

EFG  International

ANNUAL REPORT 2010



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

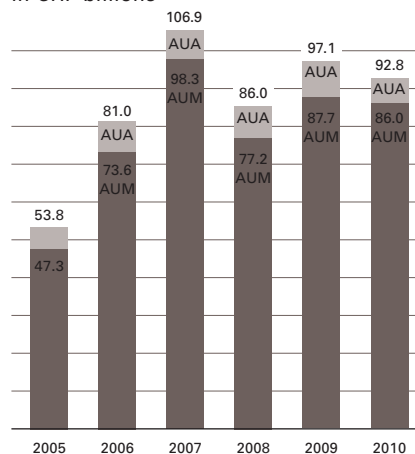
The essence of private banking is relationships; at EFG International, our role is to provide the conditions for these to flourish. Courtesy of an entrepreneurial business model, our business attracts professionals of the highest calibre, who enjoy the controlled freedom to operate in their clients'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

EFG International's global family of private banking businesses operates in over 50 locations in 30 countries. The business benefits from the resources and substantial capital reserves of EFG Bank European Financial Group, based in Geneva, which is EFG International's largest shareholder with 49.34%.

EFG INTERNATIONAL PERFORMANCE EVOLUTION

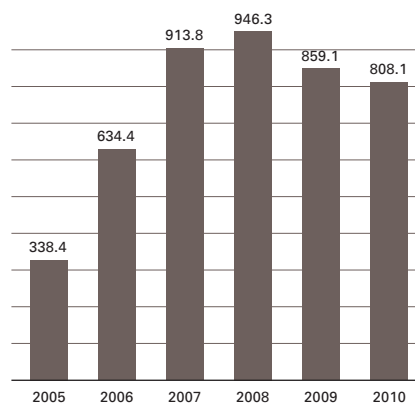
AUM and AUA ⁽¹⁾

in CHF billions



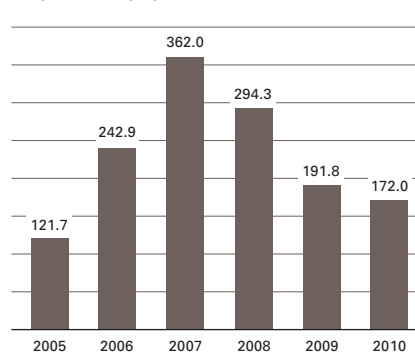
Core ⁽²⁾ operating income

in CHF millions



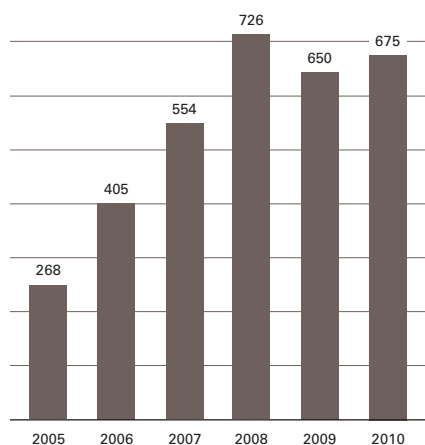
Core ⁽²⁾ net profit

in CHF millions



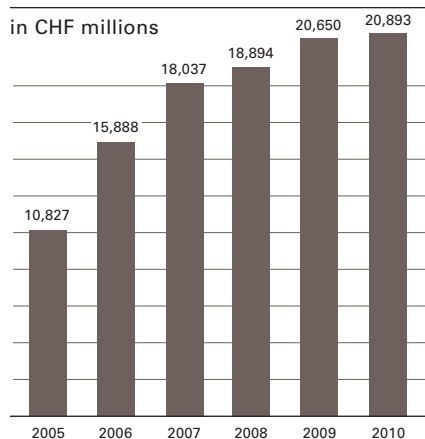
EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

Client Relationship Officers (CROs) ⁽¹⁾



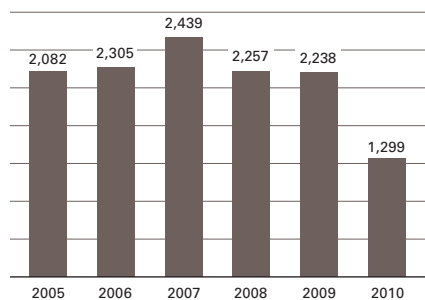
Total Balance Sheet

in CHF millions



Shareholders' Equity

in CHF millions



in CHF millions

31 December 2010

Income

Core ⁽²⁾ operating income	808.1
Core ⁽²⁾ profit before tax	145.9
Core ⁽²⁾ net profit	172.0
Core ⁽²⁾ net profit attributable to ordinary shareholders	152.1
Core ⁽²⁾ cost/income ratio	85.2%

Balance Sheet

Total Assets	20,893
Shareholders' Equity	1,299

Market Capitalisation

Share Price (in CHF)	12.80
Market Capitalisation (ordinary shares) ⁽³⁾	1,718

BIS Capital

Total BIS Capital	767
Total BIS Capital Ratio	14.0%

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

Personnel

Total number of CROs	675
Total number of employees	2,462

Listing

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

Ticker Symbols

Reuters	EFGN.S
Bloomberg	EFGN SW

(1) Including announced acquisitions.

(2) EFG International announced in March 2010 that it would report core net profit. Core net profit excludes net impairment charges of CHF 838.4 million, the amortisation of acquisition-related items of CHF 28.8 million and amortisation of employee stock options of CHF 26.6 million.

(3) Excluding treasury shares.

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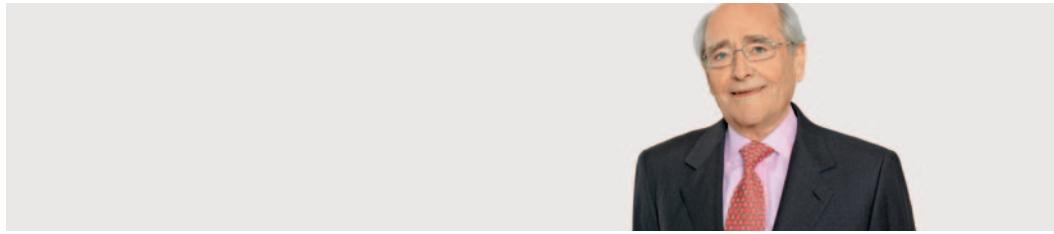
International practitioners
of the craft of private banking

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CHAIRMAN'S LETTER

Jean Pierre Cuoni



Dear shareholders, dear clients,

2010 was a period of consolidation for EFG International. The first quarter saw improved sentiment and strong business activity, only for this to be reversed in the second quarter due to concerns over sovereign debt, the euro, and global economic prospects. Lower client activity, combined with the strength of the Swiss franc and low interest rates, had an inevitable impact on performance. This trend continued during the third quarter but, as the end of the year approached, sentiment and business conditions improved once more, with clients gradually re-engaging with a wider range of investment opportunities.

No-one is in any doubt that the last few years have been extremely challenging for the global economy. Notwithstanding the economic and political difficulties still faced by the world, however, I remain optimistic that economic growth will continue to improve, giving rise to stronger corporate earnings and resultant increases in the value of most major equity markets. I acknowledge the need for interest rates to be raised, but hopefully this will be a consequence of growth being developed rather than significant inflationary momentum (although the latter is clearly a risk).

I have spoken before about the pressures confronting Switzerland as a financial centre, and am pleased that a balanced way forward has been found in relation to Swiss banking secrecy – based on the negotiation of double taxation agreements and enhanced assistance to overseas authorities in cases of tax evasion. Indeed, recent events have shown that the appeal of Switzerland rests on many factors beyond pure tax considerations. The country enjoys a stable socio-political environment and a robust economy and public finances, while its financial services sector benefits from clustering effects, a highly professional workforce and an enduring reputation for quality. To my mind, this provides real competitive advantage, which will underpin Switzerland's appeal long into the future.

When Lonnie Howell and I founded the business that is now EFG International in 1995, we felt it was important – reflecting the natural advantages described above – that our business should be based in Switzerland. Our headquarters remain in Zurich to this day, and our Swiss business has ambitious plans for growth. However, our outlook has always been resolutely international, and the group now operates in over 50 locations in 30 countries. Working both onshore and offshore, and with 18 booking centres, we serve our clients where they wish to do business, and are not confronted by issues relating to legacy European cross-border business.

Turning to our financial performance during 2010, there was a clear impact on margins arising from dampened client activity in a low interest rate environment. Core net profit for 2010 was CHF 172 million, down 10% year-on-year, on core operating income of CHF 808 million, down 6% year-on-year. Clients' Assets under Management were CHF 84.8 billion as at 31 December 2010, down from CHF 86.2 billion as at end-2009. Net new assets from private clients were CHF 11.0 billion, representing 13% growth.

During 2010, EFG International took an impairment charge of CHF 860 million in relation to certain specialist product businesses, announced at the time of our half year results. This served to underline the fact that our focus is now resolutely on private banking, and explains the reported net loss attributable to owners of the Group of CHF 721.8 million. There was however no impact on EFG International's regulatory capital or cash-flow, and the relevant product businesses all stabilised during the second half.

It is also important to note that our results continued to be affected by the strength of the Swiss franc. This is a factor that can obscure the underlying strength of our core business, given that approximately 40% of EFG International's expenses are denominated in Swiss francs, but only 5% of revenues. Had the Swiss franc remained at the same level as at the time of EFG International's IPO in October 2005, clients' Asset under Management would have been approximately CHF 112 billion as at end-2010.

We have always recognised the fundamental importance of human relationships, and our core private banking business enjoys a number of strengths. Throughout the recent economic and market turbulence, our clients have remained extremely loyal, as evidenced by our continued growth in net new assets. Indeed, this is an area where we have remained consistently among the leaders in our industry. Our entrepreneurial yet nurturing approach still resonates strongly with Client Relationship Officers, and we continue to recruit selectively high quality individual and teams. Most of our regional private banking businesses are thriving, and during the year delivered double digit growth in revenues and clients' Assets under Management in local currency terms.

Important changes have been made to the EFG International leadership team, and we are in the process of adopting a regional structure to equip the business for the next stage of its development. This will comprise five divisions – four regional private banking businesses plus EFG Asset Management (including EFG Financial Products) – and is designed to ensure a stronger focus on performance and strategic direction, without compromising the entrepreneurial spirit of the business. This heightened regional focus will also offer benefits in terms of more effectively aligning costs and revenues. EFG Asset Management has established itself as a global platform and has made good progress in supporting CROs. EFG Financial Products delivered a strong performance, and is diversifying its business by location, asset class and business activity.

It has been another challenging year, but there are manifold reasons to be positive. With business conditions improving, EFG International has concluded a period of consolidation and has a strong platform to build on. We are committed to developing organically, based on our proven entrepreneurial business model. Our core business remains strong, with a clear focus on private banking. And our capacity for growth is strongly supported by double-digit growth in net new assets for private clients. In short, I believe we are extremely well positioned for the future, as evidenced by EFG International's reassertion of its strategic targets for the next two to three years.

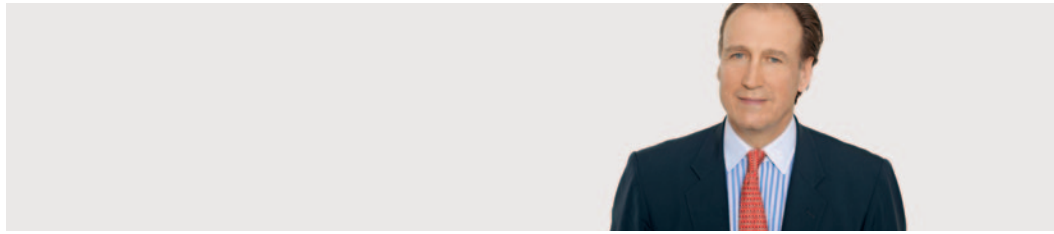
I would like to conclude by offering my sincere thanks to all employees, who continue to work tirelessly to steer our clients – and our business – through testing conditions.



Jean Pierre Cuoni,
Chairman of the Board

Resolute experts.

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



In the year ended 31 December 2010, financial highlights for EFG International were as follows:

- Core net profit for 2010 was CHF 172.0 million, down 10% year-on-year, on core operating income of CHF 808.1 million, down 6% year-on-year (but down just 1% on a like-for-like basis, taking account of the deconsolidation of Marble Bar Asset Management).
- Revenue-generating clients' Assets under Management were CHF 84.8 billion as at 31 December 2010, down from CHF 86.2 billion as at end-2009, mainly due to the strong Swiss franc.
- Net new assets from private clients were CHF 11.0 billion for 2010, representing 13% growth. Total net new assets and the increase in clients' loans were CHF 9.7 billion (of which loans: CHF 0.7 billion). This compares with CHF 6.3 billion (of which loans: CHF 0.6 billion) for 2009.
- The number of Client Relationship Officers (CROs) stood at 675, up from 650 as at end-2009.

REVIEW OF BUSINESS

A challenging environment impacted profitability

Client activity was muted for much of 2010 (with economic uncertainty leading to a preference for cash), resulting in an inevitable impact on margins in a low interest rate environment. The core revenue margin of 94 basis points was well below that achieved in 2009 (107 basis points), reflecting a lower net interest margin and a lower contribution from specialist product businesses. However, the core revenue margin improved in the second half compared to the first (from 92 to 95 basis points). Core operating expenses were CHF 662.1 million, up 1% on the previous year, with cost savings offset by ongoing investment in high growth businesses, notably Asia, Americas and EFG Financial Products. Results also continued to be affected by the strength of the Swiss franc, serving to obscure the underlying strength of the core business. However, there was an improvement during the latter part of 2010.

As announced at the time of our first half 2010 results, at the end of June 2010 EFG International took an impairment charge of CHF 859.5 million in relation to specialist product businesses MBAM, CMA, and DSAM. This step explains the reported net loss attributable to owners of the Group of CHF 721.8 million, but had no impact on EFG International's regulatory capital or cash-flow. EFG International remains highly liquid (with a deposit-to-loan ratio of 2:1) and had a BIS capital ratio of 14.0% as at end-2010.

Private client net new assets remained strong, with good performances from most private banking businesses

EFG International again delivered strong, double-digit net new asset growth in its private banking business, equivalent to 13% of private clients' Assets under Management at the start of 2010. For the year, net new assets relating to private clients were CHF 11.0 billion (2009: CHF 8.7 billion) and new business was strong throughout the year (CHF 6.3 billion in H1; CHF 4.7 billion in H2). Most regional businesses delivered good performances, with the UK, Asia and Americas businesses all generating strong double digit growth in revenues and net new assets in local currency terms.

Continued selective approach to CRO hiring

As at end-2010, the number of CROs stood at 675, up from 650 at end-2009, and CROs who have been with EFG International for more than a year are profitable. Our focus remains firmly on attracting high quality CROs and teams. Teams represent a particular area of opportunity for us, and have in recent years yielded good results, particularly in Asia and the Americas. In light of this experience, and given a healthy pipeline, we envisage net recruitment being higher in 2011 than in 2010.

Selective expansion of international presence

During 2010, EFG International entered a number of new markets, establishing businesses in Denmark, Uruguay and Key Biscayne, Florida. We are satisfied with the progress of each during their first year of operation. In Switzerland, we opened a branch in Lugano and recruited a team of CROs to drive growth. This reflects plans to grow the business in Switzerland more generally.

We will continue to look for opportunities to expand in new locations, but contingent on finding teams of high quality CROs, and subject to rigorous business case discipline. However, the main focus will be on developing and growing our existing network.

Continued development at EFG Asset Management

EFG Asset Management has established itself as a global platform, offering a full range of managed accounts, funds, and advisory services, and with discretionary portfolio management revenues increasing by 20% during the year. In January 2011, the business appointed a Head of Asia, responsible for developing the asset management business in the region, starting with Hong Kong and Singapore. The specialist product businesses MBAM, CMA and DSAM (which specialises in structured products for the Swedish market) all stabilised, and were profitable, during the second half of 2010.

EFG Financial Products performing strongly and diversifying

During 2010, EFG Financial Products delivered a strong performance, with revenues up 31%. It opened an office in Frankfurt, which will serve as its hub for EU expansion, and is currently establishing a presence in Hong Kong and Singapore. Going forward, it will continue to diversify in terms of location (primarily in Europe); asset classes (e.g. more capabilities in FX and commodities); and business activities.

Changes to governance and business structure to ensure heightened focus on performance and future direction

We are making changes to the structure of EFG International, creating five divisions: four regional private banking businesses (Europe; UK; Americas; Asia & Middle East), plus EFG Asset Management (including EFG Financial Products). This is designed to ensure a stronger focus on performance and strategic direction, without compromising the entrepreneurial spirit of the business. This heightened regional focus will also offer benefits in terms of more effectively aligning costs and revenues.

During the course of 2010, a number of changes were made to the EFG International Executive Committee. As announced at the time of the first half 2010 results, Jean-Christophe Pernollet was appointed as Chief Financial Officer as of 1 October 2010; and Henric Immink joined EFG International as Group General Counsel on 1 January 2011. In addition, Mark Bagnall, formerly EFG's Global Chief Technology Officer, became Chief Operating Officer with effect from 1 January 2011. Alain Diriberry, formerly COO, became CEO of EFG Bank, while remaining on the EFG International Executive Committee.

LOOKING AHEAD

Positive about medium-term prospects

2010 was another challenging year for EFG International on account of economic conditions and issues relating to a number of our specialist product businesses. With business conditions improving, we have concluded a period of consolidation and have a strong platform to build on. The focus is on private banking (including asset management as an integral part); the fundamentals of the business are strong (international diversification; onshore as well as offshore; entrepreneurial bankers); and the business continues to generate double-digit growth in net new assets.

Based on prevailing economic and market conditions, we reassert the following strategic targets for EFG International for the next two-three years:

- Double-digit annual net new private client asset growth.
- Revenue margin of 1%.
- Annual net CRO hiring of 25–50.
- To improve the cost-income ratio over time to below 70%, based on growth in revenues and careful management of costs.
- Minimum BISTier 1 capital ratio of 16%, to be attained no later than end-2012.
- Minimum core net profit of CHF 200 million for 2011. Thereafter, to rise in line with the anticipated development in revenues.



Lawrence D. Howell,
Chief Executive Officer

A global footprint



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



- Booking centres
- Other offices

⊛ Birmingham region includes:
Banbury, Bridgnorth
Worcester,
Wolverhampton.

⊛ Switzerland:
Geneva, Zurich,
Sion, Lugano.

Organic growth and acquisitions

1995 The founding of EFG Bank



● Organic growth
● Acquisitions

1 Agreements to set up business accounted for as acquisitions of intangible assets.
 2 Subsequently changed name to EFG Bank von Ernst AG.
 3 Subsequently changed name to EFG Wealth Management (India) Private Ltd.
 4 Subsequently changed name to EFG Gestion Privée – EFG Banque Privée
 5 Subsequently changed name to EFG Bank (Monaco).
 6 Offices closed in 2009.
 7 Offices closed in 2010.
 8 Business sold in 2010.

2008

- Los Angeles
- Montreal⁷
- St. Catharines
- Vancouver
- Sycomore Gestion Privée (Paris)⁴

2009

- Bangalore
- Abu Dhabi
- Ottawa
- Shanghai
- Lyford Cay

2010

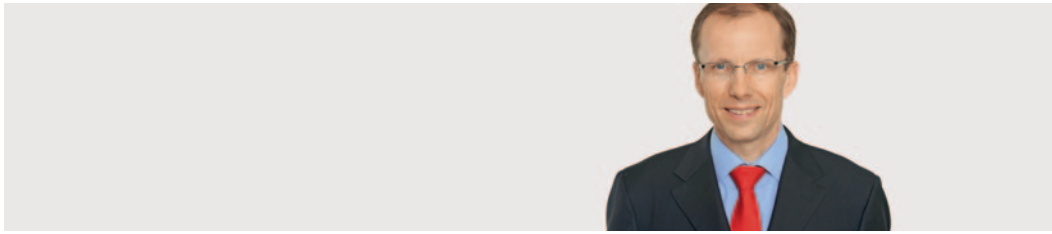
- Copenhagen
- Key Biscayne
- Punta del Este
- Montevideo
- Lugano
- Frankfurt

Today

- Miami
- Guernsey
- Singapore
- Hong Kong
- Taipei
- New York
- Luxembourg
- Sweden Bank
- Dubai
- Lima
- Bahamas Bank
- Luxembourg Bank
- Bangkok
- Bogotá
- Cayman
- Jakarta
- Manila
- Quito
- Toronto
- Jersey Bank
- Madrid
- EFG Financial Products
- Los Angeles
- St. Catharines
- Vancouver
- Bangalore
- Abu Dhabi
- Ottawa
- Shanghai
- Lyford Cay
- Copenhagen
- Key Biscayne
- Punta del Este
- Montevideo
- Lugano
- Frankfurt
- Geneva Private Banking Business of Parent Bank
- Royal Bank of Scotland Zurich
- IBP Fondkommission (Sweden)
- BanSabadell Finance (Geneva)
- Banque Edouard Constant (Geneva)
- Banco Atlántico Gibraltar Ltd
- Structured Notes Business (Scandinavia, Europe)¹
- DLFA Dresdner LatAm Financial Advisors
- Chiltern Wealth Management (London)
- Bank von Ernst (Liechtenstein) AG²
- Banco Sabadell Bahamas¹
- EFG Eurofinancière d'Investissements SAM (Monaco)⁵
- EFG Private Bank Limited (London)
- Capital Management Advisors (Bermuda)
- Harris Allday (UK)
- Banque Monégasque de Gestion (Monaco)⁵
- PRS Group (Cayman/Miami)
- Quesada Kapitalförvaltning (Sweden)
- Ashby London Financial Services Ltd (UK)
- Bull Wealth Management (Canada)
- Marble Bar Asset Management (UK/Cayman)⁸
- Stratcap Securities India (Mumbai)³
- A&G Group (Spain)
- On Finance SA (Lugano)
- Sycomore Gestion Privée (Paris)⁴

FINANCIAL REVIEW

Jean-Christophe Pernellet
Chief Financial Officer



2010 was a challenging year, characterised by strong net new money and resilience in the face of low client activity, currency impacts, and significant impairment losses on the carrying value of a financial asset and goodwill and intangibles write-downs.

FACTORS AFFECTING RESULTS OF OPERATIONS

The number of Client Relationship Officers (“CROs”) increased by 25 to 675 at the end of 2010.

Revenue-generating Assets under Management (“AUMs”) decreased to CHF 84.8 billion from CHF 86.2 billion at the end of 2009, reflecting negative exchange rate movements of CHF 10.1 billion, a decline due to deconsolidation of Marble Bar Asset Management (MBAM) of CHF 1.5 billion, net positive market movements of CHF 0.4 billion and net new money inflows of CHF 9.7 billion.

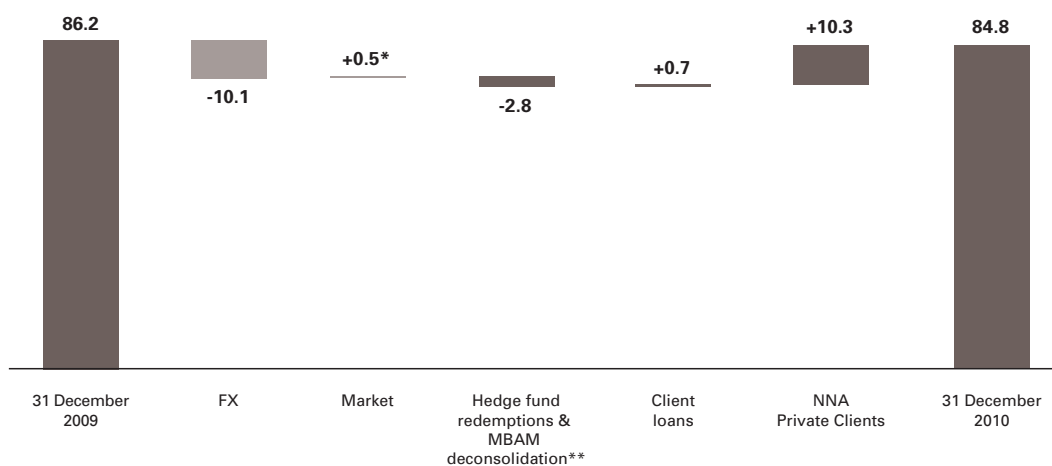
Average revenue-generating AUMs were up by 7% to CHF 85.9 billion at the year end.

CONSOLIDATED ASSETS UNDER MANAGEMENT

Revenue-generating AUMs decreased by 2% to CHF 84.8 billion during 2010, from CHF 86.2 billion as at 31 December 2009. Net new money inflows of CHF 9.7 billion comprised net new assets from private clients of CHF 11.0 billion (representing growth of 13%) and hedge fund related redemptions of CHF 1.3 billion. Growth in AUMs was positively affected by the continued AUM generation of existing CROs and positive market performance of CHF 0.5 billion. However, the strength of the Swiss franc meant that AUMs reported in this currency declined by CHF 10.1 billion, primarily due to the impact of the euro, US dollar and British pound. Over the year, the US dollar exchange rate (relative to the Swiss franc) decreased by 9%, the euro by 16%, and the British pound by 13%.

Revenue-generating AUM development

in CHF billions

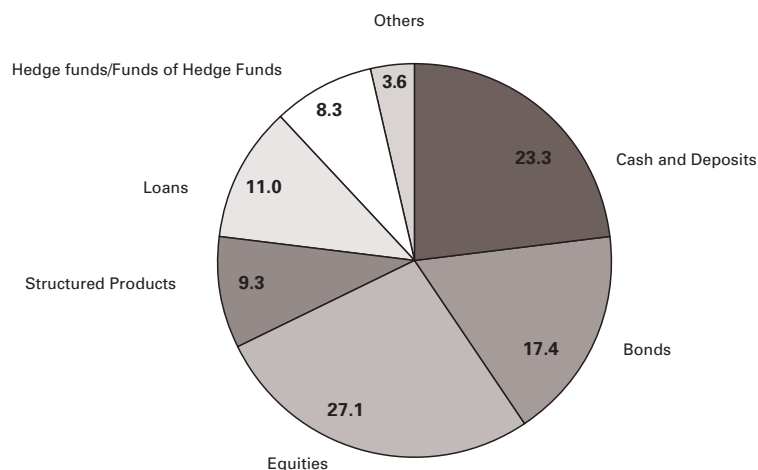


* Includes positive market performance (mainly on equities) offset by CHF 1.9 billion negative market action due to nationalisation.

** MBAM deconsolidation: CHF 1.5 billion, hedge fund redemptions: CHF 1.3 billion.

AUM by category

in %



CONSOLIDATED FINANCIALS

Operating income

In 2010, operating income of CHF 325.5 million included the net mark down on MBAM of CHF 482.6 million recorded in the financial statements within operating income. Excluding the impact of this, operating income was CHF 808.1 million, compared to CHF 859.1 million in 2009. The decrease in operating income was primarily due to the deconsolidation in May of MBAM (which generated CHF 39.5 million additional operating income in 2009), and as a result of the decrease in revenues arising from the strength of EFG International's reporting currency, the Swiss franc. The CHF 859.1 million of operating income in 2009, adjusted to reflect the exchange rate environment prevailing in 2010, would have been circa CHF 38 million lower, or within 2% of the result achieved last year.

This broadly stable currency-adjusted revenue figure reflects the offsetting effects of average revenue-generating AUMs being up by 7% to CHF 85.9 billion at the year end, versus the return on average AUMs declining from 107 basis points in 2009 to 94 basis points. The decline in return on average AUMs was due to lower interest income (as the effect of current near-zero global rates fully impacted results), continued muted client transactional activity and reduced commission income, primarily due to the deconsolidation of MBAM.

Net interest income was down by 5% to CHF 250.5 million as the low absolute interest rate environment continued to limit interest spreads.

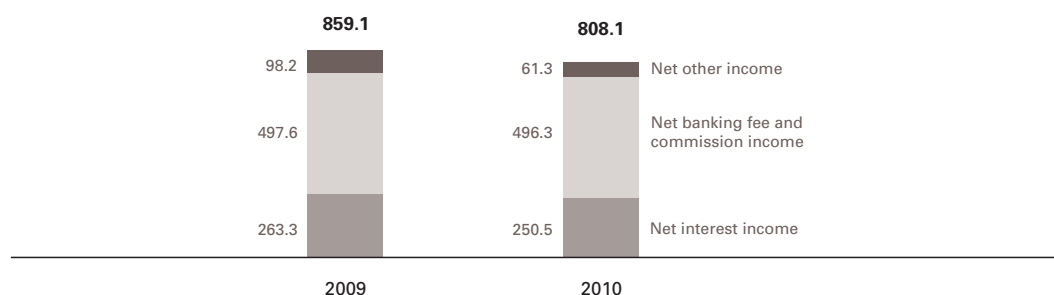
Net commission income was stable at CHF 496.3 million as client activity remained low on the back of weak client confidence, which was repeatedly battered by concerns about European sovereign risks, deflation/inflation threats and general macro economic uncertainty across numerous jurisdictions.

Net other income of CHF (421.3) million was reported (2009: CHF 98.2 million); however, this included CHF (482.6) million net mark down in the financial asset EFG International held as a result of the restructuring of its holding in Marble Bar Asset Management. In May, EFG

International effectively sold the business back to the management of the business (from which date it ceased to consolidate the AUMs, revenues, expenses, assets and liabilities of the business, including CHF 499 million of intangible assets), in exchange for a perpetual share in the revenues of the business. This right to a perpetual share of revenues is accounted for as a financial asset at fair value. In June, EFG International assessed the fair value of this asset to be zero based on the uncertainty that existed in the market place at the time. At year end, it had re-assessed the fair value of this financial asset given the stabilisation of the business, more visible future and strong positive performance generated for clients by MBAM in the second half of 2010. Thus EFG International has reflected a gain of CHF 16 million (which it has netted against the first half loss to arrive at the net CHF 482.6 million mark down mentioned above) on this asset which is currently yielding CHF 2–3 million per annum.

Core operating income

in CHF millions



Operating expenses

Operating expenses, excluding amortisation of acquisition-related intangibles, rose by CHF 10.3 million or 2% to CHF 688.7 million. The cost-income ratio, which is the ratio of operating expenses (including amortisation expense of software and tangible fixed assets) to operating income, increased from 79% to 85%. The cost-income ratio was impacted primarily by the decline in operating income mentioned above, which has not been offset accordingly on the cost side due to a different (and, in this exchange rate environment, adverse) mix of currencies on the revenue side compared to the currency mix on the expense side.

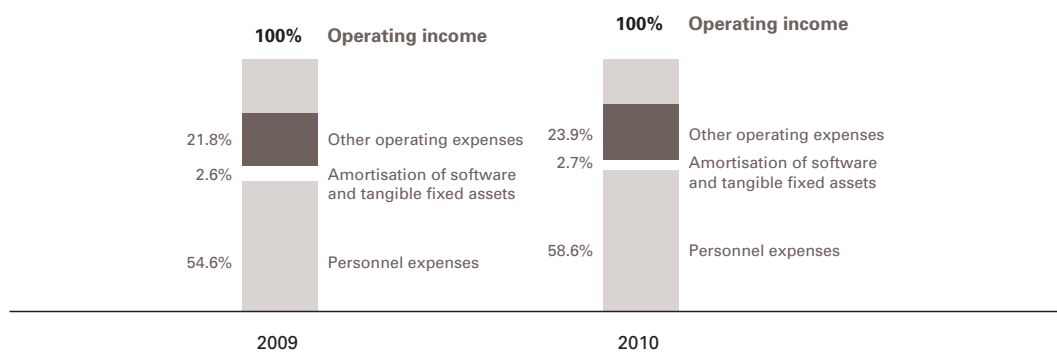
Personnel expenses increased by CHF 4.9 million, up 1% to CHF 473.9 million. Overall headcount increased by 3%, from 2,394 to 2,462 employees, reflecting continued investments in personnel made in order to position the business to enhance further the services it provides to its clients and markets, also in anticipation of the expected revenue growth of the business.

Other operating expenses increased by CHF 5.7 million to CHF 192.9 million, reflecting amongst others additional legal fees incurred to defend EFG International's position in legal cases where it estimates that the financial position of the Group would not be significantly impacted.

Amortisation and impairment of acquisition-related intangibles increased to CHF 407.6 million (2009: CHF 65.7 million), primarily as the result of the impairment of goodwill and intangible assets of the C.M. Advisors and DSAM businesses for CHF 378.8 million taken in the first half of the year.

The tax line reflects a gain of CHF 25.7 million compared to a charge of CHF 5.4 million in the previous year. This relates partially to the reversal of historically booked tax provisions and to deferred tax assets partially relating to the 2010 write-downs.

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



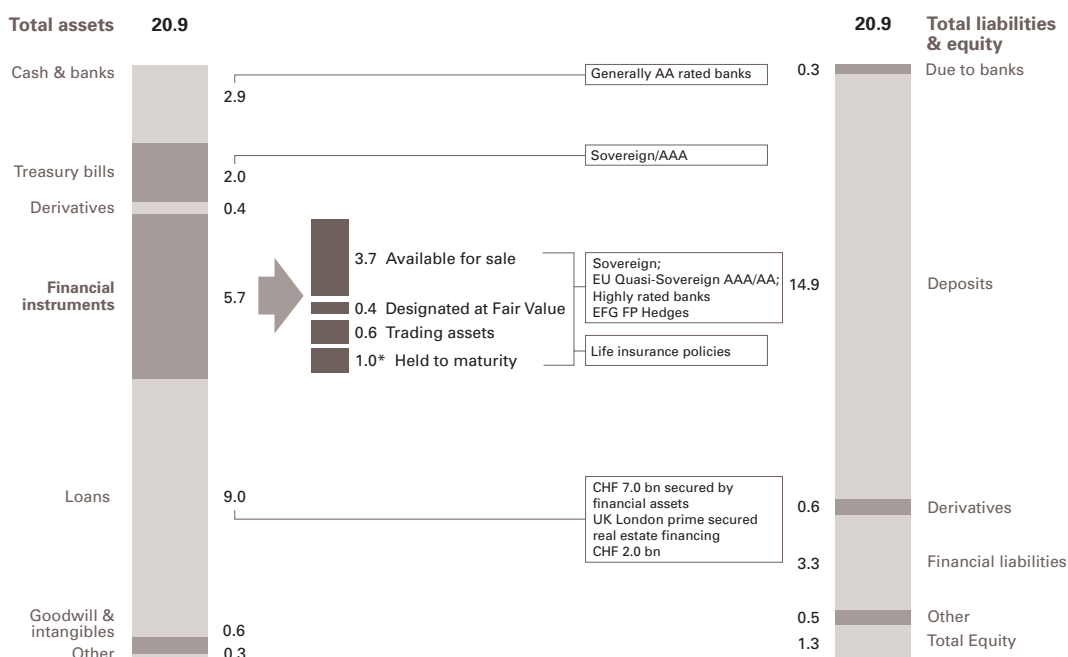
BALANCE SHEET

In the year under review, the consolidated balance sheet total remained constant at CHF 20.9 billion compared to CHF 20.7 billion in 2009. Loans to customers increased by 9% to CHF 9.0 billion. These comprise CHF 7.0 billion, almost entirely backed by collateral of diversified liquid/marketable securities; and mortgages totalling CHF 2.0 billion.

Due to Customers/Customer Deposits decreased by 5% to CHF 14.9 billion, primarily due to currency impacts.

Breakdown of balance sheet

in CHF billions



* Includes CHF 0.6 billion of life settlement policies recognised or transferred into "held to maturity" in Q3 2010.

In the third quarter of 2010, EFG International entered into three market transactions regarding the majority of its life settlement policies which lead to the recognition as – or transfer into – the "held-to-maturity" category, in line with its intention to keep these high yielding assets.

The majority of tangible assets are callable or disposable within 3 months, with the exception of life settlement policies of CHF 0.7 billion and CHF 2.0 billion mortgages with over 95% of the mortgage balance due within 12 months of the Balance Sheet date. The Customer Deposit to Loan Ratio remains at 198%, one of the leading ratios in the banking sector.

CAPITAL

Shareholders' equity totalled CHF 1.3 billion, with changes year on year primarily as a result of the following:

- CHF 13.4 million paid ordinary dividend;
- CHF 20.4 million paid on Bons de Participation dividend;
- CHF 74.4 million negative net revaluation of available-for-sale securities;
- CHF 768.7 million net loss attributable to Group and non-controlling shareholders;
- CHF 85.0 million in losses from currency translation adjustments on consolidation of foreign currency denominated subsidiaries.

The BIS Total Capital Ratio was 14.0% (after including CHF 13.4 million anticipated ordinary 2010 dividend, to be approved by the 2011 Annual General Meeting) at 31 December 2010. Risk Weighted Assets decreased to CHF 5.5 billion as of 31 December 2010. This comprised the following (CHF billion):

	2009	2010
Credit Risk	3.8	3.6
Operational Risk	1.6	1.4
Market Risk, Settlement Non-Counterparty Related	0.4	0.5
Total BIS Risk Weighted Assets	5.8	5.5

Total Tier 1 Capital amounted to CHF 765.8 million (including anticipated 2010 ordinary dividend, expected to be approved by the 2011 Annual General Meeting) at 31 December 2010. This represented 3.8% of total assets net of intangibles.

At year end the Group held 12.4 million treasury shares. On a pro forma basis, assuming all these shares were sold at a share price of CHF 12.80 (year-end closing price), shareholders' equity would increase by CHF 159 million and the BIS Total Capital Ratio would increase to 16.8%.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.10 per share, representing a dividend payout of approximately CHF 13.4 million, will be proposed to the Annual General Meeting scheduled for 27 April 2011.

RATINGS

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

The current ratings are:

EFG International

Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1.

Moody's: Long-Term issuer rating of A3.

Outlook Stable for both rating agencies.

EFG Bank

Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1.

Moody's: Long-Term Bank Deposit rating of A2 and the Short-Term Bank Deposit rating of P-1.

Outlook Stable for both rating agencies.

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BOARD AND MANAGEMENT



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Lukas Rufin Deputy Chief Executive Officer
Jean-Christophe Pernollet Chief Financial Officer
Mark Bagnall Global Chief Operating Officer
Frederick Link Chief Risk Officer
Henric Immink General Legal Counsel
James T. H. Lee CEO Asset Management
Alain Diriberry CEO EFG Bank



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John Williamson Chief Executive Officer EFG Private Bank Ltd
Ludovic Chéchin-Laurans Managing Director EFG Bank (Luxembourg) SA
Sixto Campano Chief Executive Officer EFG Capital
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Steve Mackey CEO Caribbean
Albert Chiu Chief Executive (EFG Bank Asia)
Robert Chiu Executive Chairman (EFG Bank Asia)
Jacobo Gadala-Maria President & CEO PRS International Consulting Inc

Photo: EFG International Global Executive Committee.

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Jens Brueckner Head of Investor Relations
Renée Hassiotis-Schuler Deputy Group General Counsel
Andrew McQuillan Strategic Marketing & Communications
William Ramsay Chief Economist
Michael Rodel Head of Controlling & Financial Reporting and CFO EFG Bank
Ivo Steiger Head of Investment Finance/Credit
Philip Weights Chief Internal Auditor
Patrick Zbinden CFO/COO Asset Management

EUROPE

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Don Ventura Head of Private Banking Geneva
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Kurt Haueter Global Head of Treasury
Florent Albaret Head of Market Risk Management
Marie-José Herbinière Head of Human Resources
Philippa Kilburn-Toppin Group Chief Compliance Officer

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Thomas Muther SVP
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Sergio Buttazzi FVP
Pablo Custer FVP
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Clinton Hodges SVP

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Sixto Campano Chief Executive Officer
Juan C. Massens SVP
Steven H. Vogel SVP

**EFG CAPITAL SERVICES, LLC.,
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**EFG CAPITAL LIFE SETTLEMENTS INC.,
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Eduardo Aranda VP
Susana Tabja VP

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Pablo Berenbaum
Luciano Costigliolo
Fernando Salgado
Nora Szterenbaum

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John Sullivan Director
Ian Cookson Director
Blanca Arias-Smith MD
Benjamin Hein SVP

Gene C. Sulzberger SVP
Violeta Gomez VP

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Juan Carlos Gómez Deputy Representative

EFG BANK – REPRESENTATIVE OFFICE QUITO

Verónica Ponce Chief Representative Ecuador

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Rodolfo Barrios VP
Gabriel Ustinelli VP

EFG OFICINA DE REPRESENTACIÓN URUGUAY S.A., PUNTA DEL ESTE

Alicia Osácar VP

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Ian Cookson Director
Steve Mackey Director

EFG WEALTH MANAGEMENT (CANADA) LIMITED

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Brent Haines Director
Graham Mayes Director
Rick Belcastro SVP
Margaret Chow SVP
Melanie Clarence SVP
Paul Doyle SVP
Alicia Francella SVP
Rossano Francella SVP
James Hoar SVP
Dan Hunter VP

BULL CAPITAL MANAGEMENT INC.

James Bull CEO, Director
Brent Haines Director
Graham Mayers Director

BULL WEALTH MANAGEMENT GROUP INC.

James Bull CEO, Director
Mayes Graham Director
Brent Haines Director
Kevin Van Dyk SVP
Paul Gillis SVP

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Brent Haines COO
Tanya Clare CFO
Edward Cooper SVP
Neil Emery SVP
Theresa Haven-Adderley SVP Corporate Secretary
Andrew Raenden SVP
Robert Scott Morrison SVP
Christopher Southgate SVP
Rolf Schuermann SVP
Jaime Stewart SVP
Paul-Martin Seguin SVP
Vivienne Watts SVP CIO
Jorge Borlandelli VP
Rosalyn Brown D'Alewyn VP
Jaspreet Dhaliwal VP
Miles Evans VP
Lorna Kemp VP
Karen Pinder VP
Luciana Silvera-Perdomo VP
Uyen La Wiget VP

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Glenn Mitchell Branch Manager, SVP
Simon Cawdery SVP
Guilherme Passos SVP
Simon Nock SVP
Rolf Schuermann SVP
Brent Haines SVP
Nicola Corsetti SVP
Gal Anziska VP
Balmattie (Barlo) Maclean VP
Ana Carolina Toffoli de Souza VP

ASSET MANAGEMENT

EFG ASSET MANAGEMENT SERVICES AG

James T. H. Lee Director
Patrick Zbinden Director
Ian Cookson Director

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Patrick Zbinden Member of the Board
Mozamil Afzal Member of the Board
William Ramsay Member of the Board
Rosario Martinez-Castro FVP
Jaroslav Machalicky VP

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Patrick Zbinden Member of the Board
Andrew Steinvurzel Member of the Board

EFG ASSET MANAGEMENT (HONG KONG) LIMITED

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Bradley Okita Member of the Board
Albert Chiu Member of the Board

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Rasik Ahuja Member of the Board
Bradley Okita Member of the Board
Kees Stoute Member of the Board

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Jozef Hendriks Member of the Board
Mozamil Afzal Member of the Board
Keri Wong Member of the Board

EFG FINANCIAL PRODUCTS AG, ZURICH

Sandro Dorigo Partner/Member of EC
Michael Hartweg Partner/Member of EC
Jan Schoch Partner/Member of EC
Volker Doberanzke MD/Member of EC
Ulrich Sauter MD/Member of EC
Lawrence Bärtschi MD
Yann Besnard MD
Daniel Cangemi MD
Dmitry Davydov MD
Bertram Dunskus MD
Jürgen Hakala MD
Michael Hoelzle MD
Yvo Hollenstein MD
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Valerio Roncone MD
Alexander Ruegg MD
Christian Sperschneider MD
Achim Traut MD
René Ziegler MD
Emile Abou-Mansour ED
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Sandra Frank Dudler ED
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Tino Wendisch ED
Franz Zimmermann ED

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Richard Burwood ED

EFG FINANCIAL PRODUCTS (MONACO) SAM, MONACO

Alejandro Pou Cuturi MD
Christophe Spanier MD
Gabriel Carrillo Capel ED
Filippo Colombo ED
Bruno Frateschi ED

EFG FINANCIAL PRODUCTS (EUROPE) GMBH, FRANKFURT

Manfred Schwientek MD
Pedram Payami ED

EFG FINANCIAL PRODUCTS (HONG KONG) LIMITED, HONG KONG

Andrew Chiang MD
Sven Haefner MD
Samuel Ng MD
Karel Vacek MD
Irene Chiu ED

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

As of February 2011



“THIS IS MY FIRST TIME TO SEE THIS NUMBER OF CHILDREN PLAYING SO HAPPILY IN THIS TOWNSHIP SINCE 1967 WHEN IT WAS CREATED. I HAVE SEEN THAT THESE KINDS OF ACTIVITIES REALLY BRING THE CHILDREN TOGETHER AND THEY HAVE REALLY BEEN ENJOYING THEMSELVES”

A.T.T. Nugba Sonpon, Commissioner of the township of New Kru Town, Liberia.

RIGHTTO PLAY

EFG International is proud to support RightTo Play, an international humanitarian and development organisation that improves the lives of children in some of the poorest countries in the world. Right To Play uses sport and play-based programmes to build essential skills among children in communities affected by war, poverty and disease. It has four key areas of focus: Basic Education and Child Development; Health Promotion and Disease Prevention; Conflict Resolution and Peace Education; and Community Development and Participation.

In 2010, Right To Play celebrated its tenth anniversary. Since its inception in 2000, Right To Play has grown to become a global organisation reaching over 1 million children through regular sport and play activities, events, festivals and summer camps. The results speak for themselves. Participants in its programmes are not only more motivated to go to school, they are also more engaged in the classroom and have achieved stronger than average academic performance. They have learned key life skills such as confidence, collaboration, conflict resolution, empathy and communication.

Right To Play's positive impact on children has been recognized internationally. Following the civil unrest in Thailand last year, for example, it was asked to support the Ministry of Education with its National Peace and Reconciliation strategy. Right To Play devised a package of activities to promote peace and conflict resolution, which was used by teachers in elementary schools across the country.

EFG International is proud to contribute to the success of all of Right To Play's programmes. Thanks to donations from its employees, totalling some \$ 1 million between 2006 and 2010, it also provides direct support to certain projects, notably in recent years in Sri Lanka (a project now concluded) and Uganda. During 2010, EFG International supported a project helping a number of Refugee Camps in North Western Thailand which are home to people seeking refuge from ethnic and political persecution in Burma. As a result of this support, Right To Play has been able to extend its Burmese programmes from five to seven refugee camps. In 2011, the project will reach 20,000 children and 500 Right To Play teachers and coaches at 44 schools.

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



For more information on RightTo Play,
visit www.righttoplay.com

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, legal and reputational, can be identified throughout EFG International and controlled by management in an effective and consistent manner.

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

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

RISK MANAGEMENT ORGANISATION

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

The Board has delegated responsibilities for Risk Management as follows:

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

The 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 custodian relationships, counterparty credit risk up to pre-defined limit guidelines and parameters for banks, financial institutions, insurance companies + selected corporate names including Country limits.

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

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

CREDIT RISK

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

CREDIT RISKS RELATED TO CLIENTS

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

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

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

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

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

EFG International's internal rating system assigns each credit exposure to one of ten rating categories. The rating process assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit

policy and the nature of the loans ensure that EFG International's loan book is of high quality. Consequently, an overwhelming majority of EFG International's credit exposures are rated within the top three categories.

CREDIT RISKS RELATED TO FINANCIAL INSTITUTIONS

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

COUNTRY RISK

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

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

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

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

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

MARKET RISK

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

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper, and commodities on behalf of its clients. This business is conducted out of dealing rooms in Geneva, Hong Kong, London, Miami, Monaco, Zurich and Stockholm. In the case of foreign exchange, EFG Bank maintains proprietary positions in linear foreign exchange in-

struments. 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. Furthermore, the activity of issuing and marketing alternative and structured products is being performed by EFG Financial Products, established in 2007 to primarily address an increasing demand by our clients for these products. Specific market risk limits have also been approved for their activities, properly risk managed by an independent Control Unit within EFG Financial Products and overseen by the Global Risk Management Division of EFG International. Adherence to all limits is monitored independently by the Global Risk Management Division, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market, counterparty and country risks through the whole EFG International organisation.

The Global Risk Management Division is under the direct supervision of the 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 base, 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 performed within EFG International's subsidiary banks, and which are managed by the local treasury departments within preestablished risk parameters and limits, the company is also exposed to foreign currency fluctuations at the EFG International level because most of the subsidiary banks use local currencies as their reporting currencies.

ASSET/LIABILITY MANAGEMENT

EFG International 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 EFGI consolidated liquidity situation is also reported to the EFG Group Risk Unit on a monthly basis, according to specific Group Risk Guidelines, and the regulatory reporting 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 RISK

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

LEGAL RISK

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

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

REPUTATION RISK

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

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

PARENT COMPANIES

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

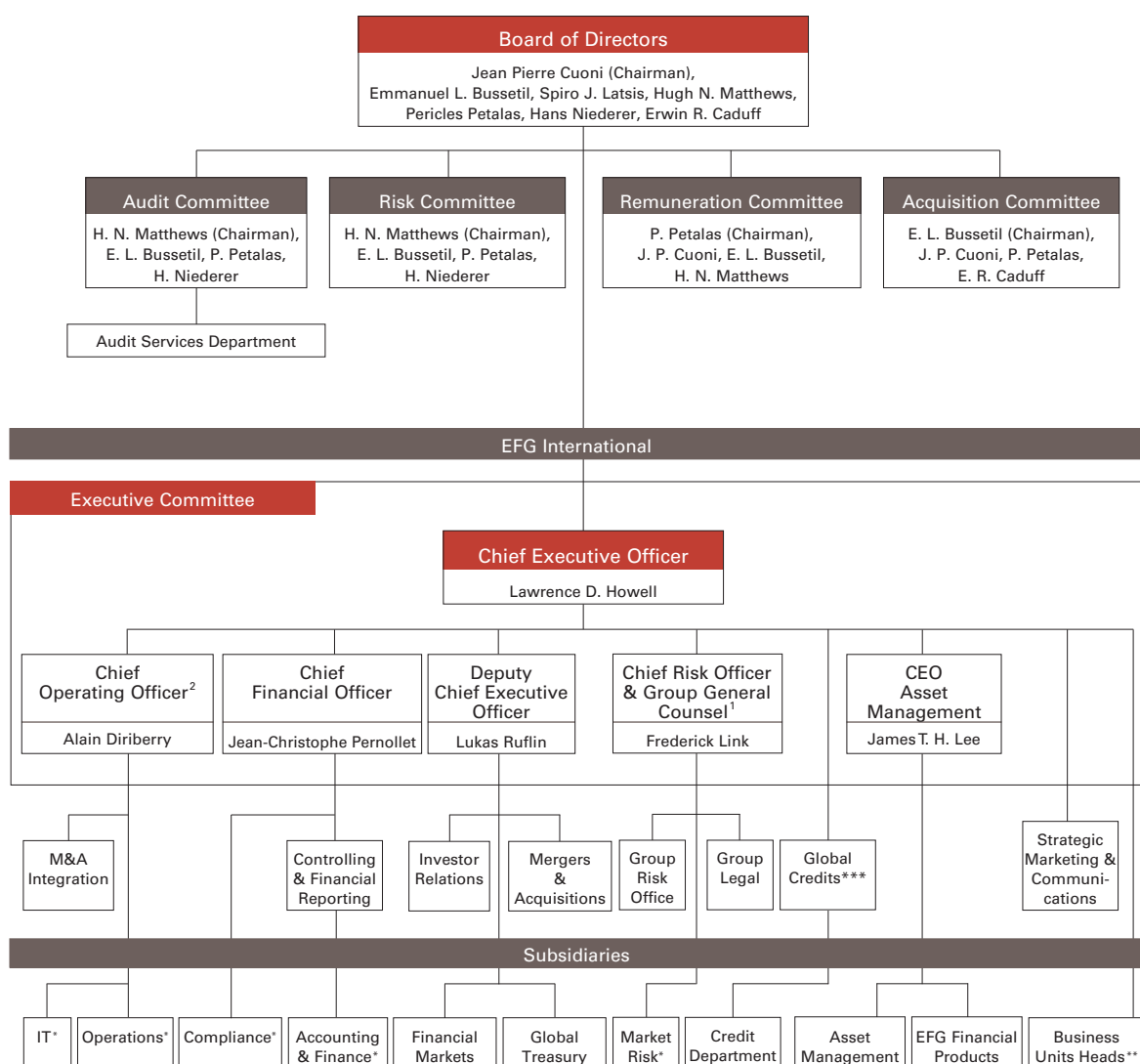
24 quai du sujet
1211 Geneva 2
Switzerland

European Financial Group EFG (Luxembourg) SA

5, rue Jean-Monnet
L-2180 Luxembourg

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 Corporate Governance Directive of the SIX Swiss Exchange that entered into force on 1 July 2002 and was revised on 1 July 2009, with the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business federation economiesuisse dated 25 March 2002 as well as with this best practice code's Appendix 1, 'Recommendation on compensation for board of directors and executive board', dated 6 September 2007, which takes into account the new articles 663bbis and 663c, paragraph 3, of the Swiss Code of Obligations that entered into force on 1 January 2007 and which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Board.

Structure of the central management of the Group as of 31 December 2010



* Located at EFG Bank but reporting to EFG International

** Located in operating subsidiaries but reporting to EFG International

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

1 Beginning on 1 January 2011, Henric Immink has taken over responsibilities as Group General Counsel with Frederick Link continuing to serve as Chief Risk Officer.

2 Beginning on 1 January 2011, Mark Bagnall assumes responsibility as COO EFG International. Alain Diriberry remains member of the Executive Committee (as CEO EFG Bank).

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 is organized in five Business Units: Americas, Asia, United Kingdom, the Rest of Europe and Asset Management. Further information can be found in note 45, "Segmental Reporting" to our consolidated financial statements.

The structure of the central management of the Group as of 31 December 2010 is outlined on the previous page.

1.2 Group entities

The main consolidated entities are listed on page 131. There are no listed companies belonging to the EFG International Group other than EFG International.

1.3 Significant shareholders

The shareholding structure of EFG International as of 31 December 2010 is shown in the table below.

As of 31 December 2010	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	6,809,500	4.64%
Norges Bank	5,526,887	3.77%
Other Shareholders	53,915,057	36.76%
Total	146,670,000	100.00%

* EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies. More details can be found in the disclosed notice of 20 April 2010 on SIX Swiss Exchange (www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?issuer=14226&fromDate=20100101).

At year-end 2010, EFG International Group held a stake of EFG International registered shares corresponding to 8.46% of the total share capital of EFG International.

For notifications received by EFG International in 2010 according to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 see the published reports on the Disclosure Office's publication platform of the SIX Swiss Exchange (see www.six-swiss-exchange.com – News – significant shareholders – EFG International)

1.4 Lock-up agreements

The individual lock-up agreements between EFG Bank European Financial Group SA, Jean Pierre Cuoni (Chairman), Lawrence D. Howell (CEO) and 192 other directors, executive officers and employees of EFG International and its subsidiaries in the context of the Initial Public Offering ("IPO") in 2005 expired on 7 October 2010.

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 12,282,500.

The registered shares are traded on the main standard of the SIX Swiss Exchange (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 1,718,499,699 on 31 December 2010.

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.

2.2 Authorised and conditional capital in particular

Authorised capital

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

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

Conditional capital

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

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

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

- (a) an issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue; or
- (b) the financing instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the Company.

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

- (a) Conversion rights may be exercised only for up to 7 years; and option rights only for up to 4 years from the date of the respective issuance.
- (b) The respective financing instruments must be issued at the relevant market conditions.

2.3 Changes in capital structure

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

2.4 Shares and participation certificates

Shares

Number of shares as of 31 December 2010:

Registered shares of CHF 0.50 par value	146,670,000
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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 2010:

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

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

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

2.7 Convertible bonds and warrants/options

EFG International, acting through its subsidiary EFG Financial Products and EFG 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 Equity Incentive 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 18,349 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. 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 and is co-founder of EFG Bank. He has been Chairman of the Board of Directors of EFG Bank since 1997 and was appointed Chairman of EFG International in 2005 at the time of the listing of the latter on the SIX Swiss Exchange. He has been a member of the Board of Directors of EFG Bank European Financial Group SA since 1995.

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

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

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

Mr. Bussetil 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 (1972-1973) and at Morland and Partners, Liverpool (1974-1976).

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 (1994-1996), since 1995 as Group Chief Operational Officer. Prior to 1995, Mr. Matthews was with Peat Marwick Mitchell and Co. working in London (1960-1969), Brussels, Los Angeles and New York (1969-1971) and Zurich (1971-1994).

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

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

Mr. Petalas 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/Paraguayan citizen, born in 1941. He was appointed a member of the Board of Directors of EFG International effective as of 5 October 2005. Mr. Niederer is an Advisor at Niederer Kraft & Frey AG, attorneys-at-law and a member of the Board of Directors of various companies. He is Vice Chairman of the Board of Investec Bank (Switzerland) AG and Frankfurter Bankgesellschaft (Schweiz) AG as well as a member of the Boards of Hinduja Bank (Suisse) SA, Algerian Foreign Commerce Bank Ltd., 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, a company specialized in executive search for wealth management and management consulting. From 1998 to 2007 he worked for Deutsche Bank AG in Singapore and was a managing director and Regional Head of Private Wealth Management Asia Pacific. Prior to that he worked for Banque Paribas in Singapore as Head of Private Banking for South East Asia (1997-1998) and for Banque Paribas (Suisse) S.A. as the Head of the Zurich Branch (1993-1997). Between 1990 and 1993 he was Chief Representative for Coutts & Co in Singapore after having spent 5 years with Citibank in Zurich and Singapore. The first 10 years of his professional career (1976-1986) he worked for Swiss Volksbank in Zurich and in Singapore

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 2011 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 2010. Meetings typically last half a day.

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

Audit committee

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

- (i) the 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 2010, the audit committee met six 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, 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 2010, 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 2010, the remuneration committee met ten 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.

Acquisition committee

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

The acquisition committee comprises at least three Board members (at present, Mr. Bussetil has been appointed as Chairman and Messrs. Petalas, Cuoni and Caduff have been appointed as members of the acquisition committee). The acquisition committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the Chief Executive Officer and Chief Financial Officer regarding the status of negotiations with various acquisition targets. Meetings vary in length from one to three hours.

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

During 2010, no meeting of the acquisition committee took place.

3.5 Definition of areas of responsibility

The Board of Directors of EFG International is ultimately responsible for supervision of the management of EFG International. The Board of Directors sets the strategic direction of 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 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, Investor Relations and – together with the CFO – for capital raising.

Chief Financial Officer

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

Chief Operating Officer

The Chief Operating Officer is responsible for the management, co-ordination, supervision, planning and control of the Operations and Technology activities of the Group. In addition, he is responsible for the evaluation and management of operational risks. He is an alternate chairman of the Executive Credit Committee and chairs the Group Product Committee.

Chief Risk Officer and Group General Counsel

During 2010 the Chief Risk Officer and General Counsel was 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 independent 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.

Beginning on 1 January 2011, Henric Immink has taken over responsibilities as Group General Counsel with Frederick Link continuing to serve as Chief Risk Officer.

CEO Asset Management

The Chief Executive Officer is responsible for EFG International's Asset Management Businesses globally covering Discretionary Asset Management, Advisory Services, Mutual Funds and Structured Products. As the current incumbent, James Lee, has extensive experience in Credit, he has been appointed a member of the EFGI Executive Credit Committee. The Head of Investment Finance/Credit reports to the CEO of EFG International with supervision delegated to James 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 financial statements. In addition, the Head of Global 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 42.

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 Dépôts, 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 Ruffin was appointed as Deputy CEO of EFG International as of June 2009. In the year 2010 he also acted as CEO of EFG Bank. Mr. Ruffin 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 Ruffin started his career at Lehman Brothers (2000-2004), JP Morgan (1999-2000) and PricewaterhouseCoopers and joined EFG in 2004.

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

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

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

Alain Diriberry was appointed Chief Operating Officer of EFG International in July 2008. As of January 2011 he was appointed CEO of EFG Bank. 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 served as Group General Counsel of EFG International from March 2006 until 31 December 2010. He was appointed as Chief Risk Officer in July 2008 and continues in that role. As Chief Risk Officer he is responsible for risk assessment, management and controlling throughout the EFG International Group. Prior to joining EFG International, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products. Mr. Link is a US citizen, 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.

Two new members were appointed to the EFG International Executive Committee; from 1 January 2011 onwards Mr. Henric Immink assumes responsibility as Group General Counsel and Mr. Mark Bagnall as Chief Operating Officer. In addition, Rudy van den Steen resigned from his position as CFO of EFG International effective end of September 2010.

Henric Immink was appointed Group General Counsel and member of the Executive Committee of EFG International as of 1st January 2011. He joined EFG International in July 2010 as Senior General Legal Counsel. Prior to joining EFG International, he was a partner at Python & Peter Attorneys-at-Law in Geneva. He has extensive knowledge of EFG International, having been one of its key external legal and tax advisors for the past seven years. He is a Swiss citizen born in 1965, and holds a Master of Laws from the University of Geneva.

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

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

Rudy van den Steen is a Belgian citizen, born in 1964. He was the Chief Financial Officer and Head of M&A of EFG International until end-September 2010. He joined EFG Bank as Chief Financial Officer in June 2000. In addition of his CFO responsibilities, Mr. van den Steen headed 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.

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 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 "Employee Equity Incentive Plan") in order to strengthen the Company's ability to furnish incentives for members of the management and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan 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 Employee Equity Incentive Plan have either been exercised or have expired.

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

Details of the options granted under the Employee Equity Incentive Plan can be found in Note 50 to Consolidated Financial Statements of the EFG International group included in this annual report.

Members of the Board of Directors

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

Executive Committee and other Members of the Executive Management

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

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

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

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

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

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

The variable component of pay to members of the executive committee amounted to between 0 and 20 percent of the fixed component, averaging at 2.49%

There are two members of the Executive Committee who benefit from severance packages, one of which is the CEO. These packages cover the payment of their associated annual salaries up until 31st December 2013 in the case of termination without valid reason by the employer.

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

6. SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting-rights restriction and representation

Persons who acquired registered shares will, upon application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the 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 deposited 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.

8. AUDITORS

8.1 Duration of mandate and term of office of Head Auditor

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

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

8.2 Auditing fees

PricewaterhouseCoopers SA received a fee of CHF 4,664,503 for auditing the 2010 financial statements of EFG International and its subsidiaries.

8.3 Additional fees

Fees for non-recurring audit of CHF 435,970 and fees for tax advice, consultancy and other services of CHF 9,006 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 of the Audit Committee discusses with the lead partners of PricewaterhouseCoopers the audit work performed, the main findings and critical issues that arose during the audit.

The Chairman of the Audit Committee reports back to the Board of Directors about their contacts and discussions with the external auditors.

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

9. INFORMATION POLICY

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

Important Dates

An updated list can be found on our investor relations homepage at www.efginternational.com/investors



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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Interest and discount income		407.7	436.3
Interest expense		(157.2)	(173.0)
Net interest income	5	250.5	263.3
Banking fee and commission income		610.5	594.8
Banking fee and commission expense		(114.2)	(97.2)
Net banking fee and commission income	6	496.3	497.6
Dividend income	7	9.6	3.5
Net trading income	8	67.4	55.8
Net (loss)/gain from financial instruments designated at fair value	9	(517.8)	3.2
Gains less losses from investment securities	10	16.1	25.2
Other operating income		3.4	10.5
Net other (loss)/income		(421.3)	98.2
Operating income		325.5	859.1
Operating expenses	12	(717.5)	(744.1)
Loss on disposal of subsidiary	31	(23.5)	
Reversal of impairment/(impairment) on loans and advances to customers	11	4.3	(5.4)
Impairment on financial assets held-to-maturity	29	(4.4)	
Impairment of intangible assets	32.1	(378.8)	
(Loss)/profit before tax		(794.4)	109.6
Income tax gain/(expense)	14	25.7	(5.4)
Net (loss)/profit for the period		(768.7)	104.2
Net (loss)/profit for the period attributable to:			
Net (loss)/profit attributable to owners of the Group		(721.8)	101.1
Net profit attributable to non-controlling interests			3.1
Net loss attributable to non-controlling interests		(46.9)	
		(768.7)	104.2
		CHF	CHF
Earnings per ordinary share			
Basic	47.1	(5.52)	0.57
Diluted	47.2	(5.52)	0.55

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Net (loss)/profit for the period		(768.7)	104.2
Other comprehensive income			
Fair value losses on available-for-sale investment securities, before tax	28	(48.9)	(19.5)
Fair value losses on available-for-sale investment securities, before tax, allocated to non-controlling interests		(11.3)	
Transfer to net profit of available-for-sale investment securities reserve, before tax	28	(16.1)	(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	28	1.9	3.2
Currency translation differences, before tax		(85.0)	2.5
Tax effect on currency translation differences			5.7
Other comprehensive income for the period, net of tax		(159.4)	(33.3)
Total comprehensive income for the period		(928.1)	70.9
Total comprehensive income for the period attributable to:			
Owners of the Group		(865.9)	69.5
Non-controlling interests		(62.2)	1.4
		(928.1)	70.9

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010

CONSOLIDATED FINANCIAL STATEMENTS

	Note	31 December 2010 CHF millions	31 December 2009 CHF millions
Assets			
Cash and balances with central banks	17	711.8	265.4
Treasury bills and other eligible bills	19	2,037.8	770.8
Due from other banks	20	2,227.1	3,519.6
Loans and advances to customers	21	8,957.8	8,217.5
Derivative financial instruments	24	353.8	285.9
Financial assets at fair value:			
Trading Assets	25	624.7	310.5
Designated at inception	26	370.8	714.8
Investment securities:			
Available-for-sale	27	3,690.3	4,299.1
Held-to-maturity	29	1,024.5	510.5
Intangible assets	32	578.8	1,491.3
Property, plant and equipment	33	47.5	56.0
Deferred income tax assets	15	54.2	32.4
Other assets	34	214.1	176.2
Total assets		20,893.2	20,650.0
<i>Of which assets to significant shareholders</i>		<i>8.9</i>	<i>8.3</i>
Liabilities			
Due to other banks	35	337.8	447.1
Due to customers	36	14,904.4	15,727.9
Derivative financial instruments	24	633.8	454.0
Financial liabilities designated at fair value	37	486.7	414.1
Other financial liabilities	38	2,863.0	1,002.0
Current income tax liabilities		10.8	9.1
Deferred income tax liabilities	15	58.1	51.5
Other liabilities	39	299.9	306.0
Total liabilities		19,594.5	18,411.7
Equity			
Share capital	41.1	73.1	73.2
Share premium	41.2	1,153.8	1,157.4
Other reserves	42	42.6	160.1
Retained earnings		6.4	762.0
		1,275.9	2,152.7
Non-controlling interests		22.8	85.6
Total shareholders' equity		1,298.7	2,238.3
Total equity and liabilities		20,893.2	20,650.0
<i>Of which subordinated liabilities</i>		<i>-</i>	<i>-</i>
<i>Of which liabilities to significant shareholders</i>		<i>27.0</i>	<i>38.5</i>

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED FINANCIAL STATEMENTS

	<i>Attributable to owners of the Group</i>					Non controlling Interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Note	CHF millions	CHF millions	CHF millions	CHF millions	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
Net Profit for the period				101.1	101.1	3.1	104.2
Currency translation differences, net of tax			9.9		9.9	(1.7)	8.2
Fair value losses on available-for-sale investment securities, net of tax			(41.5)		(41.5)		(41.5)
Total comprehensive income for the period recognised in other comprehensive income	-	-	(31.6)	101.1	69.5	1.4	70.9
Dividend paid on ordinary shares	48			(33.3)	(33.3)		(33.3)
Dividend paid on Bons de Participation	48			(25.4)	(25.4)		(25.4)
Net distributions to non-controlling interests					-	(0.8)	(0.8)
Ordinary shares sold	41.1-41.2	0.5	14.7		15.2		15.2
Ordinary shares repurchased	41.1-41.2	(4.7)	(69.9)		(74.6)		(74.6)
Bons de Participation sold		0.1	2.7		2.8		2.8
Transfer to Other reserves on disposal of Bons de Participation			4.6	(4.6)	-		-
Non-controlling interests put option	42			12.6	12.6		12.6
Employee stock option plan	50			25.0	25.0		25.0
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				(1.4)	(1.4)		(1.4)
Balance at 31 December 2009	73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3

The notes on pages 82 to 157 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2010 CONTINUED
CONSOLIDATED FINANCIAL STATEMENTS

	<i>Attributable to equity holders of the group</i>					Non controlling Interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Note	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Balance at 1 January 2010	73.2	1,157.4	160.1	762.0	2,152.7	85.6	2,238.3
Net loss for the period				(721.8)	(721.8)	(46.9)	(768.7)
Currency translation differences, net of tax			(81.0)		(81.0)	(4.0)	(85.0)
Fair value losses on available-for-sale investment securities, net of tax			(63.1)		(63.1)	(11.3)	(74.4)
Total comprehensive income for the period recognised in other comprehensive income	-	-	(144.1)	(721.8)	(865.9)	(62.2)	(928.1)
Dividend paid on ordinary shares 48				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation 48				(20.4)	(20.4)		(20.4)
Net distributions to non-controlling interests					-	(0.6)	(0.6)
Ordinary shares sold 41.1-41.2		0.4			0.4		0.4
Ordinary shares repurchased 41.1-41.2	(0.1)	(4.0)			(4.1)		(4.1)
Employee stock option plan 50			26.6		26.6		26.6
Balance at 31 December 2010	73.1	1,153.8	42.6	6.4	1,275.9	22.8	1,298.7

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Cash flows from operating activities			
Interest received		401.2	430.0
Interest paid		(147.6)	(159.7)
Banking fee and commission received		609.1	598.7
Banking fee and commission paid		(108.2)	(91.8)
Dividend received	7	9.6	3.5
Net trading income		86.8	50.4
Other operating receipts		3.5	3.5
Staff costs paid		(449.4)	(439.8)
Other operating expenses paid		(193.5)	(192.8)
Income tax paid		(13.5)	(21.1)
Cash flows from operating activities before changes in operating assets and liabilities		198.0	180.9
Changes in operating assets and liabilities			
Net (increase) in treasury bills		(1,468.4)	(145.5)
Net (increase) in due from other banks		(36.4)	(397.0)
Net decrease in derivative financial instruments		105.2	156.1
Net (increase) in loans and advances to customers		(670.8)	(620.1)
Net (increase) in other assets		(41.5)	(43.8)
Net (decrease) in due to other banks		(96.7)	(37.4)
Net (decrease)/increase in due to customers		(743.9)	1,367.0
Net (decrease)/increase in other liabilities		(6.1)	36.7
Net cash flows from operating activities		(2,760.6)	496.9
Cash flows from investing activities			
Proceeds of disposal of business, net of cash disposed	31	(1.1)	
Purchase of securities		(9,668.8)	(11,075.3)
Proceeds from sale of securities		9,366.6	10,397.1
Purchase of property, plant and equipment	33	(13.7)	(14.4)
Purchase of intangible assets	32	(8.7)	(80.8)
Proceeds from sale of property, plant and equipment		0.5	0.4
Net cash flows used in investing activities		(325.2)	(773.0)
Cash flows from financing activities			
Dividend paid on Bons de Participation	48	(20.4)	(25.4)
Dividend paid on ordinary shares	48	(13.4)	(33.3)
Distributions to non-controlling interests		(0.6)	(0.8)
Ordinary shares repurchased	41	(4.1)	(74.6)
Ordinary shares sold	41	0.4	15.2
Issuance of structured products		6,012.4	6,100.5
Redemption of structured products		(3,857.0)	(5,609.6)
Net cash flows from financing activities		2,117.3	372.0
Effect of exchange rate changes on cash and cash equivalents		(56.9)	0.1
Net change in cash and cash equivalents		(1,025.4)	96.0
Cash and cash equivalents at beginning of period	18	3,940.2	3,844.2
Net change in cash and cash equivalents		(1,025.4)	96.0
Cash and cash equivalents	18	2,914.8	3,940.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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, Denmark, 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 2010 was 2,462 (31 December 2009: 2,394).

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 8 March 2011.

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 2010. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2011). 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 32.

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

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee of the IASB effective for accounting periods beginning on 1 January 2010. These are as follows:

New and amended standards adopted by the Group:

– 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 re-measured to fair value, and a gain or loss is recognised in profit or loss.

The amendments to IAS 27 remove the definition of the 'cost method' from paragraph 4 of that standard. Additionally, when an entity reorganises the structure of its group by establishing a new entity as its parent (subject to specific criteria),

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

the amendments require the new parent to measure cost (for the purpose of paragraph 38(a) of IAS 27) as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

The Group applies IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. The adoption of the amendments did not have any material impact on the Group's financial statements but may have an impact in future periods.

- Changes in accounting policy IAS 8.28: The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group.

Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill.

On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

- 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'. The amendment is applied for periods beginning on or after 1 January 2010 and did not 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 did not have any 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 adoption of the amendment did not result in any 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, the amendments did not result in any impact on the Group's financial statements.
- 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. The adoption of the amendment did not result in any impact on the Group's financial statements.
- IFRS 2 (amendment) 'Share-based Payment that clarify the accounting for group cash-settled share-based payment transactions'.

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The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers.

The amendments clarify that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also clarify that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2–Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010 and must be applied retrospectively.

The adoption of the amendment did not result in any impact on the Group's 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 re-measured through the Statement of comprehensive income. 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 and the adoption of the amendment did not have any impact on the Group's financial statements.
- 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 did not have any impact on the Group's financial statements.
- 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 of 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 is applying IFRIC 17 from 1 January 2010 and it did not have any impact on the Group's financial statements.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1 January 2011 and it is not expected to have a significant impact on the Group's disclosures.
- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

The standard is not applicable until 1 January 2013 but is available for early adoption.

The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

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The IASB finalised this phase in time to allow, but not require, early application for 2009 year-end financial statements. At the end of October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect profit or loss unless the liability is held for trading.

The IASB issued Amendments to IFRS 9 'Financial instruments' (effective 1 January 2013, retrospective application, early application permitted) and removed the two-step approach which was proposed in the Exposure Draft.

The amendment includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit and loss.

Entities with financial liabilities designated at fair value through profit and loss recognise changes in the fair value due to changes in the liability's credit risk directly in Other comprehensive income.

There is no subsequent recycling of the amounts in Other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

– Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have a material impact on the Group's financial statements.

(b) Consolidation

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition, 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 Statement of comprehensive income.

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

A listing of the Company's main subsidiaries is set out in note 30.

(ii) Non-controlling interests

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

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in Other comprehensive income are reclassified to profit or loss where appropriate.

Put options over non-controlling interests

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

(iii) Associates

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

(c) Foreign currencies

(i) Functional and presentation currency

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

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

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

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

	2010 Closing rate	2010 Average rate	2009 Closing rate	2009 Average rate
USD	0.936	1.042	1.030	1.085
GBP	1.450	1.609	1.664	1.696
EUR	1.251	1.380	1.484	1.510
SEK	0.140	0.145	0.145	0.142

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(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 and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of comprehensive income, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

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

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

Hedge accounting is used for derivatives designated 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 Statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to 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 Statement of comprehensive income. Amounts accumulated in equity are recycled to the Statement of comprehensive income in the periods in which the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place).

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 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) Statement of comprehensive income

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

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

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(g) Property, plant and equipment

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

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

- Leasehold improvements: 5-20 years
- Computer hardware: 3-5 years
- Furniture, equipment and motor vehicles: 3-10 years

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

(h) Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash generating units for the purpose of impairment testing (note 32.4). 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 Statement of comprehensive income. Amortisation is calculated using the straight-line method over a 3-5 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial Assets and liabilities

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

Purchases and sales of financial assets at fair value, held-to-maturity and available-for-sale are recognised on trade-date – 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.

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

The fair value of quoted investments in active markets 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 at fair value investments, available-for-sale and held-to-maturity. The Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy.

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

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

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

(i) Financial assets at fair value

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale

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

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(iv) Held-to-maturity

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

(v) Financial liabilities at fair value

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

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) 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 the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of comprehensive income – is removed from the Other comprehensive income and recognised in the Statement of comprehensive income.

Impairment losses recognised in the Statement of comprehensive income on equity investments are not reversed through the Statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Statement of comprehensive income, the impairment loss is reversed through the Statement of comprehensive income.

(ii) Assets carried at amortised cost

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

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

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

(k) Debt securities in issue

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of comprehensive income over the 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 Statement of comprehensive income 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 the Other comprehensive income, is charged or credited directly to the Other comprehensive income and is subsequently recognised in the Statement of comprehensive income together with the deferred gain or loss.

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

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

(n) Employee benefits

(i) Pension obligations

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

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

In Switzerland, the Group maintains several pension plans which are classified as defined contribution or defined benefit plans according to Swiss pension law. The company's legal obligation, in respect of these plans, is merely to pay contri-

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butions 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 Statement of comprehensive income for these plans considered as defined benefits for IAS 19 purposes is the actuarially determined expense less the amount of employee contributions.

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

(ii) Short-term employee benefits

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

(iii) Share based compensation

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

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

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

(o) Related party transactions

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

(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.

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(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 at least 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 utilisation period (not exceeding 5 years). An impairment is recorded when the carrying amount exceeds the recoverable amount. Further information is presented in note 32.

(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 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 (1.2) million through the Income Statement, and a 3 month increase in actual life expectancies would result in a loss of CHF (16.0) million.

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

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

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

The Group determines any impairment of available for sale equity investments through a two-step process. The Group first performs a review at each reporting date to determine whether there is objective evidence that impairment exists for a financial asset. If such evidence exists, the Group measures and records the impairment loss in the reporting period. The Group determines that available-for-sale equity investments are potentially 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 - Life insurance policies

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

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

(g) Held-to-maturity investments - Others

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

(h) Income taxes

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk, with most credit risk being limited to interbank placements with rated financial institutions and sovereign bodies, mortgages, Lombard loans and other secured loans as well as credit risk associated with its holding of Life insurance policies, and market risk largely restricted to limited foreign exchange and

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interest rate gapping positions maintained by the Group along with market risk resulting from the Group's subsidiary EFG Financial Products AG.

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

In compliance with the art. 663b of Swiss Code of Obligation, the Board delegated to the Risk Committee the responsibility to analyse the main risks the Group may be exposed to. These main risks are the credit risks, market risks and operational risks as detailed below. Its monitoring of the credit risk is based on the ratings diversification and evolution; the one for the market risk is based on the average positions of last year and on the calculation of VaR (including 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 its primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions.

4.1.1 Credit risk management

(a) Loans and advances

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

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

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

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

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

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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 collateral	C

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

(b) Debt securities and other bills

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

4.1.2 Risk limit control and mitigation policies

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

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

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

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

The principal collateral types for loans and advances are:

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

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(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 2010 and 2009, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
	2010 CHF millions	2009 CHF millions	2010 CHF millions	2009 CHF millions
Balances with central banks	711.8	265.4	711.8	265.4
Treasury bills and other eligible bills	2,037.8	770.8	2,037.8	770.8
Due from other banks	2,227.1	3,519.6	2,090.5	3,519.6
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	6,973.0	6,357.2	48.0	97.3
Mortgages	1,984.8	1,860.3		
Derivative financial instruments	353.8	285.9	173.5	227.2
Financial assets at fair value:				
Trading Assets - Debt securities	90.5	54.9	90.5	54.9
Designated at inception - Debt securities	345.0	702.4	25.0	339.2
Investment securities - Debt securities	4,678.4	4,776.9	4,678.4	4,776.9
Other assets	214.1	176.2	214.1	176.2
On-balance sheet assets	19,616.3	18,769.6	10,069.6	10,227.5
Financial guarantees	315.9	288.3	1.0	4.0
Loan commitments, and other credit related guarantees	154.7	232.7	34.1	2.0
Off-balance sheet assets	470.6	521.0	35.1	6.0
Total	20,086.9	19,290.6	10,104.7	10,233.5

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 99.3% (2009: 98.5%) of the total. Mortgages are 100% secured.

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Exposure after collateral held or other credit enhancements by ratings

31 December 2010 based on Moody's ratings:

	Aaa - Aa	A	Baa - Ba	B - C	Unrated	Total
Balances with central banks	711.8					711.8
Treasury bills and other eligible bills	2,037.8					2,037.8
Due from other banks	1,277.6	485.0	129.7	7.5	190.7	2,090.5
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans			28.0	20.0		48.0
Mortgages						-
Derivative financial instruments	49.6	65.3	1.0		57.6	173.5
Financial assets at fair value:						
Trading Assets - Debt securities	6.4	30.2	53.9			90.5
Designated at inception - Debt securities	25.0					25.0
Investment securities - Debt securities	3,216.7	1,298.7	146.2		16.8	4,678.4
Other assets					214.1	214.1
Total on-balance sheet assets 2010	7,324.9	1,879.2	358.8	27.5	479.2	10,069.6
Total on-balance sheet assets 2009	7,287.2	2,388.4	274.3	6.0	271.6	10,227.5
Financial guarantees					1.0	1.0
Loan commitments, and other credit related guarantees					34.1	34.1
Total off-balance sheet assets 2010	-	-	-	-	35.1	35.1
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 2010		31 December 2009	
		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)	8,870.3	2,227.1	8,171.7	3,519.6
Past due but not impaired	b)	87.5		45.8	
Impaired		6.1		17.0	
Gross		8,963.9	2,227.1	8,234.5	3,519.6
Less: allowance for impairment		(6.1)		(17.0)	
Net		8,957.8	2,227.1	8,217.5	3,519.6

The total impairment provision for loans and advances of CHF 6.1 million (2009: CHF 17.0 million) comprises specific provisions against individual loans. Note 22 relates to the impairment allowance for loans and advances to customers.

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(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 (refer to 4.1.1 for definition of internal grades).

Grades	Loans and advances to customers		
	Overdrafts, Lombard and Term loans CHF millions	<i>Individuals</i> Mortgages CHF millions	Total CHF millions
31 December 2010			
Grade 1-2	5,519.6	155.6	5,675.2
Grade 3	1,165.8	1,364.8	2,530.6
Grade 4-5	206.7	383.9	590.6
Grade 6-7	73.9		73.9
Grade 8			
Grade 9-10			
	6,966.0	1,904.3	8,870.3
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

(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:

	<i>Individuals</i>		
	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2010			
Greater than 180 days, past due	6.3	33.5	39.8
Less than 180 days, past due	0.7	47.0	47.7
Total	7.0	80.5	87.5
Fair value of collateral	8.0	120.5	128.5
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

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4.1.5 Impairment and provisioning policies

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

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

Grade descriptions	2010 Loans and advances %	2010 Impairment provision %	2009 Loans and advances %	2009 Impairment provision %
Grade 1–2	63.3		63.2	
Grade 3	28.2		28.8	
Grade 4–5	6.6		6.7	
Grade 6–7	1.8		1.1	
Grade 8	0.0		0.0	
Grade 9–10	0.1	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.

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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 2010, based on internal ratings:

31 December 2010

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	2,037.8	6.4	135.0	2,713.9	502.9	5,396.0
Grade 3		30.2	189.7	822.9	475.8	1,518.6
Grade 4–5		53.9	15.0	106.0	40.2	215.1
Unrated			6.1	11.2	5.6	22.9
Total	2,037.8	90.5	345.8	3,654.0	1,024.5	7,152.6

31 December 2009

Moody's rating

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

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.

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

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	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
Financial assets at fair value:					
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 related			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 related			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		22.0*	100.4	
Life Insurance related			313.7	313.7	
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

* Valuation of Put Options held by non-controlling interests are based on a contractual valuation and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.

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(b) Movements of level 3 instruments

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

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

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

The total gains or losses for the period included in profit or loss for assets held at the end of the reporting period is composed of CHF 47.4 million recorded in Net interest income (2009: CHF 50.0 million) and CHF (11.2) million recorded in Net gain / (loss) from financial instruments designated at fair value (2009: CHF (13.7) million).

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

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(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, or
- iv) option pricing models

Valuation technique		31 December 2010 CHF millions	31 December 2009 CHF millions
Recent arm's length transactions	Products		
Available-for-sale - Equity securities	Unquoted private equity holding	3.8	
Discounted cash flow analysis			
Derivatives	Credit default Swaps	0.9	2.2
Available-for-sale - Equity securities	Equities in stock exchanges and clearing houses	25.3	27.8
Financial liabilities designated at fair value	Liability to purchase non-controlling shareholders interests	(18.6)	(22.0)
Discounted cash flow analysis, and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	43.2	44.5
Financial assets at fair value	Physical life settlement policies	35.6	337.7
Financial assets at fair value	Physical life settlement policies*	256.2	299.9
Financial assets at fair value	Contractual right to perpetual revenue stream	15.2	
Available-for-sale	Physical life settlement policies	47.7	350.4
Financial liabilities designated at fair value	Synthetic life settlement policies*	(270.6)	(313.7)
Total		138.7	726.8

* Assets valued at CHF 256.2 million (2009: CHF 299.9 million) and similarly valued liabilities are linked and thus a change in value in one would be mostly reflected in the other.

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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 2010				
Financial Assets				
Due from other banks	(i)	2,227.1	2,235.5	8.4
Loans and advances to customers	(ii)	8,957.8	9,002.3	44.5
Investment securities - Held-to-maturity - Life insurance related	(iii)	594.4	483.8	(110.6)
Investment securities - Held-to-maturity - Debt	(iv)	430.1	429.7	(0.4)
		12,209.4	12,151.3	(58.1)
Financial Liabilities				
Due to other banks	(v)	337.8	337.9	(0.1)
Due to customers	(vi)	14,904.4	14,902.3	2.1
Other financial liabilities	(vii)	2,863.0	2,876.5	(13.5)
		18,105.2	18,116.7	(11.5)
Net financial instruments		(5,895.8)	(5,965.4)	(69.6)
31 December 2009				
Financial Assets				
Due from other banks		3,519.6	3,519.7	0.1
Loans and advances to customers		8,217.5	8,240.2	22.7
Investment securities - Held-to-maturity - Debt		510.5	478.9	(31.6)
		12,247.6	12,238.8	(8.8)
Financial Liabilities				
Due to other banks		447.1	447.2	(0.1)
Due to customers		15,727.9	15,729.5	(1.6)
Other financial liabilities		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)

(i) Due from other banks

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

(ii) Loans and advances to customers

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

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows discounted at an Internal Rate of Return ("IRR"). The IRR used in the carrying value is 10.7%, whilst an IRR of 14.0% was used for the fair value calculation in the table above.

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

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

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

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

(vii) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	2.2	-
Deferred profit on new transactions		2.3
Recognised profit in the Statement of comprehensive income	(0.4)	(0.1)
At 31 December	1.8	2.2

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 as well as fixed rate liabilities.

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

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(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates excluding credit spreads, foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The Group 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		
	CHF millions	Average CHF millions	High CHF millions	Low CHF millions
2010				
Interest rate risk	2.8	2.0	3.0	1.2
Currency risk	1.2	1.1	1.7	0.3
Equity price risk	2.0	2.6	4.9	1.9
VaR	6.0	5.7	9.6	3.4
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

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

(b) Alternative sensitivity analysis

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

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

The sensitivity analysis calculates the impact from changes in 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.

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The following risks exist for positions at 31 December 2010 for which VaR is not calculated above.

Risk	Category	Product	Impact from	Market value CHF millions	P&L CHF millions	Other comprehensive income CHF millions
i) Price risk						
	Financial assets at fair value	Quoted equities	10% price decrease	6.6	(0.7)	
	Available-for-sale	Unquoted equities	10% price decrease	29.6		(3.0)
	Financial assets at fair value	Life insurance companies	10% price decrease	256.2*	(25.6)	
	Financial liabilities at fair value	Synthetic life insurance exposure	10% price decrease	(270.6)*	27.1	
	Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(18.6)	-	
ii) Interest rate risk						
	Financial assets at fair value	Life insurance policies	100 bps increase in IRR**	35.6	(1.2)	
	Available-for-sale	Life insurance policies	100 bps increase in IRR**	38.0		(1.3)
iii) Life expectancy (actual changes based on actuarial evidence)						
	Financial assets at fair value	Life insurance policies	3 month increase	291.8	(16.0)	
	Available-for-sale	Life insurance policies	3 month increase	38.0		(2.1)
	Financial liabilities at fair value	Synthetic life insurance exposure	3 month increase	(270.6)	13.3	

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

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

(c) Stress tests

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

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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 2010						
Assets						
Cash and balances with central banks	703.4				8.4	711.8
Treasury bills	1,789.2	248.6				2,037.8
Due from other banks	1,968.1	133.8	55.7		69.5	2,227.1
Loans and advances to customers	7,524.9	887.2	508.3	3.6	33.8	8,957.8
Derivative financial instruments	197.4	3.0			153.4	353.8
Financial assets at fair value:						
Trading Assets		12.1	78.4		534.2	624.7
Designated at inception	15.1		51.9	291.7	12.1	370.8
Investment securities:						
Available-for-sale	1,804.0	604.9	1,113.4	99.0	69.0	3,690.3
Held-to-maturity	0.4	426.6		594.5	3.0	1,024.5
Other assets					214.1	214.1
Total financial assets	14,002.5	2,316.2	1,807.7	988.8	1,097.5	20,212.7
Liabilities						
Due to other banks	273.0	8.8	43.4		12.6	337.8
Due to customers	14,115.0	510.3	42.4		236.7	14,904.4
Derivative financial instruments	142.4	3.3			488.1	633.8
Financial liabilities designated at fair value				270.6	216.1	486.7
Other financial liabilities	982.4	580.2	1,246.1	54.3		2,863.0
Other liabilities					299.9	299.9
Total financial liabilities	15,512.8	1,102.6	1,331.9	324.9	1,253.4	19,525.6
On-balance-sheet interest repricing gap	(1,510.3)	1,213.6	475.8	663.9	(155.9)	687.1
Off-balance-sheet interest repricing gap	(25.7)	(138.6)	164.3			-
31 December 2009						
Total financial assets	13,304.6	3,061.4	813.6	1,231.6	659.1	19,070.3
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

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.

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Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG Bank AG use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income. However, at 31 December 2010, 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 the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or drawdowns on lines of credit (Lombard facility) with the Swiss National Bank.

The Group complies with all regulatory requirements, including overnight liquidity limits (in the various countries in which it operates banks). It reports its liquidity situation to management on an individual entity basis for its banking subsidiaries 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 (repoed or sold) 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.

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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 2010						
Liabilities						
Due to other banks	272.3	6.0	9.4	50.2		337.9
Due to customers	12,664.1	1,618.9	533.7	98.0		14,914.7
Derivative financial instruments	7,176.8	2,986.1	1,552.8	160.4		11,876.1
Financial liabilities designated at fair value	4.3	28.2	36.1	83.4	334.7	486.7
Other financial liabilities	516.7	476.7	546.5	1,251.4	83.6	2,874.9
Other liabilities	204.0	34.8	32.0	15.8	13.3	299.9
Total financial liabilities	20,838.2	5,150.7	2,710.5	1,659.2	431.6	30,790.2
Total off balance-sheet	47.3	32.7	185.2	257.2	100.7	623.1
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

4.3.4 Summary of Liquidity

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

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

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

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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.

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The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2010 and 2009. 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 2010 CHF millions	31 December 2009 CHF millions
Tier 1 capital		
Share capital	73.1	73.2
Share premium	1,153.8	1,157.4
Other reserves	42.6	160.1
Retained earnings	6.4	762.0
Non-controlling interests	22.8	85.6
IFRS: Total shareholders' equity	1,298.7	2,238.3
Less: Proposed dividend on Ordinary Shares (note 48)	(13.4)	(13.4)
Less: Accrual for estimated expected future dividend on Bons de Participation	(2.5)	(3.7)
Less: Available-for-sale investment securities revaluation reserve	(3.8)	(9.2)
Less: Loans to employees	(0.7)	(3.5)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	(498.9)	(1,413.0)
Less: Financial asset at fair value related to MBAM net of non-controlling interests	(13.6)	
Total qualifying Tier 1 capital	765.8	795.5
Tier 2 capital		
Available-for-sale investment securities revaluation reserve (45% weighted)	1.7	4.1
Total regulatory capital	767.5	799.6
Risk-weighted assets		
Basel II: (BIS)		
Credit risk including Settlement risk	3,620.9	3,776.1
Non-counterparty related risk	63.4	70.4
Market risk*	455.4	344.7
Operational risk*	1,359.4	1,640.4
Total risk-weighted assets	5,499.1	5,831.6
	31 December 2010 %	31 December 2009 %
BIS Ratio (after deducting proposed dividend on Ordinary Shares)	14.0	13.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

5. NET INTEREST INCOME

	31 December 2010 CHF millions	31 December 2009 CHF millions
Interest and discount income		
Banks and customers	238.0	256.9
Treasury bills and other eligible bills	3.4	3.7
Trading securities		1.1
Financial assets at fair value	60.9	50.2
Available-for-sale securities	78.9	109.6
Held-to-maturity	26.5	14.8
Total interest and discount income	407.7	436.3
Interest expense		
Banks and customers	(95.0)	(150.3)
Financial liabilities	(62.2)	(22.7)
Total interest expense	(157.2)	(173.0)
Net interest income	250.5	263.3

Interest income accrued on impaired financial assets is CHF Nil (2009: CHF Nil).

6. NET BANKING FEE AND COMMISSION INCOME

Banking fee and commission income		
Securities and investment activities commission	520.0	512.5
Other services commission	90.4	81.9
Lending activities commission	0.1	0.4
Total fee and commission income	610.5	594.8
Commission expenses	(114.2)	(97.2)
Net banking fee and commission income	496.3	497.6

7. DIVIDEND INCOME

Trading assets	8.4	2.1
Available-for-sale investment securities	1.2	1.4
Total	9.6	3.5

8. NET TRADING INCOME

Foreign exchange	64.1	38.7
Equity securities	3.3	17.1
Total	67.4	55.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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

	31 December 2010 CHF millions	31 December 2009 CHF millions
Equity securities	(0.8)	4.5
Debt securities	(4.5)	1.2
Life insurance securities	(29.9)	(2.5)
Other losses*	(499.4)	
Other gains**	16.8	
Total	(517.8)	3.2

* 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 deconsolidation of the business, and in reflecting the right to receive a perpetual cash flow stream. This right to a perpetual cash flow stream is recognised 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 second quarter of 2010, the Assets under Management reduced significantly. Given the unpredictable environment existing at that time, the estimated value of the financial asset was considered to be zero. This represented a mark down in the value of the financial asset to CHF 0, with a loss of CHF 499.4 million being recorded at the end of June 2010.

** In the period from July to December, the performance of Marble Bar Asset Management has stabilised and the Group continues to earn revenues from the structure agreed in April 2010. Marble Bar Asset Management has generated positive market performance on the funds they manage. The Group is entitled to a share of the performance and management fees. The forecasted revenues are the key input for the valuation of the financial asset, and the value has thus increased (using a discounted cash-flow model). The Group revalued the financial asset at 31 December 2010 to reflect the current business outlook, and recognised a gain of CHF 16.8 million relative to the carrying value at 30 June 2010 of CHF 0.

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain on disposal of Available-for-sale securities - Transfer from Equity

Debt securities	11.4	19.8
Life insurance securities	4.7	5.4
Total	16.1	25.2

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

Impairments on amounts due from customers	(0.9)	(7.5)
Reversal of impairments on amounts due from customers	5.2	2.1
Reversal of impairment/(impairment) on loans and advances to customers (note 22)	4.3	(5.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

12. OPERATING EXPENSES

	31 December 2010 CHF millions	31 December 2009 CHF millions
Staff costs (note 13)	(473.9)	(469.0)
Professional services	(38.3)	(30.7)
Advertising and marketing	(10.8)	(8.8)
Administrative expenses	(75.9)	(76.3)
Operating lease rentals	(38.4)	(39.7)
Depreciation of property, plant and equipment (note 33)	(15.4)	(15.6)
Amortisation of intangible assets		
Computer software and licences (note 32)	(6.5)	(6.6)
Other intangible assets (note 32)	(28.8)	(65.7)
Other	(29.5)	(31.7)
Operating expenses	(717.5)	(744.1)

13. STAFF COSTS

Wages, salaries and staff bonuses	(379.8)	(375.7)
Social security costs	(28.1)	(30.1)
Pension costs		
Defined benefits (note 40)	(7.6)	(7.8)
Defined contribution	(9.9)	(9.7)
Employee Equity Incentive Plans (note 50)	(26.6)	(25.0)
Other	(21.9)	(20.7)
Staff costs	(473.9)	(469.0)

As at 31 December 2010 the number of employees of the Group was 2,462 and the average for the year was 2,410 (31 December 2009: 2,394 and average for the year: 2,362).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

14. INCOME TAX GAIN/(EXPENSE)

	31 December 2010 CHF millions	31 December 2009 CHF millions
Current tax gain/(expense)	7.5	(15.9)
Deferred tax gain (note 15)	18.2	10.5
Total income tax gain/(expense)	25.7	(5.4)

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

Operating (loss)/profit before tax	(794.4)	109.6
Tax at the weighted average applicable rate of 11% (2009: 11%)	87.4	(12.1)

Tax effect of:

Income not subject to tax	6.4	7.5
Impairments not deductible for tax*	(41.6)	
Release of prior years tax over-provisions	3.3	
Prior years losses recognised	10.5	
Current year losses not recognised**	(46.5)	
Current year losses offsetting current year profits	4.2	
Future years profits recognised	10.3	
Impairment of deferred tax assets***	(8.7)	
Different tax rates in different countries	0.5	(0.8)
Non tax deductible items	(0.1)	
Total income tax gain/(expense)	25.7	(5.4)

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

* The tax effect of impairments not deductible for tax of CHF 41.6 million relate to the impairments of goodwill and intangible assets of C.M. Advisors and DSAM of CHF 378.8 million (see note 32.1). These businesses are primarily in zero tax rate jurisdictions. This tax effect arises when comparing these impairments at a zero tax rate to the theoretical 11% tax rate applied above.

** The tax effect of current year losses not recognised of CHF 46.5 million relates to the net CHF 482.6 million loss on financial assets related to MBAM (see note 9). At the theoretical tax rate of 11% applied above, this would generate a deferred tax asset of CHF 53.1 million. This deferred tax asset can only be recognised if the business would generate sufficient taxable profits in future periods to utilise this tax loss. Management have estimated that the deferred tax asset that can be recognised related to this business is CHF 6.6 million, hence CHF 46.5 million has not been recognised.

*** The tax effect of impairment of deferred tax assets of CHF 8.7 million relates to the value of deferred tax assets recognised in the MBAM business at the date when it was deconsolidated. In June this deferred tax assets was no longer considered recoverable against the business disposed of (see note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

15. DEFERRED INCOME TAXES

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

Deferred income tax assets and liabilities comprise the following:

	31 December 2010 CHF millions	31 December 2009 CHF millions
Deferred income tax assets	54.2	32.4
Deferred income tax liabilities	(58.1)	(51.5)
Net deferred income tax liabilities	(3.9)	(19.1)

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

At 1 January	(19.1)	(40.2)
Charge for period in the statement of comprehensive income	18.2	10.5
Available-for-sale adjustment through Other comprehensive income	1.9	3.7
Changes in estimates related to prior years	(4.2)	7.9
Exchange differences	(0.7)	(1.0)
At 31 December	(3.9)	(19.1)

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

Tax losses carried forward	49.3	30.7
Temporary differences - income under IFRS not recognised in taxable income*	4.9	1.7
Deferred income tax assets	54.2	32.4
Arising from acquisition of intangible assets	(45.5)	(50.3)
Temporary differences - expenses under IFRS not recognised in taxable income**	(12.6)	(1.2)
Deferred income tax liabilities	(58.1)	(51.5)
Net deferred income tax liabilities	(3.9)	(19.1)

The deferred income tax gain in the statement of comprehensive income comprises the following temporary differences:

Utilisation of tax losses carried forward	(2.4)	(0.7)
Creation of deferred tax assets	33.6	12.8
Impairment of deferred tax assets	(8.7)	
Other temporary differences	(4.3)	(1.6)
Deferred income tax benefit	18.2	10.5

* Temporary differences resulting in deferred tax assets of CHF 4.9 million relate to valuation adjustments made to financial liabilities only reflected in local tax accounts for CHF 1.0 million, timing differences on amortisation of fixed assets for tax and accounting purposes of CHF 1.9 million and CHF 2.0 million related to sundry other differences between local tax rules and accounting standards.

** Temporary differences resulting in deferred tax liabilities of CHF 12.6 million relate to valuation of financial assets not reflected in local tax accounts of CHF 6.4 million, losses of foreign operations deducted for local tax purposes expected to reverse in future periods of CHF 3.6 million, pension assets recognised for IFRS but not for local tax purposes of CHF 1.2 million and CHF 1.4 million related to sundry other differences between local tax rules and accounting standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

The Group has deferred tax assets related to tax losses carried forward of CHF 49.3 million as a result of subsidiaries with tax losses of CHF 303 million (2009: CHF 184.0 million) to carry forward against future taxable income. Of the tax losses carried forward, CHF 35 million will expire in less than 3 years, CHF 218 million will expire in more than 3 but less than 7 years and CHF 50 million will expire after 7 years. The Group does not intend to repatriate profits from subsidiaries in the near future, and thus does not record deferred tax in respect to undistributed profit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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 2009			
Interest and discount income	149.6	286.7	436.3
Interest expense	(75.0)	(98.0)	(173.0)
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 instruments 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 (loss)/income	99.2	(1.0)	98.2
Operating income	345.7	513.4	859.1
Operating expenses	(303.0)	(441.1)	(744.1)
Reversal of impairment/(impairment) on loans and advances to customers	(7.1)	1.7	(5.4)
Profit before tax	35.6	74.0	109.6
Income tax gain/(expense)	(8.6)	3.2	(5.4)
Net profit for the period	27.0	77.2	104.2
Net (loss)/profit for the period attributable to:			
Net profit attributable to owners of the Group	22.9	78.2	101.1
Net (loss)/profit attributable to non-controlling interests	4.1	(1.0)	3.1
	27.0	77.2	104.2

17. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Cash in hand	9.1	8.6
Balances with central banks	702.7	256.8
Cash and balances with central banks	711.8	265.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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 2010 CHF millions	31 December 2009 CHF millions
Cash and balances with central banks	711.8	265.4
Treasury bills and other eligible bills	454.2	625.3
Due from other banks - At sight	763.1	680.4
Due from other banks - At term	985.7	2,369.1
Cash and cash equivalents with less than 90 days maturity	2,914.8	3,940.2

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Treasury bills	705.3	193.9
Other eligible bills	1,332.5	576.9
Treasury bills and other eligible bills	2,037.8	770.8

<i>Pledged treasury bills with central banks and clearing system companies.</i>	<i>149.8</i>	<i>133.3</i>
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20. DUE FROM OTHER BANKS

At sight	763.1	680.4
At term - with maturity of less than 90 days	985.7	2,369.1
At term - with maturity of more than 90 days	478.3	470.1
Due from other banks	2,227.1	3,519.6

<i>Pledged due from other banks</i>	<i>72.2</i>	<i>103.2</i>
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The pledged due from other banks relates to collateral for derivative transactions, and a bank account of the Group with a balance of CHF 16.8 million which has been blocked as a result of an arrangement with a client. The client raised a complaint relating to an investment product. An arrangement with the client has been reached pending the valuation at maturity of the investment product in 2012. The Group believes it has strong defences to any potential legal action and intends to defend the case vigorously if a formal proceeding is initiated.

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21. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Due from customers	6,979.1	6,374.2
Mortgages	1,984.8	1,860.3
Gross loans and advances	8,963.9	8,234.5
Less: Provision for impairment losses (note 22)	(6.1)	(17.0)
Net loans and advances	8,957.8	8,217.5

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

	31 December 2010		31 December 2009	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	2,730.6	30.5	2,690.1	32.7
Asia and Oceania	2,099.5	23.4	1,555.3	19.0
Europe (other)	1,933.1	21.6	2,095.4	25.5
United Kingdom	1,076.9	12.0	1,047.0	12.7
Africa and Middle East	398.0	4.4	272.9	3.3
Switzerland	225.4	2.5	253.4	3.1
Luxembourg	283.6	3.2	167.3	2.0
United States and Canada	210.7	2.4	136.1	1.7
Total	8,957.8	100.0	8,217.5	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 2010 CHF millions	31 December 2009 CHF millions
At 1 January	17.0	14.7
Exchange differences	(0.8)	(0.9)
(Reversal of impairment)/ impairment on loans and advances to customers (note 11)	(4.3)	5.4
Utilisation of provision	(5.8)	(2.2)
At 31 December	6.1	17.0

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EFG INTERNATIONAL CONSOLIDATED ENTITIES

23. COLLATERAL FOR LOANS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Loans and advances to customers		
Mortgages	1,984.8	1,860.3
Secured by other collateral	6,925.0	6,259.9
Unsecured*	48.0	97.3
Total loans and advances	8,957.8	8,217.5
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	435.5	515.0
Contingent liabilities unsecured	35.1	6.0
Total	470.6	521.0

* The unsecured loans include CHF 33 million (2009: 61.0 million) of loans made with no collateral and CHF 15 million (2009: CHF 36.3 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.

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EFG INTERNATIONAL CONSOLIDATED ENTITIES

24.1 Derivatives, (continued)

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

	31 December 2010			31 December 2009		
	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	11,578.6	183.8	229.3	9,556.7	158.7	116.4
OTC currency options	2,572.9	43.7	39.1	2,695.4	37.9	37.8
Futures	25.3	1.4		6.2	0.1	
		228.9	268.4		196.7	154.2
Interest rate derivatives						
Interest rate swaps	1,446.7	15.0	15.0	435.3	2.5	8.6
OTC interest rate options	48.2	0.4	0.6	90.0	2.3	1.8
Interest rate futures	307.7	1.4		294.1	2.9	0.3
		16.8	15.6		7.7	10.7
Other derivatives						
Equity options and index futures	3,024.0	54.4	320.6	1,495.3	31.1	287.6
Credit default swaps	122.8	4.3	3.3		2.2	
Total return swaps	126.3	43.2		139.0	44.5	
Commodity options and futures	62.4	5.1	0.3	26.6	1.9	
		107.0	324.2		79.7	287.6
Total derivative assets/liabilities held for trading						
		352.7	608.2		284.1	452.5
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	700.9	1.1	25.6	37.6	1.8	1.5
Total derivative assets/liabilities held for hedging						
		1.1	25.6		1.8	1.5
Total derivative assets/liabilities						
		353.8	633.8		285.9	454.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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 2010 was negative CHF 24.5 million (2009: positive CHF 0.3 million).

25. FINANCIAL ASSETS AT FAIR VALUE - TRADING ASSETS

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public issuers:	Government	1.7	3.2
Issued by non public issuers:	Banks	87.6	15.8
Issued by non public issuers:	Other	535.4	291.5
Total		624.7	310.5

The movement in the account is as follows:

At 1 January	310.5	720.3
Additions	5,857.5	3,839.5
Disposals (sale and redemption)	(5,551.9)	(4,268.5)
Gains from changes in fair value	8.6	19.2
At 31 December	624.7	310.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

26. FINANCIAL ASSETS AT FAIR VALUE - DESIGNATED AT INCEPTION

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public issuers:	Government	52.8	63.3
Issued by non public issuers:	Banks	7.1	
Issued by non public issuers:	Others	4.0	13.9
Issued by other issuers:	US life insurance companies*	256.2	299.9
Issued by other issuers:	US life insurance companies	35.6	337.7
Other	MBAM revenue share	15.1	
Total		370.8	714.8
Equity securities:	Unlisted but quoted	9.8	12.4
Equity securities:	Unquoted - Recent arm's length transactions	0.1	
Debt securities:	Listed	53.6	63.3
Debt securities:	Unlisted	0.4	1.5
Life insurance policies securities:	Unquoted - Discounted cash flow analysis*	256.2	299.9
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	35.6	337.7
Other	Unquoted - Discounted cash flow analysis	15.1	
Total		370.8	714.8

The movement in the account is as follows:

	714.8	533.4
At 1 January	714.8	533.4
Additions	32.8	531.5
Recognised on deconsolidation of MBAM (note 31)	496.8	
Net unrealised loss on decrease in value of MBAM financial asset	(482.6)	
Disposal of Life insurance policies	(323.5)	
Disposals (sale and redemption)	(30.8)	(366.8)
(Losses)/gains from changes in fair value	(21.1)	16.7
Exchange differences	(15.6)	
At 31 December	370.8	714.8

* See note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

		31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public bodies:	Government	1,561.0	1,640.4
Issued by public bodies:	Other public sector	65.9	88.2
Issued by other issuers:	Banks	1,978.9	2,179.9
Issued by other issuers:	US life insurance companies	47.6	350.4
Issued by other issuers:	Other	36.9	40.2
		3,690.3	4,299.1
Debt securities:	Listed/Quoted	2,521.0	2,620.2
Debt securities:	Unlisted	61.6	101.7
Debt securities:	Unquoted - Discounted cash flow analysis	1,023.8	1,194.1
Equity securities:	Listed/Quoted	4.7	4.9
Equity securities:	Unquoted - Other valuation Models	31.6	27.8
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	47.6	350.4
Gross securities available-for-sale		3,690.3	4,299.1
Allowance for impairment		-	-
Total		3,690.3	4,299.1

<i>Pledged securities with central banks and clearing system companies or third party banks**</i>	1,875.5	573.8
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The movement in the account is as follows:

At 1 January	4,299.1	3,351.4
Exchange differences	(336.2)	7.4
Additions	3,778.5	6,704.3
Disposals (sale and redemption)	(3,664.3)	(5,761.6)
Transfer to held-to-maturity*	(323.5)	
Losses from changes in fair value	(48.9)	(19.5)
Accrued interest	(14.4)	17.1
At 31 December	3,690.3	4,299.1

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

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

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28. INVESTMENT SECURITIES - AVAILABLE-FOR-SALE EQUITY RESERVE

Other comprehensive income - 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 Other comprehensive income (note 42).

The movement of the reserve, is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	(79.7)	(38.2)
Fair value losses on available-for-sale investment securities, before tax, net of non-controlling interests	(48.9)	(19.5)
Transfer to net profit of available-for-sale investment securities reserve, before tax	(16.1)	(25.2)
Tax effect on changes in fair value of available-for-sale investment securities	1.9	3.2
At 31 December	(142.8)	(79.7)

29. INVESTMENT SECURITIES - HELD-TO-MATURITY

	31 December 2010 CHF millions	31 December 2009 CHF millions
Issued by public bodies: Government	113.0	134.1
Issued by public bodies: Other public sector	313.8	372.6
Issued by other issuers: US Life insurance companies	602.1	3.8
Gross investment securities - Held-to-maturity	1'028.9	510.5
Impairment on financial assets held-to-maturity	(4.4)	-
Total	1'024.5	510.5

The movement in the account, is as follows:

	31 December 2010 CHF millions	31 December 2009 CHF millions
At 1 January	510.5	514.1
Exchange differences	(147.0)	(2.4)
Reclassification from available-for-sale*	323.5	
Additions**	323.5	
Redemptions	(0.5)	(0.2)
Impairment charge	(4.4)	
Accrued interest	18.9	(1.0)
At 31 December	1,024.5	510.5

Pledged securities with central banks and clearing system companies. - 44.5

* During the year, the Group transferred a portion of its investments in life insurance policies from available-for-sale to held-to-maturity (see note 27).

** During the year, the Group acquired a portfolio of life insurance policies which it intends to hold to maturity (see note 26).

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30. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2010:

Name	Line of business	Country of incorporation	Share Capital (000s)
Main Subsidiaries			
EFG Bank AG, Zurich	Bank	Switzerland	CHF 162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	EUR 26,944
EFG Bank (Gibraltar) Ltd, Gibraltar	Bank	Gibraltar	GBP 3,000
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	USD 27,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	CHF 25,000
EFG Bank (Luxembourg) 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, Stockholm	Bank	Sweden	SEK 100,000
EFG Banque Privée SA, Paris	Bank	France	EUR 10,000
PRS Investment Services (Cayman) Ltd, Georgetown	Investment Advisory & Fund Administration	Cayman Islands	USD -
PRS International Consulting Inc, Miami	Investment Advisory & Fund Administration	USA	USD -
Bull Wealth Management Group Inc, Toronto	Investment Advisory	Canada	CAD 276
EFG Wealth Management (Canada) Limited, Toronto	Investment Advisory	Canada	CAD 500
EFG Wealth Management (India) Private Limited, Mumbai	Investment Advisory	India	INR 75,556
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 Fieello Ltd, Birmingham	Financial Planning	England & Wales	GBP 2
EFG Independent Financial Advisors Ltd (formerly 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
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
EFG Asset Management Holding AG, Zurich	Holding	Switzerland	CHF 600
LFS Invest VII AB, Stockholm	Investment Company	Sweden	SEK 100

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

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31. DISPOSAL OF SUBSIDIARY UNDERTAKING

Effective 1 May 2010, the Group disposed of the business of Marble Bar Asset Management (MBAM). MBAM is an investment manager specialising in long/short equity strategies, serving institutional clients as well as ultra-high-net-worth individuals. Considering the disposal of the business, the Group received CHF 13.9 million in cash and a share in the future revenues of the MBAM business. The share in the future revenues in MBAM was valued at that date of disposal at CHF 496.8 million and recognised as a financial asset at fair value.

Details of value of net assets and of goodwill/intangible assets at date deconsolidated:

	CHF millions
Comprising	
Intangible assets (note 32.2)	496.8
Tangible assets (note 33)	3.4
Cash and cash equivalents	15.0
Other net liabilities	(4.5)
Currency translation reserves since acquisition	23.5
	534.2
Consideration received (discharged by cash)	13.9
Consideration received (discharged by revenue share agreement)	496.8
Total proceeds on disposal	510.7
Currency loss realised on disposal of subsidiary	23.5

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32. INTANGIBLE ASSETS

	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2009				
Cost	32.4	553.8	1,305.2	1,891.4
Accumulated amortisation	(15.0)	(78.4)	(35.0)	(128.4)
Net book value	17.4	475.4	1,270.2	1,763.0
Year ended 31 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 (note 12)	(6.6)			(6.6)
Amortisation charge for the year				
- Other intangible assets (note 12)		(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	1,105.9	1,686.3
Accumulated amortisation and impairment	(19.6)	(140.4)	(35.0)	(195.0)
Net book value	14.1	406.3	1,070.9	1,491.3
Year ended 31 December 2010				
Opening net book amount	14.1	406.3	1,070.9	1,491.3
Acquisition of computer software and licences	8.7			8.7
Amortisation charge for the year				
- Computer software and licences (note 12)	(6.5)			(6.5)
Amortisation charge for the year				
- Other intangible assets (note 12)		(28.8)		(28.8)
Impairment charge for the year (note 32.1)		(12.0)	(366.8)	(378.8)
Disposal as part of MBAM restructuring (note 32.2)		(226.1)	(270.7)	(496.8)
Revaluation of earnout obligations (note 32.3)			7.3	7.3
Exchange differences	(0.3)	(7.9)	(9.4)	(17.6)
Closing net book value	16.0	131.5	431.3	578.8
At 31 December 2010				
Cost	40.8	296.5	805.9	1,143.2
Accumulated amortisation and impairment	(24.8)	(165.0)	(374.6)	(564.4)
Net book value	16.0	131.5	431.3	578.8

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 establishing 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.

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EFG INTERNATIONAL CONSOLIDATED ENTITIES

32.1 Impairment charge for the year

	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
C.M. Advisors Limited	(11.0)	(199.6)	(210.6)
Derivative Structured Asset Management	(1.0)	(167.2)	(168.2)
Total	(12.0)	(366.8)	(378.8)

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. CMA lost clients acquired through the acquisition and on-going profitability is significantly lower. Given the uncertainty of the future cash-flows, a full impairment has been made of the intangible assets and goodwill related to CMA. DSAM's performance relied on substantial revenues from structured products, which were below those generated in prior years. The goodwill value that results after an impairment of CHF 168.2 million is CHF 77.1 million, which represents the value of the private banking business component within DSAM.

32.2 Disposal as part of MBAM restructuring

	Other Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Carrying value at the beginning of the year	224.4	259.0	483.4
Amortisation charge for the period to end April 2010	(8.5)		(8.5)
Value at date disposed of (note 31)	(226.1)	(270.7)	(496.8)
Exchange differences	10.2	11.7	21.9
Total	-	-	-

In April the Group sold the business of MBAM back to the management team, and from 1 May ceased to consolidate this business. This resulted in the derecognition of intangible assets and goodwill of CHF 496.8 million and the recognition of a financial asset. See notes 26 and 31.

32.3 Revaluation of earnout obligations

In the period, a net CHF 7.3 million adjustment was made to earnout obligations as a result of the annual reassessment of these liabilities. These liabilities are based on the levels of profit generated by subsidiaries post acquisition. These earnout adjustments all relate to acquisitions made prior to 2010, and therefore are accounted for as adjustments to goodwill.

32.4 Impairment tests

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

On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2010 balances of Intangibles allocated to all its cash generating units remain recoverable.

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

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Where the carrying values have been compared to "fair value less costs to sell", the fair values have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles based on comparable market transactions (3% to 5% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 12 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:

Cash generating unit	Recoverable amount based on	31 December 2010		Total CHF millions
		Intangible Assets CHF millions	Goodwill CHF millions	
PRS Group	Value in use	32.2	49.3	81.5
Derivative Structured Asset Management	Fair value less costs to sell	7.9	69.2	77.1
Asesores y Gestores Financieros SA	Fair value less costs to sell	32.3	45.2	77.5
Banque Edouard Constant	Fair value less costs to sell		76.3	76.3
Harris Allday	Value in use	22.4	35.4	57.8
Bank von Ernst (Liechtenstein) AG	Value in use	4.3	32.2	36.5
Banque Monégasque de Gestion	Fair value less costs to sell	6.2	24.2	30.4
Other Cash Generating Units	Fair value less costs to sell	26.2	99.5	125.7
Total carrying values		131.5	431.3	562.8

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations to resolve whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles and goodwill remained recoverable at 31 December 2010.

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

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

Current assets under management CHF millions	Impairment impact of 20% decline in forecast profit before tax CHF millions	Impairment impact of 50% decline in forecast profit before tax CHF millions
	PRS Group	2.3
Derivative Structured Asset Management	4.2	17.2
Asesores y Gestores Financieros SA	4.7	
Banque Edouard Constant	3.4	
Harris Allday	3.7	
Bank von Ernst (Liechtenstein) AG	1.2	4.5
Banque Monégasque de Gestion	0.6	3.1

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33. 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 2009					
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

Year ended December 2010

Opening net book amount	3.9	27.7	11.1	13.3	56.0
Additions		3.5	3.0	7.2	13.7
Depreciation charge for the year		(5.0)	(3.1)	(7.3)	(15.4)
Disposal of subsidiary (note 31)		(2.6)	(0.4)	(0.4)	(3.4)
Disposal and write-offs		(0.1)	(0.2)	(0.1)	(0.4)
Exchange differences	(0.6)	(1.3)	(0.7)	(0.4)	(3.0)
Closing net book value	3.3	22.2	9.7	12.3	47.5

At 31 December 2010

Cost	3.8	40.2	21.4	39.1	104.5
Accumulated depreciation	(0.5)	(18.0)	(11.7)	(26.8)	(57.0)
Net book value	3.3	22.2	9.7	12.3	47.5

34. OTHER ASSETS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Prepaid expenses and accrued income	72.0	63.0
Settlement balances	72.4	31.9
Current income tax assets	24.3	1.6
Other assets	45.4	79.7
Other assets	214.1	176.2

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35. DUE TO OTHER BANKS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Due to other banks at sight	175.9	285.5
Due to other banks at term	161.9	161.6
Due to other banks	337.8	447.1

36. DUE TO CUSTOMERS

Non interest bearing	7,476.6	6,713.2
Interest bearing	7,427.8	9,014.7
Due to customers	14,904.4	15,727.9

37. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Synthetic life insurance	270.6	313.7	
Equities (short positions)	197.5	78.4	
Liabilities to purchase non-controlling interests	18.6	22.0	
	486.7	414.1	
Life insurance policies securities:	Unquoted - Discounted cash flow analysis	270.6	313.7
Equity securities:	Unquoted - Recent arm's length transactions	36.8	48.1
Equity securities:	Listed/Quoted	160.7	30.3
Equity securities:	Discounted cash flow analysis	18.6	22.0
Total		486.7	414.1

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 financial asset - life insurance policies securities at fair value of CHF 256.2 million (2009: CHF 299.9 million, see note 26).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. The liability was initially recognised in 2008 by reclassification from Group equity. As of 31 December 2010, the financial liability was valued at CHF 18.6 million (2009: CHF 22.0 million).

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38. OTHER FINANCIAL LIABILITIES

	31 December 2010 CHF millions	31 December 2009 CHF millions
Structured products issued	2,863.0	1,002.0
	2,863.0	1,002.0

39. OTHER LIABILITIES

Deferred income and accrued expenses	153.4	149.1
Settlement balances	58.9	35.7
Contingent acquisition obligations	32.4	41.1
Short term compensated absences	8.2	7.8
Other liabilities	47.0	72.3
Total other liabilities	299.9	306.0

Legal proceedings

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

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

A class action lawsuit is pending in the United States District Court for the Southern District of New York against a subsidiary of the Group, claiming that the Group failed to exercise appropriate due diligence in relation to the purchase of the Fairfield Sentry fund by clients. The lawsuit alleges damages of USD 130 million. The Group is vigorously defending the case and believes it has strong defences.

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

The Group does not expect the ultimate resolution of any of the proceedings to which the Group is party to have a significantly adverse effect on its financial position.

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40. RETIREMENT BENEFIT OBLIGATIONS

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

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

The Group applies the corridor approach, whereby actuarial gains and losses are recognised over the remaining working lives of the employees as income or expense, if the net cumulative actuarial gains and losses exceed the 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 2010 CHF millions	At 31 December 2009 CHF millions
At 1 January	182.4	189.0
Service cost	8.4	8.8
Employee's contributions	6.9	6.5
Benefit payments	(13.6)	(17.1)
Interest cost	5.3	5.1
Pension transfers	(3.7)	(4.3)
Actuarial (gain)/loss for the year	(1.1)	(5.6)
At 31 December	184.6	182.4

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

At 1 January	163.1	167.3
Employee's contributions	6.9	6.5
Employer's contributions	14.0	12.2
Benefit payments	(13.6)	(17.1)
Expected return on plan assets	6.6	6.8
Actuarial loss for the year	(7.9)	(8.3)
Pension transfers	(3.7)	(4.3)
At 31 December	165.4	163.1

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40. RETIREMENT BENEFIT OBLIGATIONS, (CONTINUED)

Amounts recognised in the Balance sheet, include:

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 31 December		
Present value of funded obligation	184.6	182.4
Fair value of plan assets	(165.4)	(163.1)
Deficit	19.2	19.3
Unrecognised actuarial loss	(23.6)	(23.7)
Pension prepaid	(4.4)	(4.4)
Unrecognised asset at year end		
Net asset recognised in balance sheet	(4.4)	(4.4)
Experience adjustments on plan liabilities	(1.1)	(3.6)
Experience adjustments on plan assets	(7.9)	(8.3)

None of the plan assets have been pledged as collateral (2009: Nil).

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

	At 31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 1 January	(4.4)	-
Net periodic pension cost	7.6	7.8
Supplemental cost under IAS 19	6.4	
Employer's contributions	(14.0)	(12.2)
Pension prepaid	(4.4)	(4.4)
At 31 December	(4.4)	(4.4)

The movement in unrecognised actuarial loss, is as follows:

At 1 January	23.7	26.5
Actuarial gain for the year arising on defined benefit obligation	(1.1)	(5.6)
Actuarial loss arising on the plan assets	7.9	8.3
Effect from asset ceiling	(6.4)	(4.8)
Loss recognised in year	(0.5)	(0.7)
At 31 December	23.6	23.7

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

Service cost	8.4	8.8
Interest cost	5.3	5.1
Expected return on plan assets	(6.6)	(6.8)
Amortisation of the corridor's variance	0.5	0.7
Total net periodic pension cost (note 13)	7.6	7.8

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The asset allocation, is as follows:

	At 31 December 2010 %	At 31 December 2009 %
Debt instruments	58.5	74.4
Equity instruments	22.4	4.1
Cash	18.6	21.2
Real estate	0.0	0.0
Other	0.5	0.3
	100.0	100.0

The actual return on plan assets was CHF (1.3) million in 2010 (2009: CHF (1.5) million).

	31 December 2010 CHF millions	31 December 2009 CHF millions	31 December 2008 CHF millions	31 December 2007 CHF millions	31 December 2006 CHF millions
Present value					
of Defined benefit obligation	184.6	182.4	189.0	163.0	149.9
Fair value of plan assets	165.4	163.1	167.3	165.4	144.3
Funded status:					
(Underfunding)/Surplus	(19.2)	(19.3)	(21.7)	2.4	(5.6)
Experience adjustments					
on plan assets	(7.9)	(8.3)	(21.6)	2.1	(1.4)
Experience adjustments					
on plan liabilities	(1.1)	(3.6)	(4.6)	2.6	5.0

The principal annual actuarial assumptions used, were as follows:

	31 December 2010 %	31 December 2009 %
Discount rate (p.a)	3.00	3.00
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.)	10.00	9.20
	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 2010 (based on the average age of 68.9) for current male pensioners is 15.1 years and for current female pensioners (based on the average age of 67.6) is 18.8 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 employer contributions to the post-employment benefit plan for the year ending 31 December 2011 are CHF 13.7 million.

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41. 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.

41.1 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 2009	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
Ordinary shares repurchased			(0.1)		(0.1)
At 31 December 2010	73.3	6.0	(6.2)	-	73.1

41.2 Share Premium

	Ordinary shares with voting right CHF millions	Bons de Participation without voting right* CHF millions	Treasury Shares Ordinary Shares CHF millions	Treasury Shares Bons de Participation B* CHF millions	Net CHF millions
At 1 January 2009	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
Ordinary shares sold			0.4		0.4
Ordinary shares repurchased			(4.0)		(4.0)
At 31 December 2010	1,330.6	2.0	(178.8)	-	1,153.8

* 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.

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41.3 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 2009	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)	-	
Ordinary shares sold			26,539		
Ordinary shares repurchased			(155,656)		
At 31 December 2010	146,670,000	400,000	(12,412,211)	-	
Net share capital (CHF millions)	73.3	6.0	(6.2)	-	73.1

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

The total number of shares sold during 2010 is 26,539 at an average price per share of CHF 16.15. The total number of treasury shares acquired during 2010 is 155,656 and the average purchase price of these shares in the period was CHF 26.33 per share, pursuant to a contractual obligation entered into in 2008 whereby if certain conditions arose, the Group was obliged to acquire the shares at this price.

Conditional share capital

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

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

Authorised share capital

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

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42. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2009	(38.2)	31.0	167.3	160.1
Non-controlling interests put option*			12.6	12.6
Other Reserves adjustments			(1.4)	(1.4)
Employee stock option plan		25.0		25.0
Fair value losses 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
Balance at 1 January 2010	(79.7)	56.0	183.8	160.1
Employee stock option plan		26.6		26.6
Fair value losses on available-for-sale investment securities, before tax	(48.9)			(48.9)
Transfer to net profit of realised available-for-sale investment securities reserve, before tax	(16.1)			(16.1)
Tax effect on changes in fair value of available-for-sale investment securities	1.9			1.9
Currency translation adjustments			(81.0)	(81.0)
At 31 December 2010	(142.8)	82.6	102.8	42.6

* Non-controlling interests put option represents the put options held by the non-controlling 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 were created/restructured in prior years. As of 31 December 2010, the financial liability was valued at CHF 18.6 million (2009: CHF 22.0 million) with the change in value due to exchange rates.

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43. OFF-BALANCE SHEET ITEMS - CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Guarantees issued in favour of third parties	315.9	288.3
Irrevocable commitments	154.7	232.7
Operating lease commitments	152.5	156.7
Total	623.1	677.7

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 2010				
Guarantees issued in favour of third parties	163.1	88.6	64.2	315.9
Irrevocable commitments	70.2	84.3	0.2	154.7
Operating lease commitments	31.9	84.3	36.3	152.5
Total	265.2	257.2	100.7	623.1
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

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.

44. FIDUCIARY TRANSACTIONS

	31 December 2010 CHF millions	31 December 2009 CHF millions
Fiduciary transactions with third party banks	2,633.0	2,875.3
Deposits with affiliated banks of the Group	7.1	936.5
Loans and other fiduciary transactions	6.3	8.7
Total	2,646.4	3,820.5

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45. SEGMENTAL REPORTING

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, 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 and Cayman. In 2010, the PRS business has been incorporated into the "Rest of Europe" division to align with the revised management structure implemented in the

	Private Banking and Wealth management			
	Switzerland CHF millions	Rest of Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2010				
Segment revenue from external customers	234.5	145.6	71.6	118.0
Other revenues/losses				
Segment expenses	(143.4)	(135.6)	(69.1)	(92.1)
Tangible assets and software depreciation	(8.2)	(3.5)	(1.5)	(1.7)
Cost to acquire intangible assets and impairment of intangible assets	(6.7)	(177.8)	(1.0)	(2.0)
Reversal of impairment/(impairment) on loans and advances to customers	4.0	0.2		(0.6)
Impairment on financial assets held-to-maturity	(4.4)			
Segment profit before tax	75.8	(171.1)		21.6
Income tax (expense)/gain	5.2	8.8	(0.9)	4.0
Net profit/(loss) for the period	81.0	(162.3)	(0.9)	25.6
Net loss/(profit) attributable to non-controlling interests	1.3	0.9		
Net profit attributable to owners of the Group	82.3	(161.4)	(0.9)	25.6
Segment assets	12,727.5	2,826.8	1,291.0	4,663.8
Segment liabilities	12,476.3	2,466.3	1,661.6	4,256.8
Assets under management	18,626	19,865	12,762	10,983
Employees	564	420	243	484
At 31 December 2009				
Segment revenue from external customers	283.8	139.6	57.0	131.0
Segment expenses	(156.0)	(133.6)	(56.2)	(88.1)
Tangible assets and software depreciation	(8.8)	(3.6)	(1.5)	(1.6)
Cost to acquire intangible assets	(2.4)	(10.2)	(1.0)	(4.8)
Impairment charges	(4.5)	(0.1)		1.3
Segment profit before tax	112.1	(7.9)	(1.7)	37.8
Income tax (expense)/gain	(7.6)	3.5	2.6	(7.6)
Net profit for the period	104.5	(4.4)	0.9	30.2
Net loss/(profit) attributable to non-controlling interests	(1.1)	0.9		
Net profit attributable to owners of the Group	103.4	(3.5)	0.9	30.2
Segment assets	15,252.0	3,105.9	614.5	5,046.8
Segment liabilities	14,478.1	2,746.4	584.5	4,742.2
Assets under management	22,393	18,328	13,154	12,504
Employees	542	413	242	487

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year. The comparatives for 31 December 2009 have been restated to reflect this change in PRS. The Rest of Europe includes private banking operations in France, Gibraltar, Luxembourg, Monaco, Spain, Sweden, Derivatives Structured Asset Management and the PRS business.

The Asset Management segment includes Marble Bar Asset Management, C. M. Advisors, EFG Asset Management and EFG Financial Products. 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
Asia	Total				
CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
100.0	669.7	143.3	11.3	(16.2)	808.1
		(482.6)			(482.6)
(78.9)	(519.1)	(127.0)	(44.2)		(690.3)
(2.1)	(17.0)	(4.4)	(0.5)		(21.9)
(0.5)	(188)	(219.5)	(0.1)		(407.6)
0.7	4.3				4.3
	(4.4)				(4.4)
19.2	(54.5)	(690.2)	(33.5)	(16.2)	(794.4)
(3.9)	13.2	3.7	8.8		25.7
15.3	(41.3)	(686.5)	(24.7)	(16.2)	(768.7)
0.2	2.4	44.5			46.9
15.5	(38.9)	(642.0)	(24.7)	(16.2)	(721.8)
6,913.3	28,422.4	3,470.2	1,182.9	(12,182.3)	20,893.2
6,884.7	27,745.7	3,399.1	632.0	(12,182.3)	19,594.5
14,158	76,394	9,531	1,178	(1,142)	85,961
457	2,168	274	20		2,462
85.8	697.2	167.0	11.9	(17.0)	859.1
(66.9)	(500.8)	(112.0)	(43.4)		(656.2)
(1.8)	(17.3)	(4.4)	(0.5)		(22.2)
(0.5)	(18.9)	(46.8)			(65.7)
(2.1)	(5.4)				(5.4)
14.5	154.8	3.8	(32.0)	(17.0)	109.6
(3.0)	(12.1)	8.6	(1.9)		(5.4)
11.5	142.7	12.4	(33.9)	(17.0)	104.2
0.3	0.1	(3.2)			(3.1)
11.8	142.8	9.2	(33.9)	(17.0)	101.1
5,742.1	29,761.3	2,522.9	1,308.1	(12,942.3)	20,650.0
5,718.5	28,269.7	2,148.1	936.2	(12,942.3)	18,411.7
11,379	77,758	9,947	1,445	(1,470)	87,680
404	2,088	281	25		2,394

* 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.

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

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

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	Swiss CHF millions	Foreign CHF millions	Total CHF millions
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 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

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47. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

47.1 Basic

	31 December 2010 CHF millions	31 December 2009 CHF millions
Net (loss)/profit for the period	(721.8)	101.1
Estimated, pro-forma accrued dividend on Bons de Participation	(19.4)	(24.5)
Net (loss)/profit for the period attributable to ordinary shareholders	(741.2)	76.6
Weighted average number of ordinary shares ('000s of shares)	134,277	135,411
Basic earnings per ordinary share	(5.52)	0.57

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 12,393,411 (2009: 11,259,212). 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 1 January 2010 until 30 April 2010 of 3.795%, 3.5% from 1 May 2010 until 30 October 2010 and a rate of 3.035% thereafter.

47.2 Diluted

	31 December 2010 CHF millions	31 December 2009 CHF millions
Net (loss)/profit for the period	(721.8)	101.1
Estimated, pro-forma accrued dividend on Bons de Participation	(19.4)	(24.5)
Net (loss)/profit for the period attributable to ordinary shareholders	(741.2)	76.6
Diluted-weighted average number of ordinary shares	134,277	139,431
Diluted earnings per ordinary share	(5.52)	0.55

Pursuant to its employee equity incentive plan, EFG International issued in 2010 restricted stock units and options to purchase 874,791 (2009: 4,555,853) shares of EFG International which would increase the diluted-weighted average number of ordinary shares of EFG International by 5,426,041 (2009: 4,020,325) shares to 139,702,630 (2009: 139,431,113) shares. Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. However, where an entity has incurred a loss from continuing operations, options that are in the money would only be dilutive if they increased the loss per share from continuing operations, that is, made the loss per share more negative but as the effect of bringing in more shares will be to increase the denominator and therefore reduce the loss per share, in the money options will be anti-dilutive and so are not included in the diluted EPS presented at year-end 2010 as required by IAS 33.41. For information regarding the Employee Equity Incentive Plans, see note 50.

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48. DIVIDENDS

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting on 27 April 2011. A dividend in respect of 2010 of CHF 0.10 (2009: CHF 0.10) per share amounting to approximately CHF 13.4 million (2009: CHF 13.4 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2010 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 2011.

	At 31 December 2010 CHF millions	At 31 December 2009 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
	13.4	33.3
Dividends on Bons de Participation		
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
For the period 1 November 2009 to 30 April 2010 at 3.795%	10.8	
For the period 1 May 2010 to 30 October 2010 at 3.5%	9.6	
	20.4	25.4

49. RELATED PARTY TRANSACTIONS

49.1 Transactions

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

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49.1 Transactions (continued)

	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	63.7
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)	

A number of banking transactions are entered into with related parties. These include loan, deposits, derivative transactions and provision of services. The amounts Due from other banks reflect cash deposits by the Group with EFG Eurobank Ergasias of CHF 65.6 million (2009: 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 (2009: Nil).

49.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2010 comprised of cash compensation of CHF 8,460,857 (2009: 7,323,296), pension contributions of CHF 345,984 (2009: 282,110) and restricted stock units valued at approximately CHF 150,000 (2009: 4,250,000). Other compensation of CHF 3,807,006 (2009: 2,855,764) includes a provision for payments under a long term incentive plan of CHF 2,112,279 which became payable in October 2010 (2009: CHF 1,800,000) and an amount of CHF 1,628,571 representing a pro rata indemnity recognised over 3.5 years (2009: CHF 814,286).

The compensation of the members of the Board of Directors relating to the year 2010 comprised of cash compensation of CHF 1,207,514 (2009: CHF 926,667).

For additional details required under Swiss Law (SCO 663) see note 19 of the parent company financial statements on page 167.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

50. EMPLOYEE EQUITY INCENTIVE PLANS

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

The expense recorded in the Statement of comprehensive income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of comprehensive income for the period ended 31 December 2010 was CHF 26.6 million (2009: CHF 25.0 million).

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

The table below summarises the outstanding options and restricted stock units at 31 December 2010 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price CHF	At beginning of year	Granted	Lapsed	Outstanding
2006	In-the-money	25.33	754,746			754,746
2007	In-the-money	32.83	954,255			954,255
2007	At-the-money	49.25	1,229,953			1,229,953
2008	In-the-money	24.00	506,684			506,684
2008	At-the-money	35.95	762,277		2,289	759,988
	Restricted stock units					
2008	with 5 year lock-up	0	774,401		601	773,800
2009	In-the-money	5.00	1,199,069			1,199,069
	Restricted stock units					
2009	with 3 year lock-up	0	2,170,640		10,479	2,160,161
	Restricted stock units					
2009	with 5 year lock-up	0	1,120,533			1,120,533
2010	In-the-money	12.19		91,036		91,036
	Restricted stock units					
2010	with 3 year lock-up	0		718,407	4,668	713,739
	Restricted stock units					
2010	with 5 year lock-up	0		68,540		68,540
			9,472,558	877,983	18,037	10,332,504

50.1 2010 incentive plan

EFG International granted 877,983 options and restricted stock units in 2010. There are three classes, with options having an exercise price of CHF 12.19 ("In-the-money Options") and restricted stock units with 3 year lock-up ("Restricted stock units with 3 year lock-up") and with 5 year lock-up ("Restricted stock units with 5 year lock-up") respectively. All three classes have a vesting period of three years. The deemed value of each In-the-money Options was estimated to be CHF 7.64, each Restricted stock unit with 3 year lock-up at CHF 17.40 and each Restricted stock unit with 5 year lock-up at CHF 16.36. The values of the options were determined using a modified version of the Black Scholes Merton formula which takes into account expected dividend yield during the period between the end of the vesting period and the earliest exercise date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

The significant inputs into the model were spot share price (CHF 18.50), expected volatility (40%), dividend yield (3%), the expected life of the options (72 months) and the risk free rate (1.65%). 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.

50.2 2011 incentive plan

EFG International will grant restricted stock units in March 2011 at prices to be determined based on the relevant valuation inputs on the date of issue.

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 2010 CHF millions	31 December 2009 CHF millions
Character of client assets		
Equities	22,943	22,893
Deposits	17,009	17,949
Bonds	14,722	14,780
Structured notes	7,846	7,707
Loans	9,290	8,183
EFG funds	7,069	8,745
Fiduciary deposits	2,695	3,820
EFG International shares	1,178	1,446
Other	3,209	2,157
Total Assets under Management	85,961	87,680
Total Assets under Administration	6,834	9,424
Total	92,795	97,104

Assets under Administration are trust assets administered by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

	31 December 2010 CHF millions	31 December 2009 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	2,457	1,689
Assets with discretionary management agreements	17,037	21,044
Other assets under management	57,177	56,764
Total Assets under Management (including double counts)	76,671	79,497
<i>Thereof double counts</i>	<i>3,863</i>	<i>1,511</i>
Loans	9,290	8,183
Total Assets under Administration	6,834	9,424
Total	92,795	97,104
Net new asset inflows (including double counts)	9,676	6,305

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

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

53. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

54. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EFG INTERNATIONAL CONSOLIDATED ENTITIES

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

(e) Extraordinary income and expense

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

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (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.

AUDITOR'S REPORT

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 76 to 157), for the year ended 31 December 2010.

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 2010 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.

AUDITOR'S REPORT

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

Geneva, 8 March 2011



PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

EFG International, Zurich

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Income			
Interest income from subsidiaries		12.2	14.0
Income from subsidiaries	13	25.7	38.5
Foreign exchange gains			9.0
Total income		37.9	61.5
Expenses			
Interest expenses paid to subsidiaries		(0.8)	
Staff expenses		(18.5)	(23.2)
Operating expenses	14	(12.6)	(17.2)
Depreciation		(8.2)	(10.6)
Foreign exchange losses		(17.6)	
Impairment of investment in subsidiaries	7	(433.0)	(0.5)
Tax expense		(4.0)	(2.3)
Total expenses		(494.7)	(53.8)
Net (loss)/profit		(456.8)	7.7

BALANCE SHEET AS AT 31 DECEMBER 2010

EFG INTERNATIONAL, ZURICH

	Note	Year ended 31 December 2010 CHF millions	Year ended 31 December 2009 CHF millions
Assets			
Due from subsidiaries		3.9	7.1
Other assets		1.9	0.6
Current assets		5.8	7.7
Investments in subsidiaries		1,206.3	1,635.1
Subordinated loans to subsidiaries		264.9	276.9
Tangible fixed assets			0.1
Intangible assets		0.6	1.1
Formation costs		0.3	7.9
Non current assets		1,472.1	1,921.1
Total assets		1,477.9	1,928.8
Liabilities			
Due to subsidiaries		25.8	9.4
Accrued expenses and deferred income		16.9	14.0
Other liabilities		5.9	5.9
Current liabilities		48.6	29.3
Total liabilities		48.6	29.3
Equity			
Share capital	11	73.3	73.3
Non-voting equity securities (Participation certificates)	11	6.0	6.0
Legal reserves		1,806.8	1,809.1
<i>of which Reserve from capital contributions</i>		<i>1,603.0</i>	<i>1,608.9</i>
<i>of which Reserve for own shares from capital contributions</i>		<i>203.8</i>	<i>200.2</i>
Retained earnings			3.4
Net (loss)/profit for the period		(456.8)	7.7
Total shareholders' equity		1,429.3	1,899.5
Total shareholders' equity and liabilities		1,477.9	1,928.8

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZÜRICH

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

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

1. CONTINGENT LIABILITIES

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 3,893 million (2009: CHF 1,684 million). Included in this amount is CHF 2,757 million (2009: CHF 1,301 million) related to structured products issued by a subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). These risks related to these liabilities of the subsidiary are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

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

There are no such assets.

3. OFF-BALANCE SHEET OBLIGATIONS RELATING TO LEASING CONTRACTS

There are no such obligations.

4. FIRE INSURANCE VALUE OF TANGIBLE FIXED ASSETS

Tangible fixed assets amount to CHF 0.04 million (2009: CHF 0.1 million) and are covered by the fire insurance of a subsidiary for the Zürich premises for a total amount of CHF 0.9 million (2009: 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 131, to the consolidated financial statements. In the current year the company impaired the carrying value of investments in subsidiaries by CHF 433.0 million as a result of the impairment in the carrying value of the holding companies of Marble Bar Asset Management, C.M. Advisors and the Derivatives Structured Asset Management businesses (see notes 9 and 32.1 of 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 2010, 0 Bons de Participations "B" (2009: 0) and 12,412,211 registered shares (2009: 12,283,094) were held by subsidiaries. See note 41.3 of consolidated financial statements on page 143.

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZURICH

11. SHARE CAPITAL

	31 December 2010 CHF millions	31 December 2009 CHF millions
146,670,000 registered shares at the nominal value of CHF 0.50	73.3	73.3
400,000 Bons de Participation "B" at the nominal value of CHF 15	6.0	6.0
Total share capital	79.3	79.3

Conditional share capital

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

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

Authorised share capital

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

12. SIGNIFICANT SHAREHOLDERS

The significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are:

	31 December 2010		31 December 2009	
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group SA*	72,366,556	49.34	72,366,556	49.34
Lawrence D. Howell	8,052,000	5.49	8,052,000	5.49

* EFG Bank European Financial Group SA is indirectly 100% owned by the Latsis family interests. For further details, refer to the Significant Shareholders disclosure published by SIX at www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?issuer=14226&fromDate=20100101

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZURICH

13. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2010 CHF millions	31 December 2009 CHF millions
Royalties	14.5	13.2
Management service fees	10.9	10.3
Dividends		9.0
Other services	0.3	6.0
Total	25.7	38.5

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

14. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2010 CHF millions	At 31 December 2009 CHF millions
Other operating expenses	(6.3)	(7.1)
Other fees paid to subsidiaries	(4.3)	(6.6)
Costs incurred by subsidiaries	(2.0)	(3.5)
Total	(12.6)	(17.2)

15. GENERAL LEGAL RESERVE

No amount was allocated to the General Legal Reserve in 2010 and 2009.

16. RETAINED EARNINGS

	31 December 2010 CHF millions	At 31 December 2009 CHF millions
At 1 January	3.4	5.7
Net result of prior period	7.7	(19.3)
Transfer from Other reserves	2.3	50.3
Dividend paid	(13.4)	(33.3)
At 31 December	-	3.4

17. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the loss of the year amounting to CHF 456.8 million as negative retained earnings and to proceed to a distribution to shareholders of CHF 0.10 per share, which will amount to a total distribution of CHF 13.4 million (excluding anticipated distribution not payable on the 12,397,584 shares held on 31 December 2010 by a subsidiary). The Board of Directors proposes to fully charge the proposed distribution 2010 of CHF 0.10 per share to the new and also to be approved balance sheet item "Reserve from capital contributions". Subject to the adoption of this proposal by the General Meeting of Shareholders and the approval of the Swiss Federal Tax Administration, such distribution will not be subject to the Swiss withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZURICH

18. RISK MANAGEMENT

See note 4 of consolidated financial statements on page 95.

19. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2010

	Base compensation		Variable compensation		Other compensation	Social charges	2010 Total
	Cash CHF	Cash bonus (1) CHF	Equity incentive (2) CHF	(3) CHF	(3) CHF		
Board of Directors							
Jean Pierre Cuoni, Chairman	660,000					50,362	710,362
Emmanuel L. Bussetil (4)							-
Erwin Richard Caduff	175,006					12,023	187,029
Spiro J. Latsis (4)							-
Hugh Napier Matthews	235,008					14,539	249,547
Hans Niederer	137,500					7,423	144,923
Pericles Petalas (4)							-
Total Board of Directors	1,207,514	-	-	-	-	84,347	1,291,861
Executive Committee							
Total Executive Committee	8,460,857	-	150,000	3,807,006		1,127,376	13,545,239
of which highest paid:							
Lawrence D. Howell, CEO	4,003,607				24,996	326,627	4,355,230

Notes

- 1) The amounts represent the recorded expense for the 2010 cash bonuses.
- 2) The amount represents the value of equity incentives granted in 2011 (related to past services) to Members of the Executive Committee. For details of the Employee Equity Incentive Plans, refer to note 50 of the Consolidated financial statements.
- 3) Other compensation of the Executive Committee of CHF 3,807,006 includes a final pro rata provision of CHF 2,112,279 which became payable in October 2010 in connection with a 5-year incentive plan and an amount of CHF 1,628,571 representing a pro rata indemnity recognized over 3.5 years.
- 4) No compensation paid to Director.

No compensation has been granted to closely linked parties of members of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZURICH

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 2009

	<i>Base compensation</i>		<i>Variable compensation</i>		<i>Other compensation</i>		2009
	Cash CHF	Cash bonus (1) CHF	Equity incentive (2) CHF	(3) CHF	Social charges CHF	Total CHF	
Board of Directors							
Jean Pierre Cuoni, Chairman	660,000				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	
Pericles 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 amounts represent the recorded expense for the 2009 cash bonuses.
- 2) The amount represents the value of equity incentives granted in 2009 (related to future services) and 2010 (related to past services) to Members of the Executive Committee. The equity incentives have a vesting period of between 3 years and 4 years and can be exercised after 3 to 5 years.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

EFG INTERNATIONAL, ZURICH

(iii) Loans and credits

At 31 December 2010 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.

	2010 CHF	2009 CHF
Cuoni family interests *	8,147,525	7,794,225
Other members of the Board of Directors	115,540	
Total Board of Directors	8,263,065	7,794,225
Lawrence D. Howell, CEO (highest paid member of Executive Committee)**	752,326	516,941
Other members of the Executive Committee	2,241,200	6,347,778
Total Executive Committee	2,993,526	6,864,719

* Fully collateralised loans granted to closely linked parties.

** Fully cash collateralised loans.

Interest rates ranging from 0.59% p.a. to 6.31% p.a. are charged on outstanding CHF loans. The loans outstanding at 31 December 2010, mature between 1 and 8 months.

(iv) Shareholdings

At 31 December 2010 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2010	Shares 2009	Vested Share Options	Granted Share Options
Board of Directors				
Jean Pierre Cuoni, Chairman	6,809,500	6,836,000	313,808	623,087
Emmanuel L. Bussetil				
Erwin Richard Caduff				
Spiro J. Latsis*	72,366,556	72,366,556		
Hugh Napier Matthews	7,500	7,500		
Hans Niederer	50,000	50,000		
Pericles Petalas				
Executive Committee				
Total Executive Committee of which:	8,703,356	8,752,374	1,056,320	2,525,839
Lawrence D. Howell	8,052,000	8,052,000	538,648	
Lukas Ruflin	129,412	129,412	236,734	
James T. H. Lee	409,944	458,962	236,734	
Jean-Christophe Pernolet (from 1 October)				
Alain Diriberry	112,000	112,000	38,284	
Frederick Link			5,920	

* Total number of shares owned by the Latsis family interests. For further details, refer to the Significant Shareholders disclosure published by SIX at www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?issuer=14226&fromDate=20100101

The 2009 comparatives for the shareholding of the Executive Committee only reflect members of the Committee at 31 December 2010, and any Committee members joining or departing in the year are excluded.

The members of the Executive Committee have been granted 2,525,839 share options and restricted stock units which are currently subject to vesting criteria. These would vest in the period 2011 to 2013.

AUDITOR'S REPORT

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG International AG, which comprise the balance sheet, the income statement and the notes (pages 162 to 169), for the year ended 31 December 2010.

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 2010 comply with Swiss law and the company's articles of incorporation.

AUDITOR'S REPORT

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

Geneva, 8 March 2011

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FORWARD LOOKING STATEMENTS

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

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

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

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



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