EFG International

Basel II
Pillar 3 Disclosures
31 December 2012

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1 INTRODUCTION

EFG International AG (the Group) is regulated by the Swiss Financial Market Supervisory Authority (FINMA) which requires it to comply with Pillar III disclosures that are part of the Basel II Capital Adequacy Framework. This report discloses the Group's application of the Basel II framework as at 31 December 2012 and the changes since 31 December 2011 as required by FINMA.

In order to have the full view of the Group's regulatory environment and capital requirements, this report should be read in conjuction with the Group's Annual Report 2012 (*http://www.efginternational.com/*). For more information on the way the Group manages risk, please refer to the Risk Management (pages 32-41) section in the Annual Report 2012. Certain disclosures contained in this report can not be reconciled with disclosures in the Annual Report due to the way the Group manages risk internally being different to the way it reports it hereunder.

Consolidation Scope

There is no difference in the scope of consolidation for the calculation of capital adequacy and the 2012 Consolidated Financial Statements. In Note 33 of the Group's Annual Report there is a list of the main subsidiaries of the Group as at 31 December 2012 (page 134).

The Group complies with IFRS accounting principles which are used in the financial reporting presented in the Group's Annual Report. In certain cases, FINMA requires the Group to comply with Swiss GAAP accounting principles when reporting for Capital Adequacy purposes. The Group's BIS capital figures are based on IFRS accounting principles.

2 CAPITAL

The Group reports regulatory capital according to the Swiss Capital Ordinance, therefore complying with the additional FINMA requirements adding higher requirements by way of multipliers to the BIS numbers that have been laid out by the Basel Committee. FINMA multipliers are applied to credit risk, settlement risk, and counterparty - related risk.

Basel II gives room to banks to apply several approaches for managing risk exposures. Below is the table that summarises the Group's regulatory approach for each risk category managed:

Approaches used for risk types

Category	Approach
Credit Risk	The Group uses the International Standardised Approach (SA-BIS) to determine which risk weights to apply to credit risk. Additionally, the Group adopted the Comprehensive method to deal with the collateral portion of a credit transaction. In the SA-BIS approach, the Group can use ratings assigned by rating agencies to the risk weighted positions. The Group uses Moody's ratings for securities and for bank placements.
Non-Counterparty Risk	For non-counterparty related assets the Group applies the SA-BIS approach.
Operational Risk	The Group applies the Standardised approach to calculate operational risk. The capital requirement under this method is based on the three year average amount.
Market Risk	The Standardised approach is used for market risk. This approach requires capital for the following positions: 1) Interest rate instruments held in the trading book, 2) Equity securities held in the trading book, 3) Foreign exchange positions, and 4) Gold and commodity positions. General market risk associated with interest rate risk instruments are calculated using the Maturity Method. The Delta-plus method is used for options.

For information on the Group's capital components and management objective, refer to Capital Structure section (pages 47-51) and Financial Risk Assessment and Management Section - Capital Management (page 117) of the Group's Annual Report.

Regulatory requirement: in terms of FINMA Capital requirement ratio, the minimum target set by the FINMA for the Group is 12% (FINMA circular 2011/2). This minimum goal consists of the absolute minimum requirement related to the banking license (8%), Capital buffer (2.5%) and additional capital (1.5%). (The threshold for intervention by the FINMA is set at a capital ratio of 11%).

BIS and FINMA Total Eligible Capital

(All amounts in millions of CHF)	**BIS**	**FINMA**	BIS	FINMA
	31.12.12	**31.12.12**	31.12.11	31.12.11
Core capital prior to deductions	**1,316.4**	**1,316.4**	1,011.5	1,011.5
of which minority interests	***104.3***	***104.3***	*24.6*	*24.6*
Less: Proposed dividend on Ordinary Shares	**(14.6)**	**(14.6)**	(13.4)	(13.4)
Less: Accrual for expected future dividend on Bons de participations	**(1.3)**	**(1.3)**	(2.3)	(2.3)
Less: Goodwill and intangibles assets	**(245.3)**	**(245.3)**	(254.8)	(254.8)
Less: Financial asset at fair value related to MBAM net of non-controlling interests			(13.6)	(13.6)
Less: Additional deduction FINMA[1]		**(20.0)**		(20.0)
Less: Other deductions	**(18.1)**	**(16.9)**	(8.2)	(7.0)
Tier 1 Capital	**1,037.1**	**1,018.3**	719.2	700.4
Upper Tier 2 Capital	**7.9**	**7.4**	3.5	3.0
Lower Tier 2 Capital	**50.7**	**50.7**		
Total Eligible Capital	**1,095.7**	**1,076.4**	722.7	703.4

[1] This deduction reflects a difference between IFRS to Swiss GAAP accounting. Please note that the BIS Total Eligible Capital based on IFRS accounting would not deduct this amount. Refer to the Group's Annual Report 2012 (page 23-24, 118) for the Group's BIS Total Eligible Capital based on IFRS accounting comparable with other banks.

Risk Weighted Assets

The table below reflects the Risk Weighted Assets under Basel II framework.

(All amounts in millions of CHF)	**BIS Risk Weighted Assets**[1]	**FINMA Risk Weighted Assets**[2]	BIS Risk Weighted Assets	FINMA Risk Weighted Assets
	31.12.12	**31.12.12**	31.12.11	31.12.11
Credit Risk[3]	3,977.4	4,377.1	3,587.8	3,921.1
Settlement Risk	0.1	0.2	0.8	0.9
Non-Counterparty Risk	55.7	167.1	56.6	170.0
Market Risk	620.8	620.8	610.9	610.9
Operational Risk	1,392.3	1,393.3	1,357.6	1,371.8
Total Risk Weighted Assets	**6,046.3**	**6,558.5**	5,613.7	6,074.7

[1]This is Risk Weighted Assets under BIS and does not include additional FINMA requirements.

[2] An additional FINMA charge of approximately 10% on Credit and Settlement Risk Weighted Assets for exposures treated under the International Standardised Approach, a FINMA surcharge of 200% for Risk Weighted Assets of Non-Counterparty related assets.

[3] Includes an asset not recognised for FINMA purposes due to difference between IFRS and Swiss GAAP, as asset was deducted from capital for FINMA purposes.

BIS and FINMA Capital Ratio's

	31.12.12	31.12.11
BIS Tier 1 Capital (CHF Millions)	1037.1	719.2
BIS Total Eligible Capital (CHF Millions)	1095.7	722.7
FINMA Tier 1 Capital (CHF Millions)	1018.3	700.4
FINMA Total Eligible Capital (CHF Millions)	1076.4	703.4
BIS Tier 1 Ratio	17.2%	12.8%
BIS Total Eligible Capital Ratio	18.1%	12.9%
FINMA Tier 1 Ratio	15.5%	11.5%
FINMA Total Eligible Capital Ratio	16.4%	11.6%

3 CREDIT RISK

For information on the Group’s credit risk and counterparty risk approach, ratings and risk practice in relation to collateral, refer to Risk Management Organisation, Credit Risk, Credit Risk related to Clients, Credit Risk related to Financial Institutions under the Risk Management section (pages 34 to 35) and also under the Financial Risk Assessment and Management section (pages 95 to 104) of the Group’s Annual Report. Certain disclosures contained in this section of the report cannot be reconciled with disclosures in the Group’s Annual Report due to the way the Group manages risk internally being different to the way it reports it for regulatory purposes.

Regulatory gross credit risk exposures by counterparty type

For regulatory purposes, the Group categorises its gross regulatory credit risk exposure into counterparty types. The classification of counterparty type is based on the Group's internal classification.

The table below represents gross[1] regulatory credit exposure by type of counterparty:

(All amounts in millions of CHF)	Private Individuals	Corporates[2]	Banks & Multilateral Institutions[3]	Public Entities & Sovereign [4]	Other[5]	Regulatory gross credit exposure
Cash and balances with central banks				1,364.4		**1,364.4**
Money market papers			325.9	820.5		**1,146.4**
Due from banks			3,295.1			**3,295.1**
Loans and advances to customers:						
- Loans	3,955.8	3,657.8		2.0		**7,615.6**
- Mortgage	1,699.4	1,083.7				**2,783.1**
Trading portfolio assets					0.4	**0.4**
Financial investments		882.2	1,291.7	1,971.0	27.5	**4,172.4**
Derivatives (replacement values including add-on's)	22.8	109.5	515.2		0.8	**648.3**
Other assets (including accrued receivables)	23.6	129.6	452.4	28.3	96.3	**730.2**
As at 31 December 2012	**5,701.6**	**5,862.8**	**5,880.3**	**4,186.2**	**125.0**	**21,755.9**
Contingent liabilities	50.5	62.0	1.2			**113.7**
Commitments	56.5	41.9	5.6			**104.0**
Security Lending Borrowing		87.7	515.6	925.9		**1,529.2**
Total other exposures at 31 December 2012	**107.0**	**191.6**	**522.4**	**925.9**	**0.0**	**1,746.9**
Total gross credit exposures at 31 December 2012	**5,808.6**	**6,054.4**	**6,402.7**	**5,112.1**	**125.0**	**23,502.8**
As at 31 December 2011	5,266.3	5,371.1	4,934.8	3,946.6	151.5	19,670.3
Total other exposures at 31 December 2011	88.8	151.4	111.7	167.5		519.4
Total gross credit exposures at 31 December 2011	**5,355.1**	**5,522.5**	**5,046.5**	**4,114.1**	**151.5**	**20,189.7**

[1] Gross regulatory credit risk exposure is after provisions and application of credit conversion factors on off balance sheet items.

[2] Includes non-bank financial institutions, trusts, and investment funds.

[3] Includes banks and multilateral development banks.

[4] Sovereign counterparties include central banks and governments, as well as other public entities.

[5] Other includes international organisations which are not banks or public entities.

Regulatory gross credit risk exposures by geography

The table below represents regulatory credit risk exposure according to the balance sheet and off balance sheet positions by geographical location of the counterparty:

(All amounts in millions of CHF)	**Switzerland**	**Other Europe**	**Americas**	**Asia**	**Others**	**Total**
Cash and balances with central banks	1,132.4	28.7	0.5	202.8		**1,364.4**
Money market papers		329.5	0.3	816.6		**1,146.4**
Due from banks	863.6	1,500.2	250.4	659.6	21.3	**3,295.1**
Loans and advances to customers:						
- Loans	202.9	2,106.2	2,586.3	2,367.2	353.0	**7,615.6**
- Mortgage	67.1	1,670.4	904.6	84.0	57.0	**2,783.1**
Trading portfolio assets	0.1		0.3			**0.4**
Financial investments	84.2	1,599.5	2,453.5	35.2		**4,172.4**
Derivatives (replacement values including add-on's)	84.7	444.1	82.5	32.3	4.7	**648.3**
Other assets (including. accrued receivables)	332.6	239.0	134.2	23.2	1.2	**730.2**
As at 31 December 2012	**2,767.6**	**7,917.6**	**6,412.6**	**4,220.9**	**437.2**	**21,755.9**
Contingent liabilities	19.7	26.3	50.5	12.0	5.2	**113.7**
Commitments	6.5	46.8	29.0	8.6	13.1	**104.0**
Security Lending Borrowing	1,434.7	85.0		9.5		**1,529.2**
Total other exposures at 31 December 2012	**1,460.9**	**158.1**	**79.5**	**30.1**	**18.3**	**1,746.9**
Total gross credit exposures at 31 December 2012	**4,228.5**	**8,075.7**	**6,492.1**	**4,251.0**	**455.5**	**23,502.8**
As at 31 December 2011	1,631.5	6,811.5	6,545.0	4,289.0	393.3	19,670.3
Total other exposures at 31 December 2011	305.4	112.3	74.7	18.0	9.0	519.4
Total gross credit exposures at 31 December 2011	**1,936.9**	**6,923.8**	**6,619.7**	**4,307.0**	**402.3**	**20,189.7**

Risk Weighted Assets and total regulatory net credit exposure

The table below displays the breakdown of collateral used to cover the Regulatory gross credit risk exposures, total credit exposure after collateral, according to the Basel II requirements of FINMA which includes the effects of credit risk mitigation based on the Comprehensive Approach:

(All amounts in millions of CHF)	**Regulatory gross credit risk exposure**	**Less: Credit risk exposure mitigation with financial collateral**	**Total regulatory net credit exposure[1]**	**Average Risk Weight**	**BIS Risk weighted assets[2]**	**FINMA Risk weighted assets[3]**
Cash and balances with central banks	1,364.4		1,364.4	0.0%		
Money market papers	1,146.4		1,146.4	12.8%	146.8	**161.5**
Due from banks	3,295.1	1,370.3	1,924.8	21.1%	406.6	**447.2**
Loans and advances to customers:						
- Loans	7,615.6	6,408.2	1,207.4	87.2%	1,053.1	**1,157.9**
- Mortgage	2,783.1	375.6	2,407.5	41.4%	996.8	**1,096.5**
Trading portfolio assets	0.4		0.4	150.3%	0.6	**1.5**
Financial investments	4,172.4		4,172.4	19.3%	803.5	**885.6**
Derivatives (replacement values including add-on's)	648.3	77.1	571.2	21.9%	125.2	**137.8**
Other assets (including accrued receivables)	730.2	41.2	689.0	51.8%	356.8	**392.5**
Total on balance sheet	**21,755.9**	**8,272.4**	**13,483.5**	**28.8%**	**3,889.5**	**4,280.4**
Contingent liabilities	113.7	86.0	27.7	77.5%	21.4	**23.6**
Commitments	104.0	58.4	45.6	70.1%	32.0	**35.2**
Security Lending Borrowing	1,529.2	1,356.7	172.5	20.0%	34.5	**38.0**
Total off balance sheet	**1,746.9**	**1,501.1**	**245.8**	**35.8%**	**87.9**	**96.7**
Total at 31 December 2012	**23,502.8**	**9,773.5**	**13,729.3**	**29.0%**	**3,977.4**	**4,377.1**
Total on balance sheet	19,670.3	7,292.2	12,378.2	28.5%	3,532.3	3,860.1
Total off balance sheet	519.4	416.1	103.3	53.7%	55.5	61.0
Total at 31 December 2011	**20,189.7**	**7,708.3**	**12,481.5**	**28.7%**	**3,587.8**	**3,921.1**

[1] Total regulatory net credit exposure includes risk transfer from client guarantees and credit derivatives.

[2] This is BIS Risk Weighted Assets before applying any multipliers.

[3] This is FINMA Risk Weighted Assets after applying FINMA multipliers.

Credit Exposures after risk mitigation of collateral by risk weighting

The below table provides a breakdown of Regulatory net credit risk exposures by the applicable risk weight prescribed under Basel II whereby the risk weights are determined based on external ratings:

	RISK WEIGHTING						
(All amounts in millions of CHF)	**0%**	**1%-35%**	**36%-75%**	**76-100%**	**150%**	**Total regulatory net credit exposure 31.12.2012**	Total regulatory net credit exposure 31.12.2011
Private Individuals		1,422.4	164.7	466.9	3.3	**2,057.3**	1,785.7
Public entities (including sovereign & central banks)	3,843.0	396.3	52.8	0.1		**4,292.2**	3,959.6
Corporates	6.2	946.8	818.5	731.7	25.7	**2,528.9**	2,240.7
Banks & multilateral institutions	897.9	2,201.4	884.2	209.3		**4,192.8**	3,889.0
Derivatives	301.1	105.2	121.9	43.1		**571.3**	455.0
Other			2.3	83.5	1.0	**86.8**	151.5
As at 31 December 2012	**5,048.2**	**5,072.1**	**2,044.4**	**1,534.6**	**30.0**	**13,729.3**	12,481.5
Total at 31 December 2011	4,118.7	5,450.3	1,527.6	1,312.7	72.2	12,481.5	

Client impaired loans

For a detailed overview of impaired and past due loans, see Note 4.1.4 Loans and advances (page 102) in the Group's Annual Report 2012.

4 MARKET RISK

For more information on the Group's approach to manage market risk, see the Group's Annual Report 2012 in the Market Risk, Market Risk Measurement and limits in trading, and Currency Risk (page 36 to 37) and under the Financial Risk Assessment and Management section: Market Risk, Market risk measurement techniques, Value at Risk, Interest rate risk (pages 104, 111 to 113) of the Group's Annual Report. The Group uses the Standardised Approach to measure the capital adequacy on its Market Risk capital adequacy calculation.

Below is the table displaying the breakdown of the Risk Weighted Assets of the Group's Market Risk:

(All amounts in millions of CHF)	**31.12.12**	31.12.11
Interest rate instruments held in the trading book	**232.8**	317.6
Equities held in the trading book	**73.5**	48.7
Currencies and precious metals	**38.5**	60.3
Commodities	**53.3**	53.6
Options	**222.7**	130.7
Total BIS Risk weighted assets	**620.8**	610.9

Financial instruments in the trading book are marked to market and calculated on this basis for market risk purposes.

Interest Rate instruments in the trading book

Two components compose interest rate risk in the trading book, which must be calculated separately. One component is based on specific risk of interest rate instruments. Specific risk includes risks that relate to factors other than changes in the general interest rate structure. These risks are calculated per issuer. These positions are based on the issuer rating and residual maturity of the instrument.

The second component is: general market risk. General market risk includes risks which relate to a change in the general interest rate structure and are therefore, calculated per currency. The Group uses the maturity method where the total of a currency is broken down into maturity time bands per position and each specific maturity band carries its own risk weight that is applied to the total positions.

Equities held in the trading book

Capital adequacy requirement for share price risk takes into account all positions in equities, derivatives, and equity-like instruments. There is a distinction between the types of risk for share price risks between general market risk and share issuer.

Currency risk, Gold, Commodity Risk

The Group calculates a capital requirement for all foreign currencies and gold positions. The calculations are based on the net long or net short positions of the currencies and then a 10% factor is applied. When reviewing the commodity risk, the Group reviews the risk of changes in spot prices and the “forward gap risk”.

5 OPERATIONAL RISK

For more information on the Group’s approach to manage operational risk, see the Group’s Annual Report 2012 in the Operational Risk (page 38 to 40).

The Operational Risk calculated under FINMA rules is higher than under BIS, due to an additional FINMA requirement related to exclusion of businesses disposed of.

6 INTEREST RATE RISK IN THE BANKING BOOK

The following table shows the impact of one hundred basis point movement would have on the interest rate sensitivity in the banking book.

end of	**31.12.12**	31.12.11
(All amounts in millions of CHF)		
USD	**(24.2)**	(27.3)
EUR	**(3.6)**	(10.7)
GBP	**3.2**	1.0
CHF	**2.3**	(0.8)
JPY	**(0.1)**	0.6
Total impact on the fair value of interest rate sensitive banking book	**(22.4)**	(37.0)

Disclaimer:

Descriptions of calculations methodologies in this document are meant to explain the Basel II capital calculation implemented by the Group according to FINMA requirement but do neither represent the full set of rules publishes by FINMA, nor provide a legally binding opinion of the Group.