The actual return on plan assets was CHF (1.5) million in 2009.

	31 December 2009 CHF millions	31 December 2008 CHF millions	31 December 2007 CHF millions	31 December 2006 CHF millions	31 December 2005 CHF millions
Present value of Defined benefit obligation	**182.4**	189.0	163.0	149.9	126.1
Fair value of plan assets	**163.1**	167.3	165.4	144.3	119.7
Funded status: under (over) funding	**(19.3)**	(21.7)	2.4	(5.6)	(6.4)
Experience adjustments on plan assets	**(8.3)**	(21.6)	2.1	(1.4)	(5.7)
Experience adjustments on plan liabilities	**(3.6)**	(4.6)	2.6	5.0	1.9

The principal annual actuarial assumptions used, were as follows:

	At 31 December 2009 %	At 31 December 2008 %
Discount rate (p.a)	**3.00**	2.75
Expected return on plan assets (p.a.)	**4.00**	4.00
Future salary increases (p.a.)	**1.00**	1.00
Future pension increases (p.a.)	**0.00**	0.00
Turnover (average) (p.a.)	**9.20**	9.90
	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 2009 (based on the average age of 68.5) for current male pensioners is 15.4 years and for current female pensioners (based on the average age of 66.8) is 19.5 years (based on the LPP 2005 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 contributions to the post-employment benefit plan for the year ending 31 December 2010 are CHF 14.1 million.

40. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

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

40.1 Share Capital

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2008	73.3	6.0	(0.8)	(0.1)	78.4
Ordinary shares repurchased			(1.1)		(1.1)
At 31 December 2008	73.3	6.0	(1.9)	(0.1)	77.3
Ordinary shares sold			0.5		0.5
Ordinary shares repurchased			(4.7)		(4.7)
Bons de Participation sold				0.1	0.1
At 31 December 2009	**73.3**	**6.0**	**(6.1)**	**-**	**73.2**

40.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF million
At 1 January 2008	1,324.7	2.0	(56.3)	(7.3)	1,263.1
Options sold**	5.9				5.9
Ordinary shares repurchased			(63.7)		(63.7)
At 31 December 2008	1,330.6	2.0	(120.0)	(7.3)	1,205.3
Bons de Participation sold				2.7	2.7
Loss on disposal of Bons de Participation transferred to Other reserves				4.6	4.6
Ordinary shares sold			14.7		14.7
Ordinary shares repurchased			(69.9)		(69.9)
At 31 December 2009	**1,330.6**	**2.0**	**(175.2)**	**-**	**1,157.4**

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

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

40.3 Number of shares

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

	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 2008	146,670,000	400,000	(1,642,791)	(4,965)	
Ordinary shares repurchased			(2,232,036)		
At 31 December 2008	146,670,000	400,000	(3,874,827)	(4,965)	
Ordinary shares sold			1,072,167		
Ordinary shares repurchased			(9,480,434)		
Bons de Participation sold				4,965	
At 31 December 2009	**146,670,000**	**400,000**	**(12,283,094)**	**-**	
Net share capital (CHF milions)	**73.3**	**6.0**	**(6.1)**	**-**	**73.2**

All transactions on EFG International AG shares were traded at market prices on the Swiss Exchange. The total number of shares acquired during 2009 is 9,480,434 and the total number of shares sold during 2009 is 1,072,167. The average purchase price of the treasury shares repurchased in the period was CHF 7.92 per share (ranging from a low of CHF 6.53 to a high of CHF 18.90). The average price per share sold was CHF 14.17.

Contingent capital

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

Authorised capital

The Board of directors is authorised, at any time until 29 April 2010, to increase the share capital by a maximum of CHF 9,165,000 by issuing up to 18,330,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

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

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

41. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2008	7.2	10.6	499.3	517.1
Minority put option*			(36.0)	(36.0)
Employee stock option plan		20.4		20.4
Fair value (losses)/gains on available-for-sale investment securities, before tax	66.5			66.5
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(107.6)			(107.6)
Tax effect on changes in fair value of available-for-sale investment securities	(4.3)			(4.3)
Currency translation adjustments			(296.0)	(296.0)
At 31 December 2008	(38.2)	31.0	167.3	160.1
At 1 January 2009	**(38.2)**	**31.0**	**167.3**	**160.1**
Minority put option**			12.6	12.6
Other Reserves adjustments			(1.4)	(1.4)
Employee stock option plan		25.0		25.0
Fair value (losses)/gains on available-for-sale investment securities, before tax	(19.5)			(19.5)
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(25.2)			(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	3.2			3.2
Transfer to Other reserves on disposal of Bons de Participation			(4.6)	(4.6)
Currency translation adjustments			9.9	9.9
At 31 December 2009	**(79.7)**	**56.0**	**183.8**	**160.1**

* *Minority put option represents the put options of the minority shareholders of Asesores y Gestores Financieros SA which give rise to a financial liability that corresponds to the estimated discounted repurchase amount, which is deducted from shareholders' equity when the put options are created.*

** *In 2009 the minority put option agreement was restructured and an adjustment of CHF 12.6 million has been reflected as a change in equity as a result of the amended terms of the contract. As of 31 December 2009, the financial liability was valued at CHF 22.0 million (2008: CHF 34.4 million).*

42. OFF-BALANCE SHEET ITEMS - CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Guarantees issued in favour of third parties	288.3	311.2
Irrevocable commitments	232.7	235.4
Operating lease commitments	156.7	214.8
Total	**677.7**	761.4

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

	Not later than 1 year CHF millions	1-5 year CHF millions	Over 5 year CHF millions	Total CHF millions
31 December 2009				
Guarantees issued in favour of third parties	181.4	50.2	56.7	288.3
Irrevocable commitments	131.3	93.6	7.8	232.7
Operating lease commitments	30.4	88.2	38.1	156.7
Total	**343.1**	**232.0**	**102.6**	**677.7**
31 December 2008				
Guarantees issued in favour of third parties	206.7	45.8	58.7	311.2
Irrevocable commitments	145.8	88.0	1.6	235.4
Operating lease commitments	30.6	110.3	73.9	214.8
Total	383.1	244.1	134.2	761.4

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.

43. FIDUCIARY TRANSACTIONS

	31 December 2009 CHF millions	31 December 2008 CHF millions
Fiduciary transactions with third party banks	2,875.3	4,391.2
Deposits with affiliated banks of the Group	936.5	1,032.5
Loans and other fiduciary transactions	8.7	10.6
Total	**3,820.5**	5,434.3

44. SEGMENTAL REPORTING

Pursuant to the adoption of IFRS 8, 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, and Asset Management.

The Private Banking and Wealth Management business is managed on a regional basis and is thus split into Switzerland, Asia, America's, United Kingdom and Rest of Europe. The Asian region includes Hong Kong, Singapore, Taiwan and India. The America's region includes United States of America, Canada, Bahamas, Cayman and the PRS business. The Rest of

	Private Banking and Wealth management			
	Switzerland CHF millions	Asia CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2009				
Segment revenue from external customers	283.8	85.8	74.7	131.0
Tangible assets and software depreciation	(8.8)	(1.8)	(1.9)	(1.6)
Cost to acquire intangible assets	(2.4)	(0.5)	(3.4)	(4.8)
Segment expenses	(156.0)	(66.9)	(65.0)	(88.1)
Impairment charges	(4.5)	(2.1)		1.3
Segment profit before tax	112.1	14.5	4.4	37.8
Income tax expense	(7.6)	(3.0)	1.5	(7.6)
Net profit for the period	104.5	11.5	5.9	30.2
Net loss/(profit) attributable to non-controlling interests	(1.1)	0.3		
Net profit attributable to Group shareholders	**103.4**	**11.8**	**5.9**	**30.2**
Segment assets	15,252.0	5,742.1	714.5	5,046.8
Segment liabilities	14,478.1	5,718.5	660.5	4,742.2
Assets under management	22,393	11,379	15,133	12,504
Employees	542	404	278	487
At 31 December 2008				
Segment revenue from external customers	259.7	95.7	66.8	144.1
Tangible assets and software depreciation	(7.7)	(1.1)	(1.5)	(1.8)
Cost to acquire intangible assets	(2.5)	(0.2)	(3.6)	(2.6)
Segment expenses	(165.0)	(63.8)	(56.4)	(99.4)
Impairment charges	(6.1)	(2.1)	(2.0)	(5.1)
Segment profit before tax	78.4	28.5	3.3	35.2
Income tax expense	(24.3)	(4.4)	(1.8)	(5.2)
Net profit for the period	54.1	24.1	1.5	30.0
Net loss/(profit) attributable to non-controlling interests	28.2	0.1		
Net profit attributable to Group shareholders	82.3	24.2	1.5	30.0
Segment assets	11,417.4	4,908.4	773.0	4,753.2
Segment liabilities	10,739.6	4,873.8	716.4	4,491.9
Assets under management	20,893	9,458	10,344	10,677
Employees	580	405	282	495

Europe includes private banking operations in France, Gibraltar, Luxembourg, Monaco, Spain, Sweden and Derivatives Structured Asset Management.

The Asset Management segment includes Marble Bar Asset Management, C. M. Advisors, EFG Financial Products and the asset management divisions of the United Kingdom and Swiss banks. These are reported as a single segment as they are considered to have similar economic characteristics and provide similar products and services (though provide these products and services to different markets and customer groups).

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

		Asset Management	Corporate Overheads	Eliminations*	Total
Rest of Europe CHF millions	Total CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
121.9	697.2	167.0	11.9	(17.0)	859.1
(3.2)	(17.3)	(4.4)	(0.5)		(22.2)
(7.8)	(18.9)	(46.8)			(65.7)
(124.8)	(500.8)	(112.0)	(43.4)		(656.2)
(0.1)	(5.4)				(5.4)
(14.0)	154.8	3.8	(32.0)	(17.0)	109.6
4.6	(12.1)	8.6	(1.9)		(5.4)
(9.4)	142.7	12.4	(33.9)	(17.0)	104.2
0.9	0.1	(3.2)			(3.1)
(8.5)	**142.8**	**9.2**	**(33.9)**	**(17.0)**	**101.1**
3,005.9	29,761.3	2,522.9	1,308.1	(12,942.3)	20,650.0
2,670.4	28,269.7	2,148.1	936.2	(12,942.3)	18,411.7
16,349	77,758	9,947	1,445	(1,470)	87,680
377	2,088	281	25		2,394
126.6	692.9	249.4	22.9	(18.9)	946.3
(2.7)	(14.8)	(3.8)	(0.5)		(19.1)
(6.3)	(15.2)	(36.5)			(51.7)
(116.3)	(500.9)	(105.1)	(32.7)		(638.7)
(0.1)	(15.4)				(15.4)
1.2	146.6	104.0	(10.3)	(18.9)	221.4
12.6	(23.1)	0.4	(2.8)		(25.5)
13.8	123.5	104.4	(13.1)	(18.9)	195.9
0.6	28.9	(2.9)			26.0
14.4	152.4	101.5	(13.1)	(18.9)	221.9
2,952.5	24,804.5	1,975.2	1,365.3	(9,250.7)	18,894.3
2,632.3	23,454.0	1,565.0	868.6	(9,250.7)	16,636.9
14,842	66,214	10,548	1,799	(1,376)	77,185
409	2,171	259	25		2,455

* *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.*

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
At 31 December 2009			
Assets			
Cash and balances with central banks	217.9	47.5	265.4
Treasury bills and other eligible bills	212.1	558.7	770.8
Due from other banks	3,921.9	(402.3)	3,519.6
Loans and advances to customers	2,677.8	5,539.7	8,217.5
Derivative financial instruments	163.9	122.0	285.9
Financial assets designated at fair-value			
Trading Assets	310.5		310.5
Designated at inception	61.2	653.6	714.8
Investment securities			
Available-for-sale	131.3	4,167.8	4,299.1
Held-to-maturity	59.6	450.9	510.5
Intangible assets	154.7	1,336.6	1,491.3
Property, plant and equipment	20.3	35.7	56.0
Deferred income tax assets	7.7	24.7	32.4
Other assets	52.6	123.6	176.2
Total assets	**7,991.5**	**12,658.5**	**20,650.0**
Liabilities			
Due to other banks	3,157.8	(2,710.7)	447.1
Due to customers	4,597.6	11,130.3	15,727.9
Derivative financial instruments	411.7	42.3	454.0
Financial liabilities designated at fair value	78.3	335.8	414.1
Other financial liabilities	1,002.0		1,002.0
Current income tax liabilities	0.8	8.3	9.1
Deferred income tax liabilities	23.1	28.4	51.5
Other liabilities	127.4	178.6	306.0
Total liabilities	**9,398.7**	**9,013.0**	**18,411.7**
Equity			
Share capital	73.2		73.2
Share premium	1,157.4		1,157.4
Other reserves	200.0	(39.9)	160.1
Retained earnings	282.0	480.0	762.0
Total shareholders' equity	**1,712.6**	**440.1**	**2,152.7**
Non-controlling interests	7.4	78.2	85.6
Total shareholders' equity	**1,720.0**	**518.3**	**2,238.3**
Total equity and liabilities	**11,118.7**	**9,531.3**	**20,650.0**

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

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

46. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

46.1 Basic

	31 December 2009 CHF millions	31 December 2008 CHF millions
Net profit for the period	101.1	221.9
Estimated, pro-forma accrued dividend on Bons de Participation	(24.5)	(30.3)
Net profit for the period attributable to ordinary shareholders	**76.6**	191.6
Weighted average number of ordinary shares - *'000s of shares*	135,411	143,661
Basic earnings per ordinary share - CHF	0.57	1.33

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 11,259,212 (2008: 3,008,631). For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1st January 2009 until 30 April 2009 of 4.716%, 3.697% from 1 May 2009 until 30 October 2009 and a rate of 3.795% thereafter.

46.2 Diluted

	31 December 2009 CHF millions	31 December 2008 CHF millions
Net profit for the period	101.1	221.9
Estimated, pro-forma accrued dividend on Bons de Participation	(24.5)	(30.3)
Net profit for the period attributable to ordinary shareholders	**76.6**	191.6
Diluted-weighted average number of ordinary shares - *'000s of shares*	139,431	144,664
Diluted earnings per ordinary share - CHF	0.55	1.32

Pursuant to its employee stock option plan, EFG International issued in 2009 options to purchase 4,555,853 (2008: 2,197,275) shares of EFG International which increased the diluted-weighted average number of ordinary shares of EFG International by 4,020,325 (2008: 1,002,747) shares to 139,431,113 (2008: 144,664,116) 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. For information regarding the EFG International stock option plan, see note 49.

47. DIVIDEND PER SHARE

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 28 April 2010. A dividend in respect of 2009 of CHF 0.10 (2008: CHF 0.25) per share amounting to approximately CHF 13.4 million, net of dividends not payable on treasury shares (2008: CHF 33.3 million) is to be proposed. The financial statements for the year ended 31 December 2009 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 2010.

	31 December 2009 CHF millions	31 December 2008 CHF millions
Dividends on ordinary shares		
CHF 0.25 per share related to 2008 paid in 2009	33.3	
CHF 0.35 per share related to 2007 paid in 2008		50.2
	33.3	50.2
Dividends on Bons de Participation		
For the period 1 November 2007 to 30 April 2008 at 4.816%		15.1
For the period 1 May 2008 to 30 October 2008 at 4.876%		15.3
For the period 1 November 2008 to 30 April 2009 at 4.716%	14.2	
For the period 1 May 2009 to 30 October 2009 at 3.697%	11.2	
	25.4	30.4

48. RELATED PARTY TRANSACTIONS

48.1 Related party transactions

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2009		
Assets		
Due from other banks	81.4	
Derivatives	0.5	
Loans and advances to customers		16.9
Investment securities	4.1	
Other assets	2.9	
Liabilities		
Due to other banks	39.9	
Due to customers	0.2	138.7
Year ended 31 December 2009		
Interest income	8.8	0.5
Interest expense		(0.5)
Commission income	1.3	0.4
Commission expense	(0.9)	
Net other income	2.0	
Other operating expenses	(1.9)	

48.1 Related party transactions, (continued)

	EFG Group CHF millions	Key management personnel CHF millions
31 December 2008		
Assets		
Due from other banks	297.8	
Derivatives	0.4	
Loans and advances to customers	0.1	15.5
Investment securities	4.0	
Liabilities		
Due to other banks	21.6	
Derivatives	3.5	
Due to customers	1.6	22.2
Other liabilities	0.8	
Year ended 31 December 2008		
Interest income	38.7	1.4
Interest expense	(2.0)	(0.2)
Commission income	1.2	
Commission expense	(1.1)	
Net other income	2.2	
Other operating expenses	(0.7)	

A number of banking transactions are entered into with related parties in the normal course of business. These include loan, deposits, derivative transaction and provision of services. The amounts Due from other banks reflects cash deposits by the Group with EFG Eurobank Ergasias of CHF 74.4 million, which like other third party amounts classified as Due from other Banks are unsecured and placed on an arm's length basis. Due to other banks reflects mainly callable deposits made by EFG European Financial Group SA with Group companies on which interest rates of 0.1% are being paid.

Key management personnel includes directors and key management of the company and its parent, and closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2008: Nil).

48.2 Key management compensation (including directors)

The compensation of the members of the Executive Committee relating to the year 2009 comprised of cash compensation of CHF 7,323,296 (2008: CHF 6,434,541), pension contributions of CHF 282,110 (2008: CHF 366,340) and stock options valued at approximately CHF 4,250,000 (2008: CHF 8,233,333). Other compensation of CHF 2,855,764 (2008: CHF 1,566,340) includes provision for payments under a long term incentive plan of CHF 1,800,000 which would be payable in the future (2008: CHF 1,200,000) and an amount of CHF 814,286 representing a pro rata indemnity recognised over 3.5 years (2008: Nil).

The compensation of the members of the Board of Directors relating to the year 2009 comprised of cash compensation of CHF 926,667 (2008: CHF 860,000) and compensation for other services of CHF 133,333.

For additional details required under Swiss Law (SCO 663) see note 19 of the parent company financial statements on page 169.

49. STOCK OPTION PLAN

EFG International launched it's Employee Stock Option Plan in 2006. These options have a vesting period of between three and four years and may be exercised at any time during a period beginning five years from the grant date and ending seven years from the grant date. No options were exercised during the year.

The expense recorded in the income statement spreads the cost of the grant equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Employee Stock Option Plan in the income statement for the period ended 31 December 2009 was CHF 25.0 million (2008: CHF 20.4 million).

The table below summarises the outstanding options at 31 December 2009 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	964,255		10,000	954,255
2007	At-the-money	49.25	1,229,953			1,229,953
2008	In-the-money	24.00	523,351		16,667	506,684
2008	At-the-money	35.95	774,994		12,717	762,277
2008	Zero strike	0	790,545		16,144	774,401
2009	In-the-money	5.00		1,199,069		1,199,069
2009	Zero strike with 3 year lock-up	0		2,208,355	37,715	2,170,640
2009	Zero strike with 5 year lock-up	0		1,139,548	19,015	1,120,533
			5,037,844	**4,546,972**	**112,258**	**9,472,558**

49.1 2009 option plan

EFG International granted 4,546,972 options in 2009 of which 3,746,972 options were granted related to past services and 800,000 options were granted related to future services. There are three classes of options having an exercise price of CHF 5.00 ("In-the-money Options"), CHF 0 with 3 year lock-up ("Zero strike options with 3 year lock-up") and CHF 0 with 5 year lock-up ("Zero strike options with 5 year lock-up") respectively. The in-the-money options have a vesting period of between three and four years, the zero strike options with 3 year lock-ups and the zero strike options with 5 year lock-ups have a vesting period of three years. The deemed value of each In-the-money Options was estimated to be CHF 1.54, each Zero Strike Option with 3 year lock-up at CHF 6.83 and each Zero Strike Option with 5 year lock-up at CHF 5.30. The values were determined using a modified version of the Black Scholes Merton formula which takes into account expected dividend yield as well as other funding costs during the period between the end of the vesting period and the earliest exercise date.

The significant inputs into the model were spot share price (CHF 8.07), expected volatility (40%), dividend yield (3%), other funding costs (5%) the expected life of the options (72 months) and the risk free rate (1.4%). Expected volatility was calculated using estimates of the expected volatility over the expected life of the options after taking account of third party quotes, historic volatility and volatility of other private banks listed in Switzerland.

The expected life of the options has been assumed to be the mid-point of the exercise period. The risk free rate is the yield on Swiss treasury notes with an outstanding maturity of 72 months as of the grant date. Dividend yield has been calculated according to management's estimates of the long term dividend payments. Other funding costs represent adjustments made by market participants when pricing options that cannot be hedged or exercised and, pursuant to IFRS 2, may be applied only after the vesting period.

49.2 2010 option plan

EFG International will grant options in March 2010 at prices to be determined based on the relevant option valuation inputs on the date of issue.

50. 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.

51. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2009 CHF millions	31 December 2008 CHF millions
Character of client assets		
Third party funds	**20,049**	15,069
Equities	**13,209**	10,487
Deposits	**16,382**	15,487
Bonds	**10,624**	8,990
Structured notes	**8,983**	5,026
Loans	**8,183**	7,766
EFG funds	**4,306**	6,661
Fiduciary deposits	**3,820**	5,434
EFG International locked-up shares	**1,446**	1,799
Other	**678**	466
Total Assets under Management	**87,680**	77,185
Total Assets under Administration	**9,424**	8,800
Total	**97,104**	85,985

Assets under Administration are trust assets administered by the Group.

	31 December 2009 CHF millions	31 December 2008 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	1,689	2,479
Assets with discretionary management agreements	21,044	22,714
Other assets under management	56,764	44,226
Total Assets under Management (including double counts)	79,497	69,419
Thereof double counts	*1,511*	*969*
Loans	8,183	7,766
Total Assets under Administration	9,424	8,800
Total	**97,104**	85,985
Net new asset inflows (including double counts)	6,305	13,195

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.

The net new asset inflows includes individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to currency and market movements as well as asset inflows and out-flows due to the acquisition or divestiture of businesses are not part of net new assets.

52. POST BALANCE SHEET EVENTS

On 8 March 2010 an agreement was signed with sellers/principals of Marble Bar Asset Management business whereby the earnout agreement has been terminated and replaced with a 20% profit participation by the managers/principals. As a result, the Group's profit entitlement has decreased from 100% to 80% of the businesses pre tax profit generation (before non-controlling interests), thereby ensuring an improved structural alignment between the interests of the managers/principals and the Group.

53. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*, Chairman
Emmanuel L. Bussetil
Erwin Richard Caduff*, Appointed on the 29th April 2009
Spiro J. Latsis
Hugh Napier Matthews*
Hans Niederer*
Périclès Petalas
Apostolos Tamvakakis, Appointed and resigned during 2009

* independent directors.

54. SWISS BANKING LAW REQUIREMENTS

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

(a) Financial investments

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

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

(b) Fair value option

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

Under Swiss law, the fair value option is not available. 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 majority of the Group's derivative instruments qualify for hedge accounting and are recorded on balance sheet at their fair values (gross positive and negative replacement values). Changes in fair values are accounted for in accordance with the accounting treatment of the item being hedged. 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 capitalised in the balance sheet.

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

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

(e) Extraordinary income and expense

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

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

(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 cost 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 accompanying consolidated financial statements of EFG International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (set out from pages 76 to 159), for the year ended 31 December 2009.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers SA

Alex Astolfi
Audit Expert
Auditor in charge

Christophe Kratzer
Audit expert

Geneva, 16 March 2010

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

EFG International, Zurich

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2009 CHF millions	Year ended 31 December 2008 CHF millions
Income			
Interest income from subsidiaries		14.0	23.3
Income from subsidiaries	13	38.5	44.7
Gain on disposal of shares in subsidiary			4.6
Foreign exchange gain		9.0	
Total income		**61.5**	72.6
Expenses			
Staff expenses		(23.2)	(15.3)
Operating expenses	14	(17.2)	(11.6)
Depreciation		(10.6)	(10.6)
(Impairment)/reversal of impairment of investment in subsidiaries		(0.5)	2.4
Foreign exchange loss			(56.1)
Tax expense		(2.3)	(0.7)
Total expenses		**(53.8)**	(91.9)
Net profit/(loss)		**7.7**	(19.3)

BALANCE SHEET AS AT 31 DECEMBER 2009

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2009 CHF millions	Year ended 31 December 2008 CHF millions
Assets			
Due from subsidiaries		7.1	56.3
Other assets		0.6	6.8
Current assets		**7.7**	63.1
Investments in subsidiaries		1,635.1	1,593.5
Subordinated loans to subsidiaries		276.9	267.7
Tangible fixed assets		0.1	0.1
Intangible assets		1.1	1.5
Formation costs		7.9	18.0
Non current assets		**1,921.1**	1,880.8
Total assets		**1,928.8**	1,943.9
Liabilities			
Due to subsidiaries		9.4	0.6
Accrued expenses and deferred income		14.0	12.2
Other liabilities		5.9	6.0
Current liabilities		**29.3**	18.8
Total liabilities		**29.3**	18.8
Equity			
Share capital	11	79.3	79.3
General legal reserve	15	1,357.3	1,357.3
Other reserves		251.6	361.3
Reserve for own shares		200.2	140.8
Retained earnings	16	3.4	5.7
Net profit/(loss) for the period		7.7	(19.3)
Total shareholders' equity		**1,899.5**	1,925.1
Total shareholders' equity and liabilities		**1,928.8**	1,943.9

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 with subsidiaries which could lead to potential obligations of CHF 1,684 million (2008: CHF 1,294 million).

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

There are no such assets.

3. OFF-BALANCE SHEET OBLIGATIONS RELATING TO LEASING CONTRACTS

There are no such obligations.

4. FIRE INSURANCE VALUE OF TANGIBLE FIXED ASSETS

Tangible fixed assets amount to CHF 0.1 million and are covered by the fire insurance of a subsidiary for the Zurich premises for a total amount of CHF 1.2 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 30, page 129, to the consolidated financial statements.

8. RELEASE OF UNDISCLOSED RESERVES

There are no undisclosed reserves.

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

There was no such revaluation.

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

At 31 December 2009, 0 Bons de Participations “B” (2008: 4,965) and 12,283,094 registered shares (2008: 3,874,827) were held by subsidiaries. See note 40.3 of consolidated financial statements on page 145.

11. SHARE CAPITAL

	31 December 2009 CHF millions	31 December 2008 CHF millions
146,670,000 registered shares at the nominal value of CHF 0.50	73.3	73.3
400,000 Bons de Participation "B" at the nominal value of CHF 15.–	6.0	6.0
Total share capital	**79.3**	79.3
Conditional share capital	2.3	2.3
Authorised share capital	115.5	115.5

Conditional share capital

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

Authorised share capital

The Board of directors is authorised, at any time until 29 April 2010, to increase the share capital by a maximum of CHF 9,165,000 by issuing up to 18,330,000 fully paid up registered shares with a face value of CHF 0.50 each. Increase by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permissible.

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

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

12. SIGNIFICANT SHAREHOLDERS

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

		31 December 2009		31 December 2008
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group	72,366,556	49.34	72,263,209	49.27
Lawrence D. Howell	8,052,000	5.49	8,052,000	5.49
FMR LLC (Fidelity Management & Research)*	-	-	7,351,190	5.01

* *Notified that holding reduced below 5% threshold of voting rights in 2009.*

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2009 CHF millions	31 December 2008 CHF millions
Dividends	**9.0**	0.2
Management service fees	**10.3**	29.2
Royalties	**13.2**	14.6
Other services	**6.0**	0.7
Total	**38.5**	44.7

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

14. OPERATING EXPENSES

	31 December 2009 CHF millions	31 December 2008 CHF millions
Operating expenses consist of the following:		
Costs incurred by subsidiaries	**(3.5)**	(1.3)
Other fees paid to subsidiaries	**(6.6)**	(2.8)
Other operating expenses	**(7.1)**	(7.5)
Total	**(17.2)**	(11.6)

15. GENERAL LEGAL RESERVE

No amount was allocated to the General Legal Reserve in 2009 and 2008.

16. RETAINED EARNINGS

	31 December 2009 CHF millions	31 December 2008 CHF millions
At 1 January	**5.7**	-
Net result of prior period	**(19.3)**	56
Transfer from Other reserves	**50.3**	
Dividend paid	**(33.3)**	(50.3)
At 31 December	**3.4**	5.7

17. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes (on the provision that the Annual General Meeting approves), that the retained earnings of CHF 13.4 million (comprising the net profit for 2009 of CHF 7.7 million plus the profit brought forward from the previous year of CHF 3.4 million plus the transfer from the other reserves of CHF 2.3 million) be allocated as follows:

- Distribution of a dividend of CHF 0.10 per share (excluding anticipated dividend not payable on shares held by subsidiaries which at 31 December was 12,283,094) - total amount of CHF 13.4 million
- Balance carried forward CHF 0

18. RISK MANAGEMENT

See note 4 of consolidated financial statement on page 95.

19. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2009

	Base compensation	*Variable compensation*		*Other compensation*		*2009*
	Cash CHF	Cash bonus (1) CHF	Share options (2) CHF	(3) CHF	Social charges CHF	Total CHF
Board of Directors						
Jean Pierre Cuoni, Chairman	660,000				33,330	693,330
Emmanuel L. Bussetil (4)						-
Erwin Richard Caduff (5)	66,667			133,333	12,100	212,100
Spiro J. Latsis (4)						-
Hugh Napier Matthews	100,000				5,050	105,050
Hans Niederer	100,000				5,050	105,050
Périclès Petalas (4)						-
Apostolos Tamvakakis (6)						-
Total Board of Directors	**926,667**	**-**	**-**	**133,333**	**55,530**	**1,115,530**
Executive Committee						
Total Executive Committee	**7,323,296**		**4,250,000**	**2,855,764**	**791,381**	**15,220,441**
of which highest paid:						
Lawrence D. Howell, CEO	3,977,207			51,400	316,179	4,344,786

Notes:

1) The amount represents the recorded expense for the 2009 cash bonuses.
2) The amount represents the value of options granted in 2009 (related to future services) and 2010 (related to past services) to Members of the Executive Committee. For details of the EFG International stock option plan, refer to note 49 of the Consolidated financial statements. The options have a vesting period of between 3 years and 4 years and can be exercised after 3 to 5 years. The value of the share options cannot be compared to the cost that will be used for IFRS purposes in note 49 over the respective vesting periods.
3) Other compensation of the Executive Committee of CHF 2,855,764 includes provision for payments under a long term incentive plan of CHF 1,800,000 which would be payable in the future and an amount of CHF 814,286 representing a pro rata indemnity recognised over 3.5 years.
4) No compensation paid to Director.
5) Appointed on the 29th April 2009.
6) Joined and resigned in 2009.

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 2008

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

(iii) Loans and credits

At 31 December 2009 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.

	2009 CHF	2008 CHF
Cuoni family interests*	7,794,225	7,891,707
Other members of the Board of Directors	-	-
Total Board of Directors	**7,794,225**	7,891,707
Lawrence D. Howell, CEO (highest paid member of Executive Committee)**	516,941	1,672,439
Other members of the Executive Committee	6,347,778	5,285,775
Total Executive Committee	**6,864,719**	6,958,214

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

** *Fully cash collateralised loans.*

Interest rates ranging from 0.66% p.a. to 4.26% p.a. are charged on outstanding CHF loans. The loans oustanding at 31 December 2009, mature between 1 and 3 months.

(iv) Shareholdings

At 31 December 2009 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2009	Shares 2008	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	6,836,000	6,836,000		623,087
Emmanuel L. Bussetil				
Erwin Richard Caduff				
Spiro J. Latsis	72,366,556	72,263,209		
Hugh Napier Matthews	7,500	3,500		
Hans Niederer	50,000	50,000		
Pericles Petalas				
Apostolos Tamvakakis				
Executive Committee				
Total Executive Committee	**9,352,374**	9,322,962	610,219	
of which:				
Lawrence D. Howell, CEO	8,052,000	8,052,000	198,289	
Lukas Ruflin	129,412		132,132	
James T. H. Lee	458,962	558,962	132,132	
Rudy van den Steen	600,000	600,000	132,132	
Alain Diriberry	112,000	112,000	9,614	
Frederick Link			5,920	

The 2008 comparatives for the shareholding of the Executive Committee only reflect members of the Committee at 31 December 2009, and any Committee members joining or departing in the year are excluded.

The members of the Executive Committee have been granted 3,675,266 share options which are currently subject to vesting criteria. These would vest in the period 2010 to 2012.

Report of the statutory auditors
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 accompanying financial statements of EFG International AG, which comprise the income statement, balance sheet and notes (set out from pages 164 to 171), for the year ended 31 December 2009.

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 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Alex Astolfi
Audit Expert
Auditor in charge

Christophe Kratzer
Audit expert

Geneva, 16 March 2010

Appendix 5: Unaudited Interim Financial Statements of EFG International AG for the first half year 2010

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
Interest and discount income		184.8	175.6	238.0
Interest expense		(57.8)	(66.1)	(84.2)
Net interest income	4	**127.0**	109.5	153.8
Banking fee and commission income		309.6	339.1	255.7
Banking fee and commission expense		(60.3)	(45.8)	(51.4)
Net banking fee and commission income	5	**249.3**	293.3	204.3
Dividend income	6	8.2	0.5	3.0
Net trading income	7	32.5	17.9	37.9
Net (loss)/gain from financial instruments designated at fair value	8	(523.1)	(2.9)	6.1
Gains less losses from investment securities	9	10.1	18.6	6.6
Other operating income		3.7	10.1	0.4
Net other (loss)/income		**(468.6)**	44.2	54.0
Operating (loss)/income		**(92.3)**	447.0	412.1
Impairment on loans and advances to customers	10	4.4	(1.3)	(4.1)
Impairment of intangible assets	13	(378.7)		
Operating expenses	11	(349.1)	(368.2)	(375.9)
Loss on disposal of subsidiary		(23.5)		
(Loss)/profit before tax		**(839.2)**	77.5	32.1
Income tax	12	(8.7)	1.2	(6.6)
Net (loss)/profit for the period		**(847.9)**	78.7	25.5
Net (loss)/profit for the period attributable to:				
Net (loss)/profit attributable to equity holders of the Group		(799.2)	81.1	20.0
Net profit attributable to non-controlling interests				5.5
Net loss attributable to non-controlling interests		(48.7)	(2.4)	
		(847.9)	78.7	25.5

	Note	CHF	CHF	CHF
(Loss)/earnings per ordinary share				
Basic	18	**(6.03)**	0.52	0.05
Diluted	19	**(6.03)**	0.50	0.05

The notes on pages 15 to 24 form an integral part of these consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
Net (loss)/profit for the period	**(847.9)**	78.7	25.5
Other comprehensive (loss)/income			
Fair value (losses)/gains on available-for-sale investment securities, before tax	(50.9)	4.5	(24.0)
Realised available-for-sale investment securities reserve transferred to income statement, before tax	(10.1)	(25.0)	(0.2)
Tax effect on changes in fair value of available-for-sale investment securities	(1.0)	(0.4)	3.6
Currency translation differences, before tax	(8.9)	(92.7)	95.2
Currency translation differences transferred to income statement on deconsolidation	23.5		
Tax effect on currency translation differences	0.2	5.7	
Other comprehensive (loss)/income for the period, net of tax	**(47.2)**	(107.9)	74.6
Total comprehensive (loss)/income for the period	**(895.1)**	(29.2)	100.1
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Group	(847.9)	(23.6)	93.1
Non-controlling interests	(47.2)	(5.6)	7.0
	(895.1)	(29.2)	100.1

The notes on pages 15 to 24 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2010

	Note	30 June 2010 CHF millions	31 December 2009 CHF millions
ASSETS			
Cash and balances with central banks		836.9	265.4
Treasury bills and other eligible bills		1,362.4	770.8
Due from other banks		2,880.8	3,519.6
Loans and advances to customers		8,937.1	8,217.5
Derivative financial instruments		387.6	285.9
Financial assets designated at fair value:			
Trading Assets		544.2	310.5
Designated at inception		767.9	714.8
Investment securities:			
Available-for-sale		4,177.2	4,299.1
Held-to-maturity		456.2	510.5
Intangible assets	13	614.9	1,491.3
Property, plant and equipment		50.5	56.0
Deferred income tax assets		31.8	32.4
Other assets		454.7	176.2
Total assets		**21,502.2**	20,650.0
LIABILITIES			
Due to other banks		708.8	447.1
Due to customers		15,962.3	15,727.9
Derivative financial instruments		854.0	454.0
Financial liabilities designated at fair value		531.2	414.1
Other financial liabilities		1,740.5	1,002.0
Current income tax liabilities		1.3	9.1
Deferred income tax liabilities		51.3	51.5
Other liabilities		328.1	306.0
Total liabilities		**20,177.5**	18,411.7
EQUITY			
Share capital		73.1	73.2
Share premium		1,153.6	1,157.4
Other reserves		122.3	160.1
Retained earnings		(62.3)	762.0
		1,286.7	2,152.7
Non-controlling interests		38.0	85.6
Total shareholders' equity		**1,324.7**	2,238.3
Total equity and liabilities		**21,502.2**	20,650.0

The notes on pages 15 to 24 form an integral part of these consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to equity holders of the Group					Non-controlling interests	Total Equity
	Share capital CHF millions	**Share premium** CHF millions	**Other reserves** CHF millions	**Retained earnings** CHF millions	**Total** CHF millions	CHF millions	CHF millions
Balance at 1 January 2009	77.3	1,205.3	160.1	719.6	2,162.3	95.1	2,257.4
Total comprehensive income/(loss) for the period			73.1	20.0	93.1	7.0	100.1
Dividend paid on ordinary shares				(33.3)	(33.3)		(33.3)
Dividend paid on Bons de Participation				(14.1)	(14.1)		(14.1)
Net distribution to non-controlling interests					-	(0.3)	(0.3)
Ordinary shares sold	0.2	5.6			5.8		5.8
Ordinary shares repurchased	(4.7)	(69.9)			(74.6)		(74.6)
Bons de participation sold			2.0		2.0		2.0
Employee stock option plan			11.9		11.9		11.9
Other reserves adjustments			3.6		3.6		3.6
Balance at 30 June 2009	72.8	1,141.0	250.7	692.2	2,156.7	101.8	2,258.5
Total comprehensive income/(loss) for the period			(104.7)	81.1	(23.6)	(5.6)	(29.2)
Dividend paid on Bons de Participation				(11.3)	(11.3)		(11.3)
Net distribution to non-controlling interests					-	(0.5)	(0.5)
Ordinary shares sold	0.3	9.1			9.4		9.4
Bons de Participation sold	0.1	2.7	(2.0)		0.8		0.8
Transfer to Other reserves on disposal of Bons de Participation		4.6	(4.6)		-		-
Minority put option			12.6		12.6		12.6
Employee stock option plan			13.1		13.1		13.1
Non-controlling interests in earnout adjustments					-	(6.0)	(6.0)
Non-controlling interests loss on disposal of interests					-	(3.7)	(3.7)
Other non-controlling adjustments					-	(0.4)	(0.4)
Other reserves adjustments			(5.0)		(5.0)		(5.0)
Balance at 31 December 2009	73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3
Total comprehensive income/(loss) for the period			(48.7)	(799.2)	(847.9)	(47.2)	(895.1)
Dividend paid on ordinary shares				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation				(11.7)	(11.7)		(11.7)
Net distribution to non-controlling interests					-	(0.4)	(0.4)
Ordinary shares sold		0.2			0.2		0.2
Ordinary shares repurchased*	(0.1)	(4.0)			(4.1)		(4.1)
Employee stock option plan			10.9		10.9		10.9
Balance at 30 June 2010	**73.1**	**1,153.6**	**122.3**	**(62.3)**	**1,286.7**	**38.0**	**1,324.7**

** During the first half of 2010, the Group has repurchased a net of 143,653 shares.*

The notes on pages 15 to 24 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Half year ended 30 June 2010 CHF millions	Half year ended 30 June 2009 CHF millions
Net cash flows from operating activities	66.1	1,316.2
Net cash flows used in investing activities	(281.4)	(194.8)
Net cash flows from/(used) in financing activities	847.4	(117.1)
Net change in cash and cash equivalents	**632.1**	1,004.3
Cash and cash equivalents at beginning of period	3,940.2	3,844.2
Net change in cash and cash equivalents	632.1	1,004.3
Cash and cash equivalents	**4,572.3**	4,848.5

Cash and cash equivalents

Cash and cash equivalents comprise the following balances with less than 90 days maturity:

	30 June 2010 CHF millions	30 June 2009 CHF millions
Cash and balances with central banks	836.9	183.3
Treasury bills and other eligible bills	1,164.5	342.6
Due from other banks	2,570.9	4,322.6
Cash and cash equivalents	**4,572.3**	4,848.5

The notes on pages 15 to 24 form an integral part of these condensed consolidated interim 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 parent company is EFG International AG, which is a limited liability company incorporated and domiciled in Switzerland and listed on the SIX Swiss Exchange.

This condensed consolidated interim financial information was approved for issue on 27 July 2010.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

EFG International's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).

These condensed consolidated interim financial statements are presented in accordance with IAS 34 'Interim Financial Reporting'. In preparing the interim financial statements, the same accounting principles and methods of computation are applied as in the financial statements on 31 December 2009 and for the year then ended except for the changes set out below.

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

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group's annual report for 2009.

The revised standards considered in the preparation of these condensed consolidated interim financial statements include:
– *IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009)*
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

– *IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)*
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the income statement.
The Group is applying IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

– *IAS 36 (amendment), 'Unit of accounting for goodwill impairment test'*
This amendment is to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments'. Effective for periods beginning on or after 1 January 2010, the amendment did not have any impact on the Group financial statements.

– *IAS 39 (amendments), 'Scope exemption for business combination contracts'*
Amendments to the scope of IAS 39 to clarify that:
(a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date;
(b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and
(c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.
To be prospectively applied to all unexpired contracts with an effective period beginning on or after 1 January 2010.

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

– *IFRS 9, 'Financial Instruments'*
The International Accounting Standards Board (IASB) published in November 2009 IFRS 9 'Financial Instruments'. The standard forms the first part of a three-part project to replace IAS 39 'Financial Instruments: Recognition and Measurement' with a new standard, to be known as IFRS 9 'Financial Instruments'.
The effective date of the new classification and measurement guidance is 1 January 2013.

– *IFRIC 14, 'Prepayment of a minimum funding requirement (Amendment)' (effective on or after 1 January 2011)*
The interpretation provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The Group will apply IFRIC 14 from 1 January 2011.

3. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	30 June 2010 CHF millions	31 December 2009 CHF millions	30 June 2009 CHF millions
Character of client assets			
Third party funds	18,772	20,049	16,134
Deposits	16,580	16,382	16,805
Equities	13,373	13,209	10,390
Bonds	10,891	10,624	11,384
Structured notes	9,208	8,983	5,003
Loans	9,117	8,183	8,268
EFG funds	5,673	4,306	7,089
Fiduciary deposits	3,113	3,820	4,194
EFG International locked-up shares	1,219	1,446	1,137
Other	819	678	1,089
Total Assets under Management	**88,765**	87,680	81,493
Total Assets under Administration	**9,388**	9,424	8,768
Total	**98,153**	97,104	90,261

Assets under Administration are trust assets administered by the Group.

4. NET INTEREST INCOME

	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
Interest and discount income			
Banks and customers	114.2	115.3	141.6
Treasury bills and other eligible bills	0.4	3.1	0.6
Trading securities		0.1	1.0
Financial assets designated at fair value	18.5	12.0	15.5
Available-for-sale securities	45.5	38.3	71.3
Held-to-maturity	6.2	6.8	8.0
Total interest and discount income	**184.8**	175.6	238.0
Interest expense			
Banks and customers	(57.8)	(66.1)	(84.2)
Total interest expense	**(57.8)**	(66.1)	(84.2)
Net interest income	**127.0**	109.5	153.8

5. NET BANKING FEE AND COMMISSION INCOME

Banking fee and commission income			
Securities and investment activities commission	264.3	298.7	213.8
Other services commission	45.3	40.0	41.9
Lending activities commission		0.4	
Total banking fee and commission income	**309.6**	339.1	255.7
Commission expenses	(60.3)	(45.8)	(51.4)
Net banking fee and commission income	**249.3**	293.3	204.3

6. DIVIDEND INCOME

Trading securities	7.1	0.3	1.8
Available-for-sale securities	1.1	0.2	1.2
Dividend income	**8.2**	0.5	3.0

7. NET TRADING INCOME

Foreign exchange	31.8	26.8	11.9
Interest rate instruments		(0.8)	0.8
Equity securities	0.7	(8.1)	25.2
Net trading income	**32.5**	17.9	37.9

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

	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
Equity securities	**0.2**	2.1	2.4
Debt securities		0.2	(0.2)
Interest rate instruments	**(4.4)**	2.6	(1.4)
Life insurance securities	**(19.5)**	(7.8)	5.3
Other*	**(499.4)**		
Net (loss)/gain from financial instruments designated at fair value	**(523.1)**	(2.9)	6.1

** In the period to June, the performance of Marble Bar Asset Management was below that forecasted at the end of 2009. The restructuring of the partnership at the end of April 2010 resulted in the deconsolidation, and in reflecting the right to receive a perpetual cash flow stream as a financial asset designated at fair value through profit and loss. This financial asset is valued using a discounted cash-flow model, and any inputs to the model valuation are reflected in the asset valuation at each period end. Due to additional client redemptions late in the period, the Assets under Management have reduced significantly, and given the present unpredictable environment combined with limited prospects of a significant change in the next months, the estimated value of the financial asset is considered to be zero. This represents a mark down in the value of the financial asset designated at fair value to CHF 0, with a loss of CHF 499.4 million being recorded.*

9. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain on disposal of available-for-sale securities – Transfer from Equity			
Debt securities	**5.2**	13.2	6.6
Life insurance securities	**4.9**	5.4	
Gains less losses from investment securities	**10.1**	18.6	6.6

10. IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS

Impairments on amounts due from customers	**(0.5)**	(3.4)	(4.1)
Reversal of impairments on amounts due from customers	**4.9**	2.1	
Impairment reversal/(charges)	**4.4**	(1.3)	(4.1)

11. OPERATING EXPENSES

Staff costs	**(228.8)**	(236.8)	(232.2)
Professional services	**(17.4)**	(16.4)	(14.3)
Advertising and marketing	**(4.3)**	(4.7)	(4.1)
Administrative expenses	**(36.7)**	(36.2)	(40.1)
Operating lease rentals	**(21.5)**	(21.4)	(18.3)
Depreciation of property, plant and equipment	**(7.9)**	(8.0)	(7.6)
Amortisation of intangible assets			
Computer software and licences	**(3.0)**	(3.4)	(3.2)
Other intangible assets	**(17.2)**	(21.9)	(43.8)
Other	**(12.3)**	(19.4)	(12.3)
Operating expenses	**(349.1)**	(368.2)	(375.9)

12. INCOME TAX

	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
Current income tax	(8.4)	(4.4)	(11.5)
Deferred tax (charge)/benefit	(0.3)	5.6	4.9
Income tax (expense)/income	**(8.7)**	1.2	(6.6)

13. INTANGIBLE ASSETS

	30 June 2010 CHF millions	31 December 2009 CHF millions
Computer software and licences	12.4	14.1
Other intangible assets and goodwill	602.5	1,477.2
Intangible assets	**614.9**	1,491.3

At 1 January 2010	**1,491.3**
Transfer to financial assets designated at fair value (MBAM restructuring)	(499.4)
Amortisation	(20.2)
Impairment of intangible assets*	(378.7)
Exchange differences	19.8
Other	2.1
At 30 June 2010	**614.9**

** In the period to June, the performance of the C.M. Advisors Limited ("CMA") and Derivative Structured Asset Management ("DSAM") businesses was below that forecasted at the end of 2009. The carrying value of these assets was reviewed and the goodwill and intangible assets related to CMA were written down to CHF 0, whilst for DSAM the carrying value was reduced to CHF 77.2 million. This resulted in an impairment charge of CHF 210.4 million for CMA and CHF 168.3 million for DSAM.*

CMA has lost clients acquired through the acquisition and ongoing profitability is forecasted to be significantly lower. Given the uncertainty of the future cash-flows, a full impairment has been made.

DSAM's forecasted performance relied on substantial revenues from structured products, which are proving lower than those forecasted. The goodwill value that results after an impairment of CHF 168.3 million is CHF 77.2 million, which represents the value of the private banking business component within DSAM.

14. SEGMENTAL REPORTING

Pursuant to the adoption of IFRS 8, 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, and Asset Management.

The Private Banking and Wealth Management business is managed on a regional basis and is thus split into Switzerland, Asia, America's, United Kingdom and Rest of Europe. The Asian region includes Hong Kong, Singapore, Taiwan and India. The America's region includes United States of America, Canada, Bahamas, Cayman and the PRS business. The Rest of Europe includes private banking operations in France, Gibraltar, Luxembourg, Monaco, Spain, Sweden and Derivatives Structured Asset Management.

The Asset Management segment includes Marble Bar Asset Management (up to 30 April 2010), C. M. Advisors, EFG Financial Products and the asset management divisions of the United Kingdom and Swiss banks. These are reported as a single segment as they are considered to have similar economic characteristics and provide similar products and services (though provide these products and services to different markets and customer groups).

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

	Private Banking and Wealth Management						**Asset Manage-ment**	**Cor-porate Over-heads**	**Elimi-nations***	**Total**
CHF millions	Switzerland	Asia	Americas	United Kingdom	Rest of Europe	Total				
Half year ended 30 June 2010										
Segment revenue from external customers	120.0	46.3	44.5	61.9	68.7	341.4	(431.9)	6.1	(7.9)	(92.3)
Tangible assets and software depreciation	(4.0)	(1.2)	(1.0)	(0.7)	(1.6)	(8.5)	(2.1)	(0.3)		(10.9)
Cost to acquire intangible assets	(1.2)	(0.2)	(1.5)	(1.0)	(3.7)	(7.6)	(9.4)			(17.0)
Segment expenses	(71.8)	(37.6)	(35.5)	(47.0)	(62.1)	(254.0)	(69.8)	(20.9)		(344.7)
Impairment of intangible assets					(168.3)	(168.3)	(210.4)			(378.7)
Impairment on loans	4.0	0.7		(0.3)		4.4				4.4
Segment profit before tax	47.0	8.0	6.5	12.9	(167.0)	(92.6)	(723.6)	(15.1)	(7.9)	(839.2)
Income tax expense	(4.9)	(1.5)		(3.1)	3.2	(6.3)	(4.2)	1.8		(8.7)
Net (loss)/profit for the period	42.1	6.5	6.5	9.8	(163.8)	(98.9)	(727.8)	(13.3)	(7.9)	(847.9)
Net loss/(profit) attributable to non-controlling interests	0.1	0.1			0.7	0.9	47.8			48.7
Net (loss)/profit attributable to Group shareholders	**42.2**	**6.6**	**6.5**	**9.8**	**(163.1)**	**(98.0)**	**(680.0)**	**(13.3)**	**(7.9)**	**(799.2)**
Segment assets	15,039.7	6,370.3	786.1	5,168.5	2,836.6	30,201.2	2,842.0	1,263.2	(12,804.2)	21,502.2
Segment liabilities	14,421.3	6,353.1	729.3	4,855.8	2,531.3	28,890.8	3,176.2	914.7	(12,804.2)	20,177.5
Assets under management	20,870	12,423	16,087	13,302	16,384	79,066	9,556	1,219	(1,076)	88,765
Employees	547	422	274	497	399	2,139	247	23		2,409

	Private Banking and Wealth Management						Asset Management	Corporate Overheads	Eliminations*	Total
CHF millions	Switzerland	Asia	Americas	United Kingdom	Rest of Europe	Total				
Half year ended 31 December 2009										
Segment revenue from external customers	158.2	44.0	43.5	56.8	64.2	366.7	80.0	5.1	(4.8)	447.0
Tangible assets and software depreciation	(4.5)	(1.0)	(1.1)	(0.8)	(1.6)	(9.0)	(2.2)	(0.2)		(11.4)
Cost to acquire intangible assets	(1.1)	(0.3)	(1.9)	(1.8)	(3.9)	(9.0)	(12.9)			(21.9)
Segment expenses	(76.6)	(35.0)	(34.0)	(41.2)	(64.6)	(251.4)	(61.2)	(22.3)		(334.9)
Impairment on loans	(2.5)			1.3	(0.1)	(1.3)				(1.3)
Segment profit before tax	73.5	7.7	6.5	14.3	(6.0)	96.0	3.7	(17.4)	(4.8)	77.5
Income tax expense	(2.9)	(1.6)	0.9	(4.1)	2.1	(5.6)	8.4	(1.6)		1.2
Net (loss)/profit for the period	70.6	6.1	7.4	10.2	(3.9)	90.4	12.1	(19.0)	(4.8)	78.7
Net loss/(profit) attributable to non-controlling interests	1.2	0.1			0.4	1.7	0.7			2.4
Net (loss)/profit attributable to Group shareholders	**71.8**	**6.2**	**7.4**	**10.2**	**(3.5)**	**92.1**	**12.8**	**(19.0)**	**(4.8)**	**81.1**
Segment assets	15,252.0	5,742.1	714.5	5,046.8	3,005.9	29,761.3	2,522.9	1,308.1	(12,942.3)	20,650.0
Segment liabilities	14,478.1	5,718.5	660.5	4,742.2	2,670.4	28,269.7	2,148.1	936.2	(12,942.3)	18,411.7
Assets under management	22,393	11,379	15,133	12,504	16,349	77,758	9,947	1,445	(1,470)	87,680
Employees	542	404	278	487	377	2,088	281	25		2,394
Half year ended 30 June 2009										
Segment revenue from external customers	125.6	41.8	31.2	74.2	57.7	330.5	87.0	6.8	(12.2)	412.1
Tangible assets and software depreciation	(4.3)	(0.8)	(0.8)	(0.8)	(1.6)	(8.3)	(2.2)	(0.3)		(10.8)
Cost to acquire intangible assets	(1.3)	(0.2)	(1.5)	(3.0)	(3.9)	(9.9)	(33.9)			(43.8)
Segment expenses	(79.4)	(31.9)	(31.0)	(46.9)	(60.2)	(249.4)	(50.8)	(21.1)		(321.3)
Impairment on loans	(2.0)	(2.1)				(4.1)				(4.1)
Segment profit before tax	38.6	6.8	(2.1)	23.5	(8.0)	58.8	0.1	(14.6)	(12.2)	32.1
Income tax expense	(4.7)	(1.4)	0.6	(3.5)	2.5	(6.5)	0.2	(0.3)		(6.6)
Net (loss)/profit for the period	33.9	5.4	(1.5)	20.0	(5.5)	52.3	0.3	(14.9)	(12.2)	25.5
Net loss/(profit) attributable to non-controlling interests	(2.3)	0.2			0.5	(1.6)	(3.9)			(5.5)
Net (loss)/profit attributable to Group shareholders	**31.6**	**5.6**	**(1.5)**	**20.0**	**(5.0)**	**50.7**	**(3.6)**	**(14.9)**	**(12.2)**	**20.0**
Segment assets	14,750.2	5,317.0	593.9	5,050.3	2,915.6	28,627.0	1,961.4	1,388.9	(11,586.7)	20,390.6
Segment liabilities	14,014.3	5,299.4	538.2	4,738.6	2,584.3	27,174.8	1,557.8	986.2	(11,586.7)	18,132.1
Assets under management	21,977	10,679	12,371	12,749	15,561	73,337	5,549	1,137	1,470	81,493
Employees	556	412	282	486	411	2,147	260	24		2,431

** 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.*

15. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2010 CHF millions	31 December 2009 CHF millions
Guarantees issued in favour of third parties	295.2	288.3
Irrevocable commitments	307.1	232.7
Total	**602.3**	521.0

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 a claim for approximately CHF 33 million has been filed. The Group is defending the case vigorously and it is not practicable to estimate the Group's possible loss in relation to these matters.

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.

17. DIVIDEND PER SHARE

At the Annual General Meeting on 28 April 2010, a dividend in respect of 2009 of CHF 0.10 (2008: CHF 0.25) per share amounting to CHF 13.4 million (2008: CHF 33.3 million) was approved.

	30 June 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions
Dividends on ordinary shares			
CHF 0.10 per share related to 2009 paid in 2010	13.4		
CHF 0.25 per share related to 2008 paid in 2009		33.3	
CHF 0.35 per share related to 2007 paid in 2008			50.2
	13.4	33.3	50.2
Dividends on Bons de Participation			
For the period 1 November 2009 to 30 April 2010 at 3.795%	11.7		
For the period 1 May 2009 to 30 October 2009 at 3.697%		11.2	
For the period 1 November 2008 to 30 April 2009 at 4.716%		14.2	
For the period 1 May 2008 to 30 October 2008 at 4.876%			15.3
For the period 1 November 2007 to 30 April 2008 at 4.816%			15.1
	11.7	25.4	30.4

18. BASIC EARNINGS PER ORDINARY SHARE

	Half year ended 30 June 2010 CHF millions	Half year ended 31 December 2009 CHF millions	Half year ended 30 June 2009 CHF millions
(Loss)/profit attributable to equity holders of the Group	(799.2)	81.1	20.0
Estimated, pro-forma accrued preference dividend	(10.6)	(11.4)	(13.1)
(Loss)/profit attributable to ordinary shareholders	(809.8)	69.7	6.9
Weighted average number of ordinary shares			
– 000's of shares	134,348	135,411	136,711
Basic (loss)/earnings per ordinary share in CHF	(6.03)	0.52	0.05

Basic earnings per ordinary share is calculated by dividing the loss/profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group. For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma dividend on Bons de Participation. The latter has been computed by assuming a dividend rate from 1st January 2010 until 30 April 2010 of 3.795% and a rate of 3.500% from 1st May to 30 October 2010.

19. DILUTED EARNINGS PER ORDINARY SHARE

(Loss)/profit attributable to equity holders of the Group	(799.2)	81.1	20.0
Estimated, pro-forma accrued preference dividend	(10.6)	(11.4)	(13.1)
(Loss)/profit attributable to ordinary shareholders	(809.8)	69.7	6.9
Diluted-weighted average number of ordinary shares			
– 000's of shares	134,348	139,431	139,528
Diluted (loss)/earnings per ordinary share in CHF	(6.03)	0.50	0.05

Pursuant to its employee stock option plan, EFG International has granted options to employees to purchase shares of EFG International. These options have the effect to increase the diluted-weighted average number of ordinary shares of EFG International in periods when the Group has Profits attributable to ordinary shareholders.

20. STOCK OPTION PLAN

In 2010, the Group has granted 876,371 options. There are three classes as follows:
– with a strike price of CHF 12.19 with 3 year lock-up,
– with a strike price of CHF 0 with 3 year lock-up, and
– with a strike price of CHF 0 with 5 year lock-up.

21. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, derivative transactions and provision of services. The total assets positions with related parties amounted to CHF 83.1 million at the end of June 2010 (December 2009: CHF 88.9 million).

No provisions have been recognised in respect of loans given to related parties (2009: Nil).

22. POST BALANCE SHEET EVENTS

There were no post balance sheet events to disclose.

23. 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.*

SIGNATORIES BY EFG FINANCIAL PRODUCTS (GUERNSEY) LTD.

2 September 2010

EFG Financial Products (Guernsey) Ltd.

Signed by Sandro Dorigo Member of the Board of Directors	Signed by Benjamin Reid General Manager