ANNUAL REPORT 2012

EFG Financial Products

FINANCIAL HIGHLIGHTS

Annual Report 2012

580
NUMBER OF CLIENTS

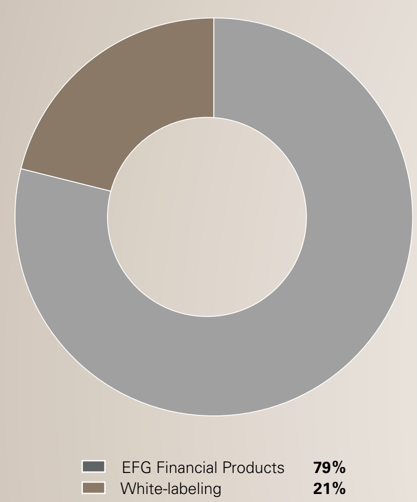
10
LOCATIONS WORLDWIDE

CHF 12.1 BILLION
TURNOVER

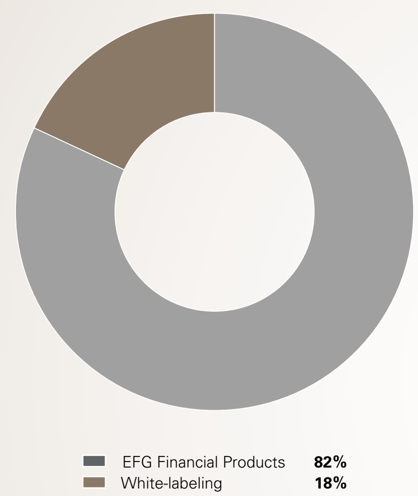
CHF 127.8 MILLION
TOTAL OPERATING INCOME

CHF 20.5 MILLION
GROUP NET PROFIT

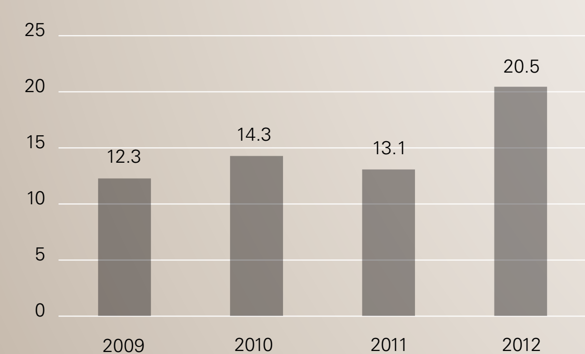
TURNOVER



TOTAL ISSUED PRODUCTS



GROUP NET PROFIT (mCHF)



KEY FIGURES

	2012	2011	Change to 2011
Number of clients[1,2]	**580**	442	31%
Primary clients[2,3]	**465**	370	26%
Retention rate[4]	**74%**	67%	7PP
Turnover (bCHF)[5]	**12.1**	10.4	16%
Total operating income (mCHF)	**127.8**	104.5	22%
Average margin on turnover[6]	**106 bps**	100 bps	6%
Total operating expenses (mCHF)	**(105.9)**	(90.1)	18%
Cost-income ratio	**83%**	86%	(3PP)
Profit before taxes (mCHF)	**21.9**	14.4	52%
Group net profit (mCHF)	**20.5**	13.1	56%

1 Clients (intermediaries): Defined as financial institutions, asset managers (including insurance brokers and business introducers), institutional investors or insurers, which, based on a distribution agreement, entered into at least one primary or secondary market transaction in the respective period on account of their respective clients or for their own account

2 Management estimates

3 Clients entering into a primary transaction during the period

4 Percentage of recurring primary clients of primary clients during the period

5 Turnover defined as total of notional on structured products issued and of notional on structured products traded, whereby each trade is accounted for

6 Average margin on turnover defined as the ratio of total operating income to turnover

SHARE INFORMATION AS OF 31 DECEMBER 2012

Share price*	CHF 45.10
Return on equity	25%
Basic earnings per share	CHF 3.86
Diluted earnings per share	CHF 3.85
Total outstanding shares	6'666'665 shares
Market capitalization	mCHF 300.7
Free float	48.5%
Listing	SIX Swiss Exchange (Main standard)
Symbol	FPHN
ISIN	CH0190891181

* Share price as of 28.02.2013: CHF 48.95

CONTENT

Annual Report 2012


ASSET MANAGEMENT
Quantitative Anlagestrategien
Liquiditätsfonds
Werterhaltungs-konzepte
ETFs
PENSION SOLUTIONS
3. Säule
Vorsorgelösungen
Pensionsplan
Management auf Einzelkundenebene
SWISS DERIVATIVE AWARDS 2012

Dear Shareholders,

Against the backdrop of an uncertain economic environment, continued low interest rates and subdued client confidence in the financial market, we showed a strong business performance in 2012. Results in the second half of 2012 were largely in line with developments in the first six months of the year, as indicated at the time of the IPO.

We served 580 clients in 2012, reflecting an increase of 31% on the year before. The client retention rate improved from 67% to 74%. Our turnover rose by 16% to CHF 12.1 billion in 2012 from CHF 10.4 billion in the year before. We also saw an increase in the average margin on turnover from 100 basis points to 106 basis points. The number of large ticket transactions[1] climbed by 13 to 21 in the year under review. Based on these main revenue drivers, our total operating income increased 22% from CHF 104.5 million in 2011 to CHF 127.8 million in 2012.

Our total operating expenses went up by 18% from CHF 90.1 million in 2011 to CHF 105.9 million in 2012. Reflecting new hires, personnel expenses increased 13% to CHF 60.8 million. Furthermore, our other operating expenses rose 19% to CHF 35.8 million, as a result of the growth of the business as well as ongoing investments in our platform and infrastructure. Despite higher total operating expenses, we improved our cost-income ratio to 83%, from 86% in 2011.

Overall, we increased our profit before taxes by 52% from CHF 14.4 million in 2011 to CHF 21.9 million in 2012 as well as our group net profit, which rose by 56% from CHF 13.1 million to CHF 20.5 million. Based on this result, the Board of Directors will propose to the shareholders a dividend of CHF 1 per share – in the form of a distribution against capital reserves which is not subject to Swiss withholding tax. This is slightly in excess of the 30% target payout ratio to shareholders indicated at the time of the IPO.

Divisional development – increased contribution from Structured Asset Management & Pension Solutions

As regards our divisional development, we are pleased about the increased contribution of our Structured Asset Management & Pension Solutions segment to our company's performance. The division showed 371% income growth in 2012, now contributing 13% (2011: 3%) to our total operating income. The profit before taxes of our Structured Asset Management & Pension Solutions division went up from CHF –1.4 million in 2011 to CHF 6.9 million in 2012. Our Structured Solutions division increased the total operating income by 14% and posted a pre-tax profit of CHF 23.0 million (up 24%).

Regional development – growth in all regions

Following our successful opening of the new presence in Singapore[2], our total operating income from the Asia region rose 45%. Due to the build-up of the business, Asia posted a pre-tax loss of CHF –3.9 million in 2012, which is slightly higher than in 2011. As regards the EU region, income grew by 23% in 2012 and stayed slightly below our expectations. The profit before taxes increased from CHF 0.2 million to CHF 1.2 million. Our core region, which includes our initial and principal entities in Switzerland, Monaco and Guernsey, increased its total operating income by 11% and the profit before taxes rose 24% to CHF 25.7 million.

In 2013, we will focus on consolidating and strengthening the profitability of our international presence and do not plan to open any new locations.

Going public – completing a significant milestone

To further support our growth initiatives as well as to attain a more independent setup, we decided to go public at the SIX Swiss exchange in the fall of 2012. The IPO included the floating of existing as well as the issuance of new registered shares. In addition, an overallotment option was granted and later fully exercised, leading to a free float of 48.5%.

The development of our capital structure was characterized by the IPO. Our total eligible capital stood at CHF 118.6 million as of year-end 2012, including net proceeds from the IPO of CHF 67.1 million. The 2012 implementation of revisions to employee benefit accounting (IAS 19 revised) resulted in a negative implementation impact of CHF 4.5 million to our total eligible capital. Our BIS total capital ratio stood at 18.0% at year-end 2012 and the average Value at risk (VaR) remained stable at CHF 1.2 million.

Due to the IPO and the requirements associated with being a publicly listed company, the Board of Directors was extended in 2012, now comprising nine members, all of whom are non-executive directors.

As regards the Executive Committee (EC), we announced in December 2012 the appointment of Roman Kurmann as a member of the EC and new Chief Financial Officer. Roman Kurmann assumed his new position on 1 March 2013, while Michael Hartweg will in future focus on his position as Deputy CEO and Head of Structured Solutions.

White-labeling – focus on banking and insurance partnerships

After the launch of a new white-labeling cooperation in June 2012 and the conversion of EFG International into a white-labeling partner in October 2012, we provided structured investment products and services for three white-labeling partners in the banking sector and two in the insurance industry in 2012.

[1] Defined as single primary or secondary market transactions on a single product with a single client and a margin earned equal to or larger than CHF 0.5 million

[2] The sales team of EFG Financial Products in Singapore operates under the license of EFG Bank AG, Singapore branch, until the local subsidiary obtains a full capital markets license

PETER FORSTMOSER
Chairman of the Board of Directors

JAN SCHOCH
Chief Executive Officer

Solid market development in Switzerland – high demand for yield enhancement

In 2012, we saw a high demand for yield enhancement products mainly due to the low interest rate environment, reflected in tight credit spreads. Because of the good stock market performance, client demand for equity-based structured investment products rose significantly in Europe from 54% to 64% in 2012 compared to 2011. While assets under management in structured investment products in Europe decreased by 5.9% in 2012, the Swiss market showed solid growth of 8.0%, reflecting one of the highest growth rates in Europe.

As envisaged at the time of the IPO, we have recently started to build up an investment portfolio for hedging purposes, in line with an increase in the issuance of structured investment products under our own name. The outstanding volume of these products reached approx. CHF 1 billion by early February 2013. The majority of products issued were with our own credit risk (non-COSI®) and had maturities of more than one year, underlining our clients' trust in our company. However, as current credit spreads are lower than estimated at the time of the IPO, operating income from funding is expected to come in below previous guidance for 2013. Due to this, and given the faster-than-expected development of own product issuances, the BIS total capital ratio may decrease to below 16% on a temporary basis.

In general, we are very pleased with the strategic and financial progress we achieved in 2012, despite the challenging environment. We are confident with regard to the future development of our business, but we will take a realistic approach to growth.

Good start in 2013 – further progress expected this year

In March 2013, we announced the commencement of a new white-labeling agreement with Notenstein Private Bank, representing a step change in the implementation of our core white-labeling strategy.

Furthermore, we acknowledged that Notenstein Private Bank will acquire EFG International's remaining stake in the company.

Due to this change in shareholders' positions, we have decided to rename our company, which will be presented at a later point in time. In addition, shareholders will be asked to approve changes to the Board of Directors and to reduce the number of members from nine to eight.

Going forward, we will further increase the focus on scalable automated investment products. This development is set to further secure stable, reliable income streams in addition to benefitting our cost-income ratio. Cost containment, profitability and strict risk management will remain our key priorities. We remain committed to further investing in our market-leading platform, the services we provide, and our team, while keeping costs under control and creating value for our shareholders and clients.

On behalf of the Board of Directors and the Executive Committee, we would like to express our thanks to all our employees whose efforts and commitment enabled us to grow successfully. Furthermore, we would like to extend our gratitude to our loyal clients and shareholders for the trust they have placed in us during the last year.

Peter Forstmoser
Chairman of the Board of Directors

Jan Schoch
Chief Executive Officer

2

MARKET OVERVIEW

Annual Report 2012

INTRODUCTION

Structured investment products permit investments in various asset classes with a bespoke and predefined risk profile. They offer the opportunity to limit the downside, enhance yields or get access to a wider range of asset classes. These may be, for example, single stocks or indices, commodities, currencies or many more underlying assets. In addition, combinations of these assets and asset classes are possible. Therefore structured investment products are applicable to a very broad set of investment objectives and add significant value to risk management in an overall portfolio context.

Structured investment products were originally created to meet specific investor needs that could not be met by the standardized financial instruments, like equities or bonds, available in the market. Today, structured investment products are fully customized investment products that meet specific investor requirements by offering predefined levels of returns, exposure, risk and protection. The redemption value of structured investment products is linked within a predefined risk profile to the performance of one or more underlying assets within a predefined time frame. They are investments tailored to meet specific client objectives such as capital protection, yield enhancement or participation:

- **Capital protection products**
  Capital protection products protect against losses from falling prices of the underlying asset. Capital protection levels vary and are only valid at maturity of the product. The capital protection is guaranteed by the issuer or guarantor and is dependent on its credit risk. In addition, the investor participates in the performance of an underlying risky asset. This participation may be limited. During the lifetime of the structured product it can trade below its capital protection level.
- **Yield enhancement products**
  The most common yield enhancement products are reverse convertibles and barrier reverse convertibles. The holder of a reverse convertible gives up the potential upside exposure to the underlying asset in exchange for an enhanced coupon. The holder of the product generally remains exposed to the downside of the respective asset.
- **Participation products**
  In general, the performance of participation products is closely linked to the underlying asset's price movements, generally with no up or down limitations. Sometimes these products feature conditional capital protection (bonus certificates) or leveraged upside participation (outperformance certificates). The most well-known participation products are tracker certificates. This product tracks the performance of the underlying asset 1:1.

ASSETS UNDER MANAGEMENT IN STRUCTURED RETAIL INVESTMENT PRODUCTS IN EUROPE AMOUNTED TO APPROX. EUR 763 BILLION IN 2012

STRUCTURED INVESTMENT PRODUCTS MARKET IN EUROPE

Market development over the last decade
Over the last decade the structured investment products industry in Europe has developed significantly. During this process, the average ticket size has constantly decreased. Because automation and a scalable structured investment service platform became a requirement in order to service clients profitably.

Market size and competition
Based on data provided by Structured Retail Products, an estimated EUR 763 billion of assets under management were held in the form of structured retail investment products[1] in Europe, decreasing slightly over the past three years. This is despite challenging market conditions, specifically low interest rates.

The table on the right-hand side provides an overview of the outstanding structured retail investment products in the public by country in 2010, 2011 and 2012. As a consequence, the figures do not include the outstanding assets held by high net worth and institutional clients.

[1] "Structured retail investment products" refers to structured products excluding non-retail and leverage products

Outstanding assets 2010, 2011 and 2012

EUR billion	Total assets Y/E 2010	Total assets Y/E 2011	Total assets Y/E 2012
Austria	19.2	20.5	**21.1**
Belgium	86.5	82.6	**78.6**
Czech Republic	3.2	3.4	**3.1**
Denmark	5.4	4.8	**4.2**
Finland	5.6	5.5	**6.0**
France	85.8	84.0	**80.1**
Germany	137.4	139.3	**133.1**
Hungary	1.5	1.9	**2.2**
Ireland	7.5	7.5	**7.0**
Italy	219.2	221.3	**204.1**
Norway	3.0	1.3	**0.6**
Poland	4.3	4.5	**4.2**
Portugal	12.4	12.2	**13.1**
Slovakia	1.3	1.1	**1.0**
Spain	64.8	55.2	**41.7**
Sweden	16.5	14.7	**14.7**
Switzerland	46.3	49.5	**53.6**
The Netherlands	23.5	22.1	**17.5**
UK	61.7	64.1	**60.0**
Others	15.0	15.6	**17.2**
Total Europe	**820.1**	**811.1**	**763.1**

Source: Structured Retail Products Limited; total assets exclude non-retail products and leverage products

The numbers above only summarize the outstanding structured products, excluding non-retail and leverage products. The structured products outstanding in Switzerland including non-public products and leverage products amounted to CHF 175 billion, according to the Swiss National Bank (SNB) statistics for November 2012.

Structured investment products comprise three basic elements that can be combined to accommodate the specific investor's requirements: the fiscal form, built around the investment, the desired payoff structure and the underlying asset.

Fiscal form
Structured investment products are offered in a variety of forms, including, but not limited to, bank deposits and savings accounts, life insurance contracts and securitized products such as bonds, certificates and notes. The dominant fiscal form in Europe is the security[2] – either in the form of a certificate, note or bond.

The European market remains fragmented in terms of fiscal forms, with local factors such as tax treatment creating significant differences between countries.

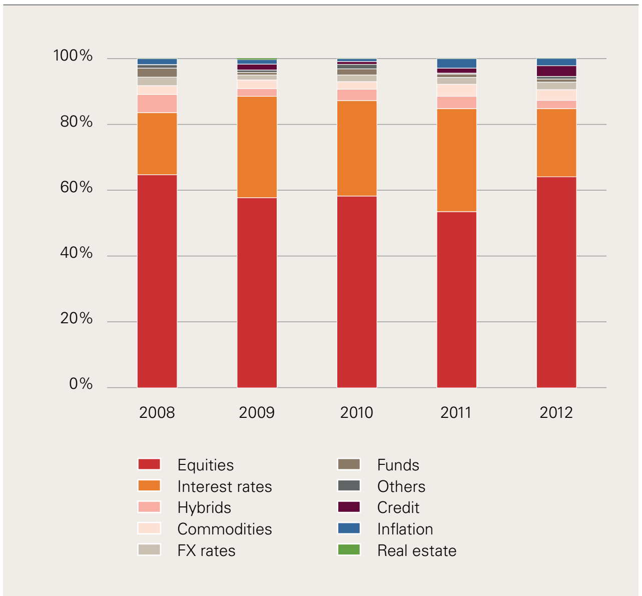
Payoffs
The institutional market has evolved towards an increasing variety of payoffs thanks to the underlying trend for bespoke investment products:

- Desire to purchase a bespoke product exactly mirroring the respective client's needs; and
- Regulatory changes which in some jurisdictions lead to fewer, but larger, transactions which are traded on a bespoke basis.

Underlying asset
According to Structured Retail Products, sales of equity-linked products in Europe are estimated to have increased to approx. 64% of total structured retail investment product sales in 2012 vs. 54% in 2011. The use of interest-rate-linked products increased until the financial crisis (31% in 2009), but has since fallen to 21% in 2012. The chart "Distribution of gross sales by underlying asset class in Europe" provides an overview of the development in the underlying asset class mix from 2008 to 2012 in Europe.

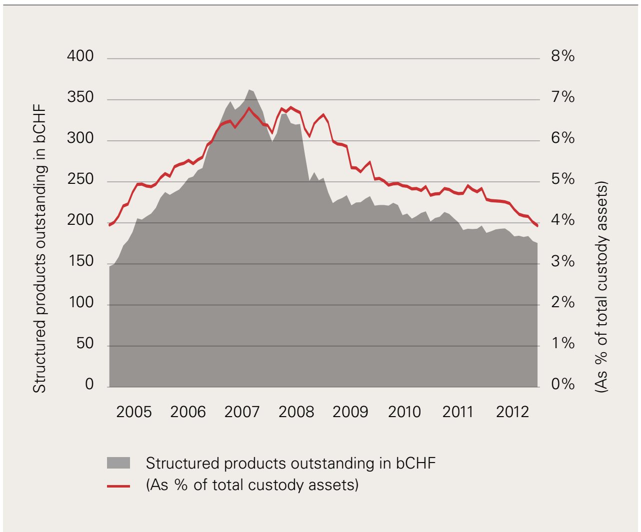
2 In Switzerland book-entry securities

Distribution of gross sales by underlying asset class in Europe, 2008–2012



Source: Structured Retail Products Limited

Structured products outstanding in Switzerland



Source: Swiss National Bank (SNB) monthly statistical bulletin January 2013
Note: Figures include Swiss resident as well as non-resident custody account holders

STRUCTURED INVESTMENT PRODUCTS MARKET IN SWITZERLAND

Penetration of structured investment products

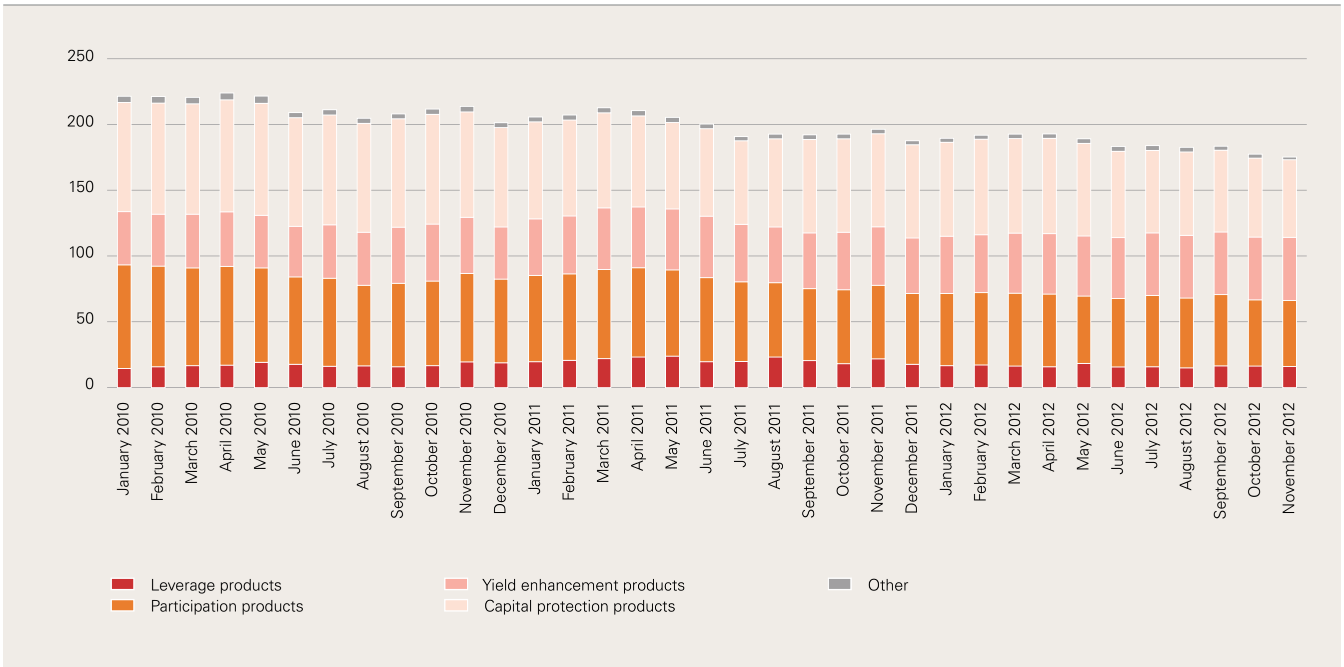
Switzerland is one of the largest markets for structured investment products in Europe by outstanding assets. As of November 2012, structured investment products outstanding of CHF 159 billion were held in Swiss bank custody accounts. The outstanding volume in leverage products amounted to CHF 16 billion. Overall, outstanding volume in structured investment products and leverage products combined amounted to CHF 175 billion, accounting for 3.9% of total custody assets. This includes public products as well as private placements, which explains the difference compared to the table "Outstanding assets 2010, 2011 and 2012". The chart "Structured products outstanding in Switzerland" outlines the development of the volume of structured products outstanding as well as the percentage of total custody assets invested in structured products since March 2005. The peak penetration of structured products in investors' portfolios was reached in June 2008 when the share of structured products in custody accounts amounted to 6.8%. The long-term average since March 2005 is 5.3%.

Switzerland as a market is well known for its variety of payoffs; something that is essential for significant structured investment products issuers if they are to be successful in the Swiss market.

In November 2012, capital protection products were most popular in terms of outstanding volumes (CHF 59 billion), followed by participation products (CHF 50 billion) as well as yield enhancement products (CHF 48 billion) and leverage products (CHF 16 billion). A larger part of the capital protection products comes from the older inventory, which explains why this does not reflect the current demand which is more oriented towards yield enhancement products.

According to Structured Retail Products, the Swiss market for structured retail investment products has grown by more than 7.6% p.a. since 2010, reflecting one of the strongest growth rates in Europe.

Split of structured products (outstanding in bCHF) in Switzerland



Source: Swiss National Bank (SNB) monthly statistical bulletin January 2013
Note: Figures include Swiss resident as well as non-resident custody account holders

Listed structured investment products
Based on Scoach Switzerland, on 31 December 2012, there were 11'830 outstanding listed structured investment products in total[3]. Yield enhancement products had a share of 64.9% of the total listed structured investment products, while participation products had a share of 22.7%. Capital protection products and reference entity certificates had a share of 9.4% and 3.0% respectively.

With a market share of 21.9%, Vontobel is the largest issuer of SIX structured investment products in Switzerland measured by different structured investment products outstanding listed on SIX Swiss Exchange and traded on Scoach Switzerland, followed by EFG Financial Products with a market share of 20.6%. UBS and Credit Suisse rank third and fourth with 15.2% and 11.2% respectively. The table on the following page provides an overview of the ten largest issuers in terms of different structured investment products outstanding, listed on SIX Swiss Exchange and traded on Scoach Switzerland, as of 31 December 2012.

[3] The definition of SIX-listed structured investment products by Scoach Switzerland is different to that of EFG Financial Products. Scoach Switzerland defines all product types except leverage products as structured investment products. EFG Financial Products defines structured investment products as structured products excluding so-called vanilla or flow products, such as warrants, discount certificates and equity-linked notes

Ten largest issuers by outstanding listed structured investment products listed on SIX Swiss Exchange and traded on Scoach Switzerland

Issuer	Outstanding structured investment products on Scoach	Market share
Vontobel	2'587	21.9%
EFG Financial Products	2'440	20.6%
UBS	1'795	15.2%
Credit Suisse	1'327	11.2%
ZKB	1'001	8.5%
Julius Bär	840	7.1%
Royal Bank of Scotland	547	4.6%
Goldman Sachs	264	2.2%
Banque Cantonale Vaudoise	246	2.1%
Basler Kantonalbank	177	1.5%
Other	606	5.1%
Total	**11'830**	**100.0%**

Source: Scoach Switzerland as of 31 December 2012

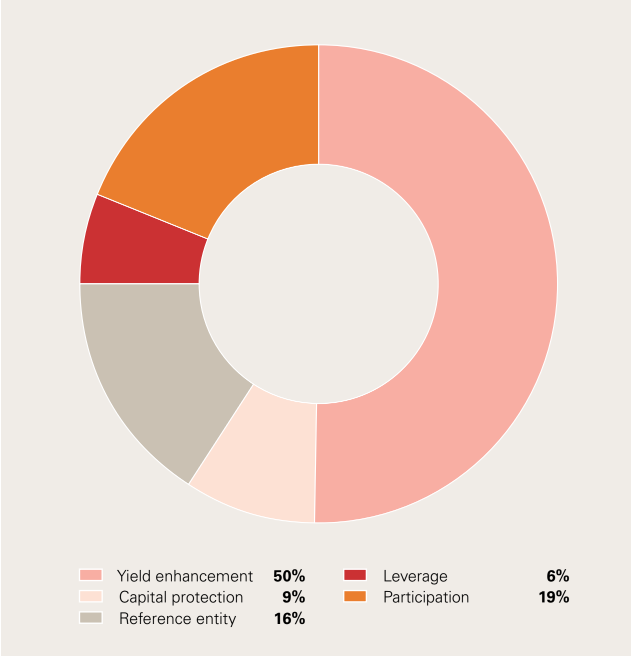
In terms of secondary market turnover for structured investment products, UBS was the market leader in Switzerland in 2012 with CHF 5.9 billion in turnover and a 38.3% market share. Other institutions with significant market shares were Bank Vontobel and ZKB with 16.1% and 10.8% respectively. EFG Financial Products reached a secondary market turnover of CHF 960 million with 12'561 trades, giving the Company a market share of 6.2% of total secondary market turnover. When comparing these figures with the number of different structured investment products outstanding, one must consider that the amount does not reflect the volume raised in new products issued, i.e. the primary market.

COSI® products
Since February 2009, a collateral security system for structured products has been available on the Swiss market, whereby issuers are offered a service for the collateralization of certificates, thereby minimizing the issuer risk for investors. In this regard, the current value of a Collateral Secured Instrument ("COSI® products") is secured by collateral in favor of SIX Swiss Exchange. If certain predefined liquidation events are triggered, the collateral will be liquidated, which results in the COSI® products becoming due and investors being paid out the liquidation proceeds.

In the area of COSI® products listed on SIX Swiss Exchange, yield enhancement products were the largest category, accounting for CHF 675 million or 50% of traded volumes. This was followed by participation products with a traded volume of CHF 252 million and a share of 19%. With 2'173 outstanding COSI® products as of 31 December 2012, EFG Financial Products was the leader with a market share of 82.9%, well ahead of Vontobel with a market share of 15.7%. Further players in the COSI® market are Credit Suisse, Julius Bär, Merrill Lynch and Bank Sarasin.

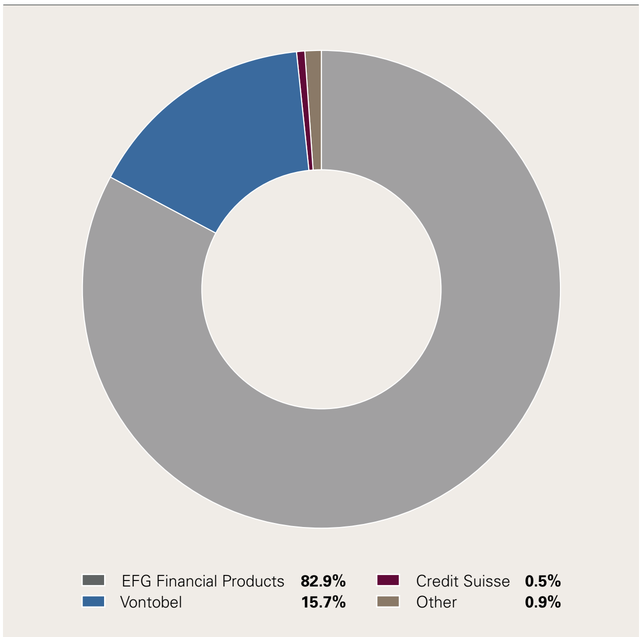
Structured investment products market in Asia-Pacific
Based on data provided by Structured Retail Products, an estimated EUR 653 billion of AuM were held in the form of structured retail investment products in the Asia-Pacific region. Between 2009 and 2012 the Asia-Pacific market has grown by 18%, reflecting an annual growth rate of 5.7%.

COSI® trading volumes 2012



Source: Scoach Switzerland, 31 December 2012

Outstanding COSI® products December 2012



Source: Scoach Switzerland, 31 December 2012

3

OUR BUSINESS

Annual Report 2012

OVERVIEW

EFG Financial Products[1] is an integrated structured investment service provider with a leading position in structured investment products in Switzerland and an international presence through sales offices in Zurich, Geneva, Monaco, Guernsey, Frankfurt, Paris, Madrid, London, Singapore[2] and Hong Kong. The Company[3] combines a modern and integrated structured investment service platform designed for flexibility, innovation, customer service and transparency with a team of experts with long-standing industry expertise.

[1] References to "EFG Financial Products" are to EFG Financial Products Holding AG

[2] EFG Financial Products sales team operates under the license of EFG Bank AG, Singapore branch, until the local subsidiary obtains a full capital markets license

[3] References to the "Company" are to EFG Financial Products Holding AG


EFG Financial Produ

EFG Financial Products is vertically integrated, covering the entire structured investment services value chain from structuring to pricing, documentation, issuance, listing, settlement, risk management, market making, life-cycle management and distribution. The guiding principles are transparency, service, liquidity, security and sustainability. The business areas are:

- **Structured Solutions**
  Structured Solutions is the core business, including the development, issuance, distribution, hedging and settlement of structured investment products as well as the market making, secondary-market servicing and life-cycle management of the products issued.

- **Structured Asset Management & Pension Solutions**
  The Structured Asset Management & Pension Solutions businesses provide services that focus on leveraging the core business by applying innovative structured investment services to pension and asset management products.

The services focus on structured investment products, which EFG Financial Products defines as structured products excluding so-called vanilla or flow products, such as warrants, discount certificates and equity-linked notes. As of 31 December 2012, measured by the number of different structured investment products outstanding, EFG Financial Products was the second-largest issuer of SIX structured investment products (structured investment products excluding leverage products) and commodity-linked SIX structured investment products with market shares of approximately 21% and 24% respectively. In addition, the Company was the largest issuer of SIX-listed COSI® products and yield-enhancement SIX structured investment products with market shares of approximately 83% and 25%. EFG Financial Products is also a leading market maker on Scoach Switzerland with regards to quote availability, bid-ask spread and volumes pursuant to the Payoff Market Making Index (PMMI) from Derivative Partners Research AG.

WHITE-LABELING PARTNERSHIPS

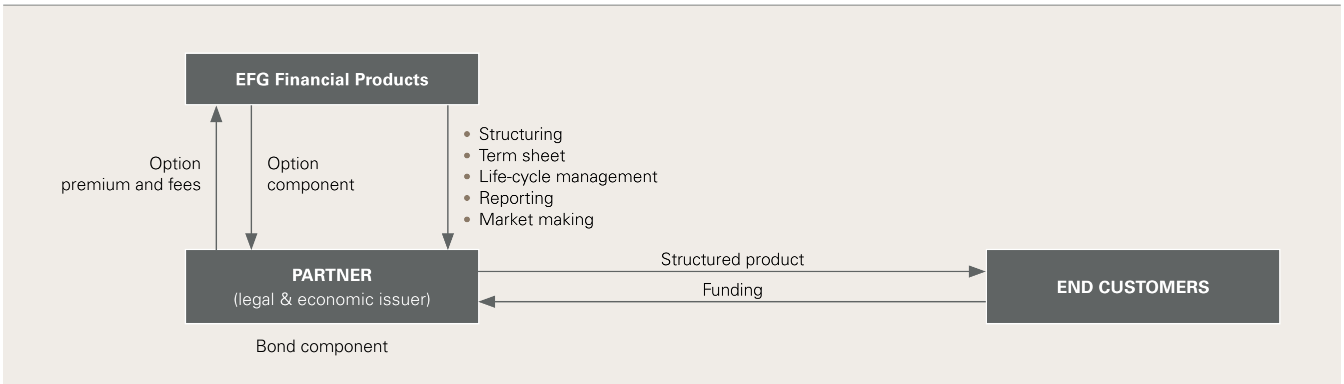
Structure
In a white-labeling partnership, the white-labeling partner outsources certain services in connection with its issued structured investment products to EFG Financial Products. White-labeling services that are offered cover the entire structured investment products value chain, including:

- advice with respect to structuring, the set-up of an issuance program for exchange-listed structured investment products and the design of information and marketing material;
- the production of termsheets and documentation with respect to individual trades;
- the listing and settlement of structured investment products on SIX Swiss Exchange;
- client services; and
- risk management, hedging, market making and secondary-market servicing (e.g. monitoring of corporate actions, valuation, service hotline).

The partner who issues the structured investment product, EFG Financial Products or both interact with the client, while EFG Financial Products advises on the structuring and issuance of the structured investment products and provides the services required to operate the structured investment product business. For the services provided in this context, EFG Financial Products charges the partner a fee.

The chart below shows the typical transaction structure under a white-labeling partnership, assuming that EFG Financial Products retains the option component.

Typical transaction structure of a white-labeling partnership



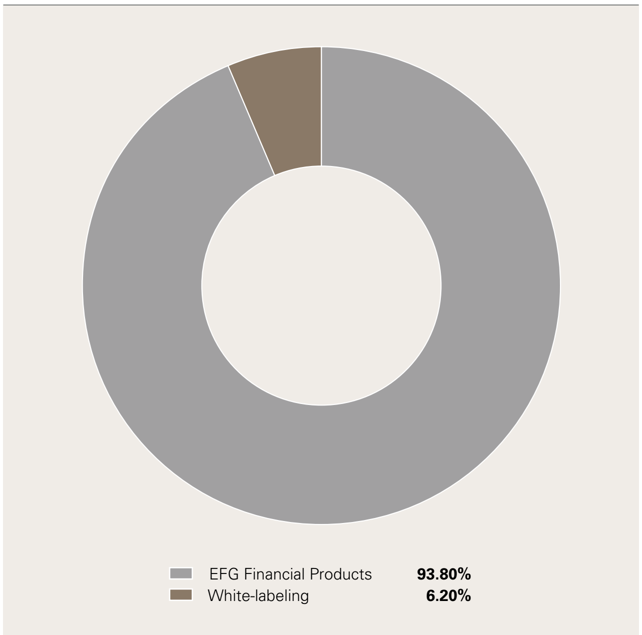
Source: EFG Financial Products

The issued products are on the balance sheet of the white-labeling partner and no cash transfer to EFG Financial Products occurs, except for payment of the option premium if the white-labeling partner chooses EFG Financial Products as the hedging provider and further cash transfers that may be agreed for liquidity management purposes relating to the hedging books. Under the white-labeling partnership, hedging can also be done with third-party providers.

To facilitate white-labeling partnerships, EFG Financial Products has designed and intends to invest further in the structured investment service platform to offer the possibility of integrating business processes of cooperation partners directly into the structured investment service platform. It is expected that once clients become integrated into the structured investment service platform, continuing benefits will encourage them to continue to use it, expanding the distribution capabilities of EFG Financial Products to channels that might otherwise be difficult to access in a cost-effective manner. White-labeling partnerships also enable the sales personnel of EFG Financial Products to offer products with different credit risks, i.e. the products issued by the white-labeling partners.

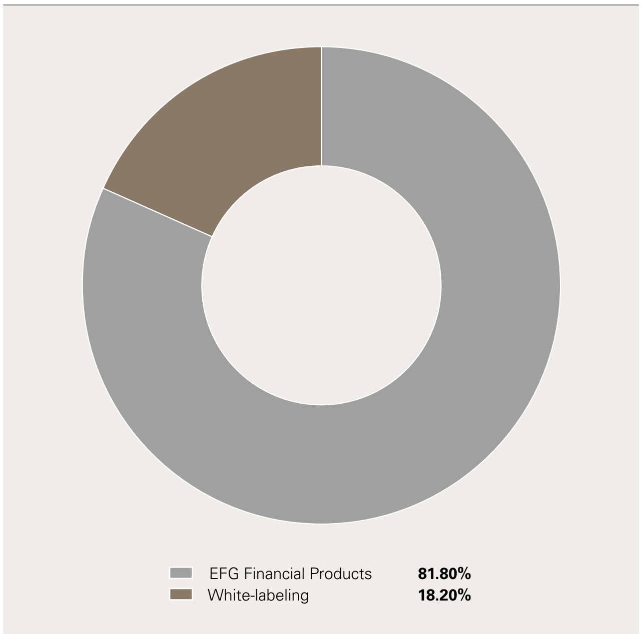
In 2012, white-labeling products represented 18.20% of the total issued products and 6.20% of issued COSI® products, with EFG International accounting for the majority of these issues[2]. Furthermore, white-labeling products generated an overall turnover of CHF 2.6 billion and an operating income of CHF 30.8 million, representing 21% and 24% respectively.

Issued COSI® products (2012)



Source: EFG Financial Products

Total issued products (2012)



Source: EFG Financial Products

[2] On 4 October 2012, EFG Financial Products sold EFG Financial Products (Guernsey) Ltd, its main issuing entity, to EFG International AG and entered into a white-labeling agreement with EFG International AG

	Turnover (bCHF)	Operating income (mCHF)	As bps of turnover
EFG Financial Products	9.5	97.0	102
White-labeling	2.6	30.8	118
Total	**12.1**	**127.8**	**106**

Source: EFG Financial Products; 2012

The white-labeling business represents significant opportunities for profitable growth, because it could benefit from the current low-interest-rate market environment since it presents an additional opportunity for banks to meet long-term refinancing needs. In addition, it can profit from the general trends in the financial services industry towards outsourcing and changing client preferences towards local credit risks.

BUSINESS SEGMENTS

The Structured Solutions business
Since its foundation in 2007, EFG Financial Products has quickly established itself as an integrated structured investment service provider. As of 31 December 2012, the Company had more than 5'000 structured investment products outstanding. Currently, more than 400 different payoffs (counting all combinations) are offered as well as options with barriers, asianing, autocallable, callable, outperformance and global as well as local caps and floors, triggers of all kinds, daily range accruals and with respect to more than 3'000 equities and 110 indices and exchange-traded funds from the entire world.

Structured investment service
The structured investment service platform of EFG Financial Products is key for the differentiation and quality of the structured investment products services. The differentiation of the Structured Solutions business should be achieved as discussed in more detail below.

- **Flexibility and innovation**
  Continuous product innovation is important because it allows clients and end-investors to react to changing market opportunities and more accurately represent individual investment objectives.

  The structured investment service platform has been designed in a manner to cost-efficiently structure and execute small tailor-made products. Together with the control of the value chain in-house, including pricing and risk management and the cross-asset capabilities of the structured investment service platform (equities, foreign currencies, commodities, credit and fixed income), this should set the stage for innovation leadership and facilitate the response to changing market demands and regulatory requirements. This will allow EFG Financial Products to continue to provide clients with new payoffs and new underlying asset. This service could provide an advantage over competitors that outsource some of these functions and depend on the flexibility of third-party service providers.

- **Transparency**
  Transparency is important because it allows investors to make informed decisions about the risk-return profile of a structured investment product. Therefore it is essential to provide clients with transparency throughout the product life cycle.

- **Services**
  Service offerings are an important differentiating factor in the client-driven structured investment products markets. When structuring service offerings, EFG Financial Products focuses on providing clients with flexibility in customizing products to their specific needs and on transparency as well as proactively providing other secondary-market services throughout the product life cycle.

- **Liquidity**
  The secondary-market liquidity of structured investment products is an important factor because it allows investors to quickly react to changing market conditions. EFG Financial Products provides up to 70'000 daily quotes to stock exchanges for products. EFG Financial Products has been consistently ranked as one of the top three market makers on Scoach Switzerland between December 2010 and December 2012 with respect to quote availability, bid-ask spread and volumes pursuant to the Payoff Market Making Index (PMMI) from Derivative Partners Research AG.

- **Security**
  Following the Lehman Brothers collapse, issuer risk has become an important consideration for investors. These concerns are addressed by providing clients with the choice of issuer credit risk, by minimizing issuer credit risk through COSI® products, or by giving clients the option to tailor issuer credit risk to their individual risk appetite through COSI® investment products with reference entities or white-labeling partnerships.

  COSI® products are attractive to purchasers of structured investment products who are concerned about issuer credit risk, because the COSI® platform requires the posting of collateral to secure obligations relating to COSI® products and provides for independent monitoring of the sufficiency of collateral posted, thereby reducing credit risk.

  The COSI® platform is proprietary and is provided pursuant to agreements that EFG Financial Products entered into with SIX Swiss Exchange. SIX Swiss Exchange holds the collateral that EFG Financial Products provides for the benefit of investors, monitors the collateral provider, and liquidates and allocates sales proceeds from the collateral to investors in a liquidation event. The value of the collateral and the fair value of the respective COSI® product are calculated on a daily basis by Derivative Partners Research AG, European Derivatives Group AG and SIX Telekurs AG. EFG Financial Products is obliged to provide additional collateral to the extent that the value of the collateral falls below the fair value of the structured product.

- **Sustainability**
  The broad equity ownership among EFG Financial Products employees and founding partners is an important factor in ensuring the sustainability of the business model. Sustainability is discussed in more detail in the respective section on page 22.

White-labeling

The existing white-labeling partnerships in the Structured Solutions business in 2012 are discussed in more detail below.

- **EFG International AG**
  The white-labeling partnership model is used in relation to issuances of structured investment products by EFG International Finance (Guernsey) Ltd following the pre-IPO reorganization and the transfer of the outstanding product portfolio to EFG International Finance (Guernsey) Ltd.
- **Basler Kantonalbank**
  In June 2012, EFG Financial Products entered into a cooperation agreement with Basler Kantonalbank under which several trades have already been made.
- **Migros Bank AG**
  In August 2010, EFG Financial Products entered into a cooperation agreement with Migros Bank AG regarding the issuance of Migros Bank-branded structured investment products in Switzerland. The Migros Bank AG cooperation is different, in that formally EFG Financial Products acts as legal issuer and EFG International as legal guarantor, whereas an investor is exposed to Migros Bank AG issuer risk, since Migros acts as the so-called "economic issuer".

In line with EFG Financial Product's long-term expansion strategy, the intention is to substantially increase the share of products issued by partners under white-labeling partnerships.

The Structured Asset Management & Pension Solutions business

These new lines of business have been developed to leverage the structured solutions core business through life insurance cooperation partners as new distribution channels and by offering quantitative modeling skills via managed portfolios to increase client diversification.

Structured Pension Solutions

Private savings are assuming an increasingly important role in maintaining standards of living following retirement. Structured investment products represent an attractive investment alternative for private wealth accumulation, given that they allow for the combination of capital protection with the potential of higher returns compared to traditional products.

A partnership with EFG Financial Products enables life insurance partners to offer unit-linked pension products based on structured investment products. These are issued and managed pursuant to predefined investment strategies. EFG Financial Products or the white-labeling partner provides guarantees with respect to principal repayment and minimum returns. Structured Pension Solutions products are attractive for life insurance companies because they add flexibility to their product offering, enable them to outsource maintenance and require less regulatory capital than traditional life insurance products.

The EFG Financial Products Structured Pension Solutions business targets the business-to-business markets by providing life insurance partners with direct access to the structured investment service platform for tailored lifecycle products in combination with individual guarantees. The EFG Financial Products structured investment service platform was built for the automated management of accumulation and decumulation plans on individual policy levels. EFG Financial Products' cooperation partners can integrate the structured investment service platform into their local policy management and accounting infrastructure through flexible interfaces and standardized workflows. Once connected, cooperation partners can issue customized pension products by combining standard building blocks that are provided, significantly reducing the time to market for new products. Since Structured Pension Solutions services allow management on an individual policy level, insurance partners' clients can individually manage their pension products throughout the entire life cycle, e.g. choose between different investment strategies, lock in investment gains or limit issuer risk through collateralization.

Structured Asset Management

Structured Asset Management develops investment solutions tailored to specific investment objectives. The expansion into structured asset management allows EFG Financial Products to leverage the structured solutions and risk management know-how to diversify the product range and access new client groups.

Most of the Structured Asset Management products are in the form of certificates, and most of the certificates are actively managed. Actively managed certificates on the basis of systematically and quantitatively managed strategies can provide solutions to mandates that are not facilitated in fund structures. Regulatory developments could lead to increased demand for Structured Asset Management products.

White-labeling

EFG Financial Products' existing white-labeling partnerships in the Structured Asset Management & Pension Solutions segment are discussed below:

- **Helvetia Schweizerische Versicherungsgesellschaft AG**
  In 2011, EFG Financial Products entered into a multi-jurisdictional partnership with Helvetia, a leading primary insurance company in Switzerland focused on retail and SME[4] customers with operations in several EU countries. As a consequence, Helvetia launched "Helvetia Garantieplan" in Switzerland, a unit-linked pension product based on collateralized and capital-protected structured investment products managed by EFG Financial Products. The structured investment products are collateralized against the insurance partner, and the guarantee on the capital protection is provided by a white-labeling partner (EFG International). The pension product is distributed under the Helvetia brand.

- **Liechtenstein Life Assurance AG**
  In 2012, EFG Financial Products entered into a partnership with Liechtenstein Life, an independent life insurance provider in the Principality of Liechtenstein.

[4] Small and medium enterprises

SUSTAINABILITY

Since EFG Financial Products' foundation in 2007, sustainability has been one of the core values of the Company. Being a reliable partner to clients, employees and other stakeholders is crucial for success and an important element of the Company's strategy.

Client-driven business model

As a general principle, the Company does not take proprietary trading positions for the purpose of expressing any market-directional views. EFG Financial Products is a client-driven (as opposed to a proprietary-transactions-driven) service provider and consequently inherently reduces potential conflicts of interest with clients. Most of the operating income consists of fee income that EFG Financial Products earns upon the issuance of new structured investment products and when existing structured investment products are traded.

Focusing on clients' needs is one of the key value drivers of the business model and the main reason for the high percentage of recurring primary clients, reflected in the retention rate of 74% in 2012.

Sustainable products

In 2012 EFG Financial Products entered into a partnership with SAM Indexes GmbH. SAM is an investment boutique focused exclusively on sustainability investing. Based on its Corporate Sustainability Assessment, SAM has compiled one of the world's largest sustainability databases and analyzes over 2'000 listed companies annually. Together with SAM, several sustainability indices[5] were developed, for which SAM Indexes GmbH serves as an advisor and which are used as the underlying for structured investment products.

In 2008, EFG Financial Products entered into a partnership with Migros Bank as a distribution partner and Forma Futura as an independent advisor and stock selector to launch structured investment products with sustainable companies as underlyings. EFG Financial Products was awarded second place in the category "Capital Protected Products" at the Swiss Derivative Awards 2009 for offering the first sustainable structured investment product where clients receive semi-annual updates about the development and composition of the underlying.

Shareholder structure

More than 60 individuals from the management team and employees are shareholders of the Company. This equity ownership aligns EFG Financial Products' interests with the interests of employees and those of investors, and provides long-term incentives to the work force, enabling the Company to retain talent and experience. Furthermore, the founding partners, management and employees agreed to lock-up agreements with respect to the shares owned by each of them immediately prior to the offering (see "Corporate Governance").

Focus on employees

With more than 270 employees working in EFG Financial Products' offices in Europe and Asia, the Company combines local knowledge with international scope. The team originates from a variety of backgrounds and includes over 20 different nationalities. More than 200 jobs were provided in Switzerland alone. The key reasons for employees joining EFG Financial Products are the possibility to contribute to building up a new business from the ground and the Company's entrepreneurial philosophy.

[5] Global Solar Performance Index, Global Wind Performance Index and Global Water Performance Index

OUR STRATEGY

The strategy of EFG Financial Products is built on seeking profitable growth by focusing on the strength of the structured investment service platform to realize the operating leverage inherent therein.

Furthermore, delivering exceptional client service is the core purpose of EFG Financial Products' activities. The main mid- and long term strategic initiatives are:

Mid term strategy

- **Structured Solutions**
  EFG Financial Products seeks to increase the operating income generated by its regional offices vs. core regions either through increased headcounts or enhanced product offering by establishing product innovations. The Company will focus on scalable automated investment products and its further integration of in-house front-office tools aiming to increase overall efficiency and service level for clients. In addition, the Company sees considerable further potential to extend its network of white-labeling partners both in Switzerland and internationally over the coming years.

- **Structured Asset Management & Pension Solutions**
  Within the Structured Asset Management & Pension Solutions division, the focus will be on intensifying existing partnerships as well as further developing the actively managed certificates platform. Efforts to expand product and regional offerings will also continue.

Long term strategy

- **Independent and integrated platform for structured investment products**
  In the long term, EFG Financial Products intends to leverage its platform to provide services to external partners, thus strengthening its business activities as a service provider. Continued growth in the number of clients is expected as the company continues to strengthen its existing relationships including its white-labeling agreement partnerships.

- **International expansion and diversification**
  Over the last couple of years EFG Financial Products has opened several new offices in Europe and Asia. Going forward, new locations will only be opened on a selective basis as the focus will be on strengthening the market presence of the existing locations. It is expected that the international expansion will contribute positively to the business as new markets are tapped gaining access to new clients.

- **Expanding the Structured Asset Management & Pension Solutions business**
  EFG Financial Products expects profitable growth in its Structured Asset Management & Pension Solutions business. This growth shall be attained by increasing the number of policies and products outstanding under the existing cooperation agreements as well as by entering into new white-labeling partnerships.

4

CORPORATE GOVERNANCE

Annual Report 2012

As a publicly listed Swiss company, EFG Financial Products Holding AG (the 'Company' or 'EFG Financial Products', together with its subsidiaries the 'Group') is subject to and complies with the Directive on Information Relating to Corporate Governance (Corporate Governance Directive) and its annexes and commentary issued by SIX Swiss Exchange, in accordance with the principle "comply or explain", pursuant to which, if a company opts not to disclose certain information, the annual report must contain an individual substantiated justification for each instance of non-disclosure.


140
160
180
200
220
S
SW
W

The information provided in this section adheres to the Corporate Governance Directive of SIX Swiss Exchange that entered into force on 1 July 2002, as amended from time to time, 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. It also complies with this best-practice code's Appendix 1 'Recommendation on Compensation for Boards of Directors and Executive Boards', dated 6 September 2007, which takes into account articles 663b^{bis} and 663c, paragraph 3, of the Swiss Code of Obligations which entered into force on 1 January 2007, and which addresses transparency with respect to the compensation of members of the Board of Directors and the Executive Board.

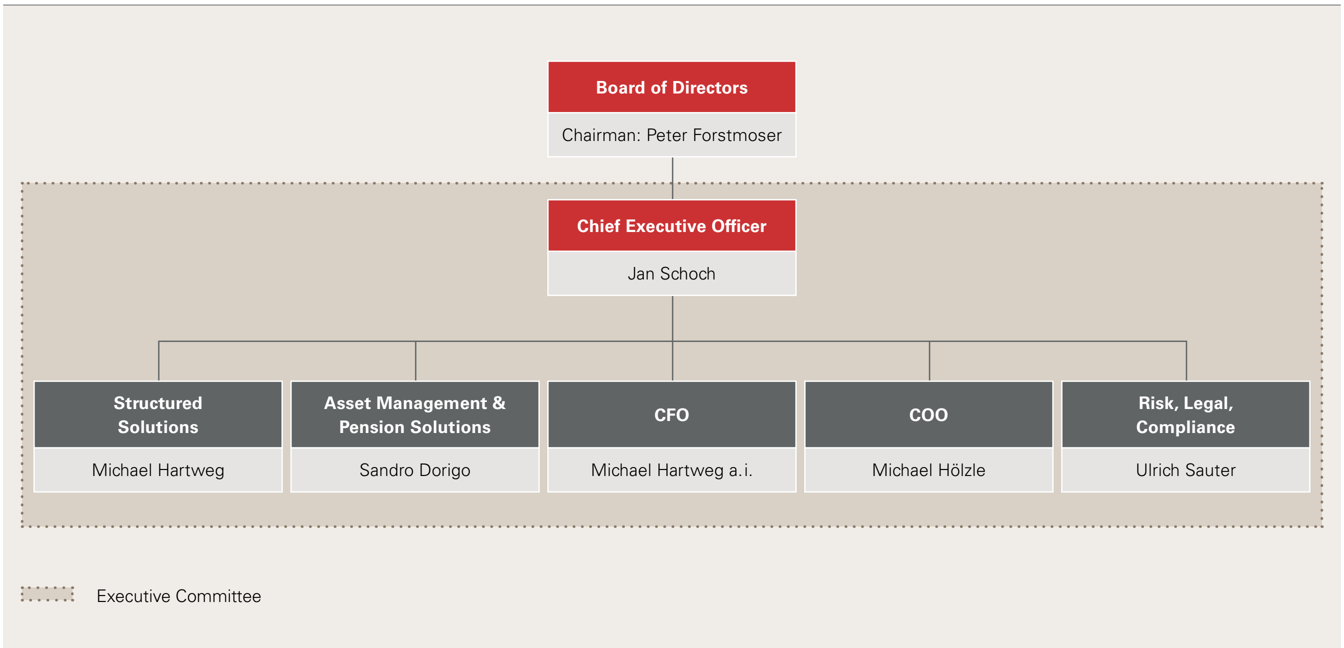
The Group's corporate governance was adapted following the Company's initial public offering which took place on 19 October 2012. The following information corresponds to the post-IPO situation as at 31 December 2012, unless indicated otherwise.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

EFG Financial Products is an integrated structured investment service provider with a leading position in structured investment products in Switzerland and with an international presence through sales offices in Zurich, Geneva, Monaco, Guernsey, Frankfurt, Paris, Madrid, London, Singapore[1] and Hong Kong. Further information can be found in note 36 of the financial statements.

The structure of the central management of EFG Financial Products as of 31 December 2012 is shown in the chart below.



There are no listed companies belonging to the Group other than EFG Financial Products Holding AG, Brandschenkestrasse 90, 8027 Zurich.

The registered shares are traded on the main standard of SIX Swiss Exchange in Zurich (security no. 19089118, ISIN CH0190891181, symbol FPHN). The Company's market capitalization was CHF 300.7 million on 31 December 2012.

[1] EFG Financial Products sales team operates under the license of EFG Bank AG, Singapore branch, until the local subsidiary obtains a full capital markets license

Non-listed companies belonging to the Group are specified hereafter

Name	Registered offices	Capital	Stake
EFG Financial Products AG*	Brandschenkestrasse 90 8027 Zurich	CHF 15'000'000	100.0%
EFG Financial Products (Monaco) SAM	Villa Les Aigles, 15 avenue d'Ostende 98001 Monaco	EUR 500'000	99.9%
EFG Financial Products (Europe) GmbH**	Goetheplatz 2 60311 Frankfurt/Main	EUR 200'000	100.0%
EFG Financial Products (Hong Kong) Ltd	19th Floor Int. Commerce Centre, 1 Austin Road West Kowloon, Hong Kong	HKD 10'000'000	100.0%
EFG Financial Products (Singapore) PTE Ltd	25 North Bridge Road, #07-00 EFG Bank Building Singapore 179104	SGD 1'000'000	100.0%

* Including branch in Guernsey (EFG House, St Julian's Ave., St Peter Port, Guernsey GY1 4PR)
** Including branches in London (5th floor, 100 Wigmore Street, London W1U 3RN), Paris (33 Rue François 1er, 75008 Paris 8) and Madrid (Joaquin Costa 26, 28002 Madrid)

1.2 Significant shareholders

The shareholding structure of EFG Financial Products Holding AG as at 31 December 2012, is shown in the table below.

Shareholders	Number of registered shares	Percentage of voting rights
EFG International AG	1'350'000	20.25%
Jan Schoch*	506'100	7.59%
Michael Hartweg*	448'015	6.72%
Sandro Dorigo*	229'515	3.44%
Tabatseka Limited**	455'490	6.83%
Terra Felice Limited**	47'525	0.71%
Government of Singapore	225'000	3.38%
JPMorgan Chase & Co	216'109	3.24%
Credit Suisse Funds AG	200'939	3.01%
Moore Global Investments Ltd***	200'000	3.00%
Other shareholders	2'787'972	41.83%
Total	**6'666'665**	**100.00%**

* Founding Partner
** Tabatseka Limited and Terra Felice Limited are companies wholly owned by EFG Bank & Trust (Bahamas) Ltd which acts as trustee of trusts to whom Lukas Ruflin (Founding Partner) has settled on trust the 455'490 and 47'525 shares, respectively
*** Shareholding reduced down to less than 3% as per 3 January 2013

At year-end 2012, the Group did not hold any treasury shares.

EFG International AG, the Founding Partners Jan Schoch, Michael Hartweg, Sandro Dorigo and Lukas Ruflin ('Founding Partners') as well as Tabatseka Limited and Terra Felice Limited (together, the "Trusts") entered into a Shareholders' Agreement on 4 October 2012. By virtue of such Shareholders' Agreement, the aforementioned shareholders will constitute a group of shareholders acting in concert within the meaning of art. 10 of the FINMA Ordinance on Stock Exchanges and Securities Trading (Stock Exchange Ordinance FINMA, SESTO-FINMA) with an aggregate shareholding of 3'036'650 shares and 45.5% of the voting rights. The representative and contact for this group of shareholders is EFG International.

Lock-up agreements

The Founding Partners and the Trusts have agreed to a phased lock-up undertaking commencing on 5 October 2012, and ending five years after the first day of trading of the shares (i.e. on 19 October 2017) with respect to the shares owned by each of them immediately prior to the offering. After three years following the first day of trading, each Founding Partner and the Trusts will be able to sell up to one third of his/its original shares; after four years they will be able to sell up to two thirds of his/its original shares, and after five years they will be able to sell up to 100% of his/its original shares.

In addition, management and employees (other than the Founding Partners) are subject to a phased lock-up undertaking commencing on 5 October 2012, and ending three years after the first day of trading (i.e. on 19 October 2015) with respect to the shares owned by them (other than by the Founding Partners) immediately prior to the offering, not including the shares purchased in the offering. After one year following the first day of trading, they will be able to sell up to one third of their original shares; after two years they will be able to sell up to two thirds of their original shares, and after three years they will be able to sell up to 100% of their original shares.

The foregoing undertakings of the Founding Partners, the Trusts, management and employees do not apply to

(1) any shares acquired in open market transactions after the first day of trading, and,

(2) in the case of a natural person,

  (i) transfers to his wife or her husband or his or her registered partner (eingetragener Partner) or

  (ii) transfers to his or her children,

  provided, in each case referred to under (2), that the transferee agrees in writing to be bound by the same restrictions above.

EFG International AG has agreed to a lock-up undertaking commencing on 5 October 2012, and ending twelve months after the first day of trading (i.e. on 19 October 2013). The foregoing undertaking does not apply to

(1) any shares acquired in open market transactions after the first day of trading, and

(2) transfers to any subsidiary of the selling shareholder, provided that such subsidiary has agreed to be bound by the same lock-up undertaking.

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

EFG International AG

EFG International AG is controlled by EFG Bank European Financial Group SA. EFG Bank European Financial Group SA is controlled by

- Spiro J. Latsis, Monte Carlo, Monaco
- Anne-Marie Louise Latsis, Geneva, Switzerland
- Marguerite Latsis-Catsiapis, Geneva, Switzerland
- Three family branch trusts, Bermuda
- Banque de Dépôts 2 Trust, Bermuda

For further details, reference is made to:
http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

1.3 Cross-shareholdings

EFG Financial Products has not entered into any cross-shareholdings with other joint-stock companies that exceed 5% of the capital shareholdings or voting rights on either side.

2 CAPITAL STRUCTURE

2.1 Capital

The outstanding share capital amounts to CHF 13'333'330, consisting of 6'666'665 registered shares with a face value of CHF 2 each; the shares are fully paid up. The authorized share capital amounts to CHF 1'666'670, the conditional share capital to CHF 100'000.

2.2 Authorized and conditional capital in particular

Authorized capital

The authorized capital of initially CHF 5'000'000 through the issuance of a maximum of 2'500'000 registered shares with a par value of CHF 2 each for the purpose of the IPO was partially used in the course of the IPO with the issuance of a total of CHF 3'333'330 or 1'666'665 shares. The remaining authorized capital of CHF 1'666'670 or 833'335 shares has therefore become obsolete.

Conditional capital

The share capital of the Company may be increased by a maximum aggregate amount of CHF 100'000 through the issuance of a maximum of 50'000 registered shares, which shall be fully paid in, with a nominal value of CHF 2 per share, upon the exercise of option rights or in connection with similar rights regarding employee shares (including existing or future restricted stock units (RSU)) granted to management and other officers of the Company and its subsidiaries according to respective regulations of the Board of Directors. The pre-emptive rights and the advance subscription rights of the shareholders are excluded. The acquisition of registered shares and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to article 6 of the Articles of Association.

The conditions for the allocation and exercise of the option rights and with respect to similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price.

For further information about the RSU program, refer to section 5 'Compensation, Shareholdings and Loans'.

2.3 Changes in capital structure

There have been no changes in the capital structure of EFG Financial Products Holding AG since the initial public offering which took place on 19 October 2012.

In preparation for the IPO, at the extraordinary general meeting of 17 September 2012, the shareholders resolved on a split of all 1'000'000 registered shares with a nominal value of CHF 10 each with a split ratio of 1:5 into 5'000'000 registered shares with a nominal value of CHF 2 each.

On 2 April 2012, 5'000 participation certificates (Partizipationsscheine) with a par value of CHF 1'000 each were fully repaid, satisfying in full all obligations with respect to this capital class.

There were no other changes in the capital structure in 2012, 2011 and 2010 respectively.

2.4 Shares and participation certificates (Partizipationsscheine)

The share capital of EFG Financial Products Holding AG is divided into 6'666'665 registered shares with a par value of CHF 2 each. EFG Financial Products Holding AG does not have any participation certificates outstanding.

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.

2.5 Profit-sharing certificates (Genussscheine)

There are no profit-sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

Apart from the shares subject to a lock-up undertaking as described in section 1.2, EFG Financial Products Holding AG's shares are freely transferable.

Persons who have acquired registered shares will, upon application, be entered in the register of shares without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act of 24 March 1995. The Company may refuse to record a person in the share register as a shareholder with voting rights if such person does not expressly state that he/she has acquired the shares in his/her own name and for his/her own account.

Acquirers not expressly declaring themselves to be holding shares for their own account in their application for entry in the register of shares (hereafter referred to as nominees) shall be entered in the register of shares with voting rights without further inquiry up to a maximum of 2% of the outstanding share capital available at the time. Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question discloses the names, addresses and shareholdings of the persons or entity for whose account he/she is holding 0.5% or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated by the Stock Exchange Act are complied with. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

Legal entities or partnerships or other associations or joint ownership arrangements that are linked through capital ownership or voting rights, through common management or in a likewise manner, as well as individuals, legal entities or partnerships (especially syndicates), that act in concert with the intention of evading the entry restriction, are considered as one nominee.

EFG Financial Products has issued its registered shares only as uncertified securities (Wertrechte) and registered them as book-entry securities in terms of the Book-Entry Securities Act (Bundesgesetz über Bucheffekten). Shareholders have no right to request conversion of the form in which shares are issued into another form. The shareholder may at any time require from the Company the delivery of an attestation certifying his/her current shareholding.

Uncertified securities may only be transferred by way of assignment provided that they are not issued as book-entry securities. In order to be valid, the assignment must be reported to the Company, which may refuse the entry of the assignee in the share register in accordance with the above provisions.

The transfer of book-entry securities or the granting of security rights on book-entry securities has to be compliant with the Book-Entry Securities Act. The transfer of book-entry securities or the granting of security rights on book-entry securities by way of assignment is excluded. The transfer restrictions according to the above provisions are not affected by this regulation.

2.7 Convertible bonds and warrants/options

There are no convertible bonds or warrants/options outstanding.

EFG Financial Products established an equity incentive plan in March 2012 based on restricted stock units (RSUs). RSU holders are entitled to receive approximately 10'735 shares in total free of charge in 2015. The RSU plan is described in detail in section 5 'Compensation, Shareholdings and Loans'.

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

Due to the IPO and the requirements associated with being a publicly listed company, the Company decided to extend the Board of Directors, which now comprises nine members (including the Chairman), all of whom are non-executive directors. The Board of Directors of EFG Financial Products AG is composed of the same members as the Board of Directors of EFG Financial Products Holding AG.

No member of the Board of Directors has held a management position in EFG Financial Products or any of its Group companies over the last three years. Four directors act as representatives of EFG International AG and one director as a representative of the Founding Partners. The four independent directors have no significant business connection with EFG Financial Products or any of its subsidiaries, either as an individual or as the representative of a third party.

The table below sets out the name, age, position, committee memberships and term of each of the current members of our Board, followed by a short description of each director's business experience, education and activities.

Name	Age	Position	Committee membership	Director since	Term expires
Peter Forstmoser*	69	Chairman	Remuneration (Chair)	2012	2015
Jörg Behrens*	48	Member	Risk (Chair), Audit	2012	2015
Vince Chandler*	56	Member	Remuneration	2012	2015
Hans Isler*	59	Member	Audit (Chair), Risk	2012	2015
Patrick de Figueiredo**	62	Member	Audit	2010	2013
Frederick Link**	37	Member	Risk	2008	2013
Piergiorgio Pradelli**	45	Member	—	2012	2013
Lukas Ruflin***	37	Member	—	2009	2013
John Williamson**	50	Vice-Chairman	Remuneration	2012	2013

* Independent director
** Representative of EFG International AG
*** Founding Partner and representative of the Founding Partners

Resignations in 2012

Mark Bagnall*	Member until 17 September 2012
James Tak Him Lee*	Member until 17 September 2012
Jonas Fischerström*	Member until 17 April 2012
Lawrence Howell*	Member until 17 April 2012

* Representative of EFG International AG

BOARD OF DIRECTORS

EFG Financial Products Holding AG

PATRICK DE FIGUEIREDO
FREDERICK LINK
LUKAS RUFLIN


PETER FORSTMOSER
VINCE CHANDLER
HANS ISLER
JÖRG BEHRENS
JOHN WILLIAMSON
PIERGIORGIO PRADELLI

PETER FORSTMOSER

Chairman
1943

Peter Forstmoser is a Swiss citizen and was born in 1943. Mr. Forstmoser was appointed as a member of the Board of Directors on 17 April 2012, for an initial term of one year and was re-elected on 17 September 2012, for a term of three years. On 17 September 2012, Mr. Forstmoser was appointed as Chairman of the Company.

Mr. Forstmoser received a doctorate in law from the University of Zurich in 1970, became an attorney-at-law in 1971 and received a master's degree in law from Harvard Law School in 1972. From 1974 to 2008, Mr. Forstmoser was a law professor at the University of Zurich, where he is now a professor emeritus. Since 1975 he has been a partner of Niederer Kraft & Frey AG, Attorneys, in Zurich. Mr. Forstmoser is the author of numerous publications on business law, company law and capital markets law. In the context of corporate and investment fund legislation, he has been engaged in numerous expert committees, some of which he presided over as chairman.

Mr. Forstmoser served on many boards. He is presently a member of the boards of two other listed companies, Mikron Holding AG, Biel (member since 1976), and PSP Swiss Property AG (member since 2010). He has been chairman of Hesta AG, Zug, since 1995 and was a member of the board of Schweizerische Rückversicherungs-Gesellschaft AG, Zurich (Swiss Re), from 1990 to 2009, where he served as chairman from 2000 to 2009. Since 2011, Mr. Forstmoser has been a member of AFIAA Swiss Foundation for International Estate Investments.

JÖRG BEHRENS

Member
1964

Jörg Behrens is a German citizen born in 1964. He was appointed as a member of the Board of Directors on 17 September 2012, for an initial term of three years.

Mr. Behrens is currently the managing partner and chairman of the board of directors of Fintegral Consulting AG, which he founded in 2009. Before that, from July 2002 until March 2009, he was a partner with Ernst & Young AG, Switzerland, holding different functions including Head of Financial Risk Management Central Europe and Global Head of Risk Analytics. He is also a board member of Syndex Capital Management AG, Switzerland (since April 2009), and Mathfinance AG, Germany (since May 2010).

Mr. Behrens holds a Ph.D. in physics from the Swiss Federal Institute of Technology (ETH Zurich, Switzerland) for his research in particle physics at LEP/CERN and a master's degree in nuclear physics from the Swiss Federal Institute of Technology.

VINCE CHANDLER

Member
1956

Vince Chandler is a British citizen and was born in 1956. Mr. Chandler was appointed as a member of the Board of Directors on 17 July 2012, for an initial term of one year and was re-elected on 17 September 2012, for a term of three years.

Mr. Chandler is currently a member of the board of directors of Dataquest, London, where he serves as non-executive chairman. He was a managing director and Group COO of Technology at Credit Suisse from 2006 to 2008. Prior to that he spent eight years at Citigroup in a number of senior management roles within technology in their Corporate and Investment Bank and spent 20 years at the Bank of England from 1974 to 1994 after having finished his A-level studies.

HANS ISLER

Member
1953

Hans Isler is a Swiss citizen and was born in 1953. Mr. Isler was appointed as a member of the Board of Directors on 17 July 2012, for an initial term of one year and was re-elected on 17 September 2012, for a term of three years.

Mr. Isler was a partner of Ernst & Young and a member of the board of directors of ATAG Ernst & Young Holding AG, Basel, from 2004 until 2011, where he held various leadership functions, including as a partner of Ernst & Young Switzerland and notably for the financial services industry. Previously he held similar functions with Arthur Andersen AG, where he was a board member from 1994 until 2002. He was a recognized auditor for Swiss banks, funds, fund managers and securities dealers from 1995 to 2011. In addition to his role as a member of our Board, Mr. Isler is retained by various financial institutions as a consultant and is a permanent consultant of the finance commission of MSF Switzerland (Médecins Sans Frontières).

He was further elected as a member of the Geneva Court of Audit.

Mr. Isler holds a graduate degree in economics from the University of St. Gallen (lic. oec. HSG).

PATRICK DE FIGUEIREDO

Member
1950

Patrick de Figueiredo is a Swiss citizen and was born in 1950. Mr. de Figueiredo has been a member of the Board of Directors since 2010 and was re-elected for a one-year term in 2012.

Mr. de Figueiredo is currently a member of the Executive Committee of EFG Bank European Financial Group SA and has held the position of Chief Risk Officer since October 1997. Prior to joining the Group in 1989 as Head of Credit, he worked in UBS and the BSI Group, mainly in the credit area. Mr. de Figueiredo is also a member of the board of directors of KOFISA SA, Geneva.

Mr. de Figueiredo holds a degree in management studies from the University of Fribourg, Switzerland.

FREDERICK LINK

Member
1975

Frederick Link is a US citizen and was born in 1975. Mr. Link has been a member of the Board of Directors since 2008 and was re-elected for a one-year term in 2012.

Mr. Link has been Chief Risk Officer and an Executive Committee member of EFG International since July 2008, where he is responsible for risk assessment, management and controlling throughout the EFG International Group. From March 2006 to December 2010 Mr. Link served as Group General Counsel and a member of the Executive Committee of EFG International. 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 market offerings, mergers and acquisitions, and in the regulatory and legal aspects of financial derivatives and other complex financial products.

Mr. Link 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.

PIERGIORGIO PRADELLI

Member
1967

Piergiorgio Pradelli is an Italian citizen and was born in 1967. Mr. Pradelli was appointed as a member of the Board of Directors on 17 September 2012, for an initial term of one year.

Mr. Pradelli was appointed Chief Financial Officer of EFG International in June 2012. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank Ltd, London, and EFG Asset Management Holding AG, Zurich. He joined EFG International from Eurobank, where he was Head of International Activities and a member of the executive committee (between 2006 and 2012). From 2003 to 2006, he was Deputy Chief Financial Officer of EFG Bank European Financial Group SA, the largest shareholder of EFG International. Prior to this, he undertook a variety of senior roles at Deutsche Bank, where he started his career in 1991, including Head of Private & Business Banking in Italy, Head of Business Development for the Private Clients and Asset Management Group in Frankfurt, and Head of Business Development for Personal Banking in Frankfurt.

Mr. Pradelli holds a degree in economics and business administration from the University of Turin.

LUKAS RUFLIN

Member
1975

Lukas Ruflin is a Swiss citizen and was born in 1975. Mr. Ruflin has been a member of our Board of Directors since 2009 and was re-elected for a one-year term in 2012.

Mr. Ruflin was Deputy CEO and an executive committee member of EFG International (2009 to 2012). He was one of EFG Financial Products' Founding Partners in 2007 and was responsible for setting up and managing the issuing operations in Guernsey as General Manager of EFG Financial Products (Guernsey) Limited (2007 to 2009). In addition, Mr. Ruflin also served as a director of EFG Investment (Luxembourg) S.A., Luxembourg (2007 to 2010), and as the CEO of EFG Bank AG, Zurich (2010), in parallel to his functions at EFG International. Prior to joining EFG Financial Products, Mr. Ruflin held various management positions at EFG Bank, EFG International in Zurich and London, including as Deputy Chief Financial Officer of the EFG International Group. Mr. Ruflin started his career at Lehman Brothers, J.P. Morgan and Pricewaterhouse-Coopers and joined EFG in 2004.

Mr. Ruflin holds a master's degree in economics from the University of St. Gallen as well as a CEMS master's degree in international management from the University of St. Gallen.

JOHN WILLIAMSON

Vice-Chairman
1962

John Williamson is a British citizen and was born in 1962. Mr. Williamson was appointed as a member of the Board of Directors on 17 April 2012, for an initial term of one year. On 4 October 2012, Mr. Williamson was appointed as Vice-Chairman of the Company.

Mr. Williamson has been CEO and a member of the Executive Board of EFG International since June 2011. He is also a director of EFG Private Bank Limited, London, of EFG Asset Management Holding AG, Zurich, and of Asesores y Gestores Financieros SA (A&G), Madrid. From 2002 until his appointment as CEO of EFG International, Mr. Williamson was CEO of EFG Private Bank, London, and headed EFG International's UK and Channel Islands business and served as a director of a number of EFG Group entities.

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

He is also currently a trustee of the Southbank Sinfonia.

Mr. Williamson holds an MA in modern languages from St. Catharine's College, Cambridge.

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

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

3.3 Elections and terms of office

According to the Articles of Association, the Board of Directors consists of three or more members, who are individually elected by the General Meeting of Shareholders for a one-year term with no limitation with regard to the number of terms. Independent Board members may be elected for a longer term of office of up to three years. Members of the board may be re-elected.

The term of office ends on the day of the ordinary general meeting. In the event of by-elections, the new members shall complete their predecessors' term of office.

The times of the first election to office and the remaining terms of office for each member of the Board of Directors are listed in section 3.1.

3.4 Internal organizational structure

Board of Directors

The internal organizational structure is laid down in the Organizational Management Regulations of the Company.

The Board of Directors shall meet as often as required to fulfill its duties and responsibilities, but at least four times a year.

Meetings of the Board of Directors shall be convened by the Chairman. Each Board member is entitled to request at any time to the Chairman that a meeting be convened. In cases where no meeting is convened by the Chairman within a reasonable period of time after such request, the requesting Board member is entitled to convene the meeting. Each Board member is entitled to request that an item be put on the agenda for the next meeting.

Notice of meetings of the Board of Directors shall be given at least five business days in advance by letter, facsimile or e-mail. The notice shall contain the items on the agenda as well as the necessary documentation in order to prepare for the meeting. If all Board members are present and agree, deviations from these formal requirements are permitted; in particular, decisions can be taken on items that are not mentioned on the agenda.

In case of urgency, the Chairman may convene a meeting without observing the five-day notice period and without the need to distribute the items on the agenda and the necessary documentation to prepare for the meeting.

Meetings of the Board of Directors are chaired by the Chairman or, in the event of his inability to attend, the Vice-Chairman or another member of the Board of Directors. In exceptional cases, meetings may also be conducted by telephone or video conference or an equivalent means of instant communication. In such cases, the participating members shall be deemed to be present.

Unless the Chairman decides otherwise, the CEO, the Deputy CEO and the Chief Financial Officer shall attend each meeting as guests. The Chairman determines which other individuals shall attend Board meetings as guests. Guests shall not have voting rights.

A Board quorum shall be constituted when at least two thirds (2/3) of the members of the Board of Directors are present in person or attend via telephone or video conference or an equivalent means of instant communication. No quorum is required if the sole purpose of the meeting is to record the implementation of a capital increase and approve the respective amendments of the Articles of Association. A Board member abstaining from voting shall be deemed present.

The Board of Directors passes its resolutions with the majority of the votes cast. Abstentions from voting shall not count towards the votes cast. In case of a tie of votes, the chairman of the meeting has the casting vote. There was no situation in 2012 in which a casting vote was required.

Resolutions of the Board of Directors may also be taken by means of circulated resolutions, i.e. in writing, by facsimile or by a signed copy sent by e-mail, provided that (i) no Board member requests oral deliberation within three days from the date of delivery of the proposed resolution and (ii) at least two thirds (2/3) of the Board members vote by means of such circulated resolution. Circulated resolutions of the Board shall be unanimous. The circulated resolution signed by the Board members and the secretary shall serve as the minutes.

All resolutions are recorded in writing. The secretary is responsible for keeping the minutes, which are signed by the chairman of the meeting and the secretary and must be approved by the Board of Directors.

No member of the Board of Directors shall participate in and vote upon any matter which gives rise to a personal conflict of interests.

The Board of Directors meets as often as required to fulfill its duties and responsibilities, but at least four times a year.

Total number of meetings held in 2012	7
Number of members who missed no meeting*	8
Number of members who missed one meeting*	5
Number of members who missed two or more meetings*	0
Meeting attendance in %	90
Meeting attendance post-IPO in %	100

* Number includes all Board members throughout 2012, including those representatives of EFG International who resigned in 2012

A total of seven meetings were held in 2012, whereof six before the initial public offering and one thereafter. The EC attended all meetings (at least the CEO, Deputy CEO, CFO and Head of Legal, Compliance and Risk). The duration of each meeting was half a day on average.

Board Committees

The Board of Directors has delegated certain resolutions as well as the preparation and implementation of its resolutions and the supervision of the business of the Company and the Group to Board Committees. The Board Committees inform the Board in a timely manner of their findings and actions.

Each Board Committee has the power to retain independent legal, accounting, financial and other advisors and consultants as it may deem necessary, at the expense of the Company and without a need to obtain the approval of the full Board of Directors in advance.

The term of membership of a Board Committee is one year upon appointment.

The Board Committees meet as often as required to fulfill their duties and responsibilities, usually before an ordinary Board meeting. Meetings are convened by the chairman of the relevant Board Committee. Each member of a Board Committee is entitled to request at any time from the chairman of the relevant Board committee that a meeting be convened. In cases where no meeting is convened by the chairman of the relevant Board Committee within a reasonable period of time after such request, the requesting Board Committee member is entitled to convene the meeting. Each Board Committee member is entitled to request that an item be put on the agenda for the next meeting.

Each Board member shall have the right to attend the meetings of all the Board Committees as a guest without a voting right and to receive all the information provided to the members of the Board Committees.

The chairmen of the Board Committees shall determine which members of the EC or other individuals shall attend the meetings as guests. Such guests shall not have voting rights.

The Board Committees shall pass their resolutions and adopt proposals to the Board with the majority of the votes cast. Abstentions from voting shall not count towards the votes cast. In case of a tie of votes, the chairman of the relevant Board Committee shall have the casting vote.

The Board established the following permanent Board Committees:

(i) Audit Committee

(ii) Risk Committee

(iii) Remuneration Committee

	AC	RC	RemCo
Total number of meetings held in 2012	5	3	1
Number of members who missed no meeting*	6	5	2
Number of members who missed one meeting*	1	1	0
Number of members who missed two or more meetings*	0	0	0
Meeting attendance in %	94	92	100
Meeting attendance post-IPO in %	100	100	100

* Number includes all Board Committee members throughout 2012, including those representatives of EFG International who resigned in 2012

Audit Committee
The Audit Committee (AC) was established to ensure the monitoring of:

- financial and business reporting processes, including the processes relating to the preparation of financial reports, financial statements and business reports, and the monitoring of tax matters;
- the process of reviewing and evaluating from an audit point of view the efficiency and effectiveness of the internal control frameworks;
- internal and external audit processes, including reviewing the activities, the adequacy and effectiveness and the organizational structure of the internal audit function, reviewing the internal audit's risk assessment, discussing the risk profile and the related audit approach with the external auditors, reviewing the audit scope proposed by the external auditors and approving it, and reviewing the performance of the external auditors;
- compliance with laws, regulations and policies and best practices

throughout the Group.

On 31 December 2012, the AC comprised three Board members. Hans Isler chaired the AC, with Jörg Behrens and Patrick de Figueiredo as additional members.

Meetings typically last one and a half to two hours and are attended by members of the EC and senior management responsible for areas supervised by the Audit Committee.

Risk Committee
The Risk Committee (RC) was established to ensure the monitoring of:

- all kinds of risks, in particular credit (clients, counterparties, bond investment portfolios, countries, large exposures), market, liquidity, correlation, reputational and operational risks;
- general risks within the policy, framework, rules and limits set by the Board or by itself;
- the internal control system and risk management process

throughout the Group.

On 31 December 2012, the RC comprised three Board members. Jörg Behrens chaired the RC, with Hans Isler and Frederick Link as additional members.

The RC typically meets four times a year as well as when necessary. Meetings last one and a half to two hours and are attended by members of the EC and management responsible for risk management.

Remuneration Committee
The Remuneration Committee (RemCo) was established to develop a proposal for the structuring of a compensation system for the Board and the EC. The RemCo prepares and oversees the Company's executive compensation policies and models (salary structure, bonus, employee shares, profit-sharing, etc.) and establishes a formal evaluation process.

It further determines the compensation of members of the Board and the EC, defined as follows:

- It ensures that the management of EFG Financial Products and its subsidiaries maintain and observe an up-to-date procedure.
- It ensures that the total annual salary increases and variable compensation amounts are within the overall amount fixed by the Board of Directors.
- It decides on the contractual arrangements of the members and the Chairman of the Board of Directors, the EC and other key employees, including those of the Company's subsidiaries, as appropriate.
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of the Group.
- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client or shareholder interests.

On 31 December 2012, the RemCo comprised three Board members. Peter Forstmoser chaired the RemCo, with John Williamson and Vince Chandler as additional members.

The RemCo typically meets once a year in the fourth quarter and if needed to review salary and bonus decisions. Meetings last one to two hours and are attended by the Chief Executive Officer. During 2012, the RemCo met once in November, with all RemCo members attending. Vince Chandler was elected after the 2012 RemCo meeting and is therefore not subject to the above RemCo meeting statistic yet.

3.5 Definition of areas of responsibility
The governing bodies are responsible for the strategic direction of the Group as well as for determining and implementing the principles of organization, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives and bear ultimate responsibility for the overall results. They supervise the maintenance of the EFG Financial Products Group as a whole and coordinate and oversee all activities carried out by and in the name of the Group.

The Board of Directors has a clear strategy-setting responsibility and supervises and monitors the business, whereas the Executive Committee, led by the Chief Executive Officer (CEO), has executive management responsibility. EFG Financial Products operates under a strict dual-board structure, as mandated by Swiss banking law. The functions of Chairman of the Board and CEO are assigned to two different people, thus ensuring a separation of powers. This structure establishes checks and balances and preserves the institutional independence of the Board of Directors from the day-to-day management of the Company, for which responsibility is delegated to the Executive Committee under the leadership of the CEO.

The individual responsibilities and powers of the governing bodies arise from the Organizational and Management Regulations. The decisions of the governing bodies are implemented in compliance with the respective applicable legal and supervisory regulations.

Board of Directors

The Board of Directors has the ultimate oversight of the Company and the subsidiaries and is responsible for the overall direction, supervision and monitoring of the business.

The complete Board with support and advice from the Audit Committee is especially responsible for preparing all topics which fall within the competence of the General Meeting of Shareholders (GMS). This in particular comprises the preparation and convocation of and the agenda setting for the GMS, the preparation and submission of annual financial statements and the annual report, and the appropriation of net profit available for distribution, especially the determination of the dividend, to the GMS. The Board further prepares amendments to the Articles of Association and to the scope of business for the GMS, assesses, pre-selects and proposes appointments of potential new and dismissals of existing Board members, and is generally in charge of the implementation of GMS resolutions.

The entering into, the dissolution and the modification of joint ventures of strategic importance as well as, upon proposal by the Risk Committee, the issuance of unlimited guarantees, letters of comfort and similar matters, also fall within the competence of the complete Board of Directors.

Moreover, the Board determines the way the Company is organized, appoints and dismisses members of the EC, grants signatory powers, defines business policies and strategies, issues and annually reviews the necessary directives and regulations, and determines the corporate governance principles for the subsidiaries. It ultimately supervises the EC with respect to compliance with laws and regulations and the implementation of the Company's Group corporate governance principles, Articles of Association, directives and resolutions.

The complete Board of Directors decides on the organization and design of accounting, financial control and financial planning following proposals by the Audit Committee and on strategic financial and capital planning following proposals by the EC.

Finally, the Board is responsible for notifying the judiciary should the Company become over-indebted.

Executive Committee

The Executive Committee (EC) prepares and implements the overall strategy and the business policies with regard to the corporate governance of the Group.

It is responsible for the organization and the day-to-day management of the Group and has the authority in all matters that are not the prerogative of, or subject to, the approval of the Board of Directors (including Board Committees and the Chairman) or the GMS.

The EC assumes responsibility for the subsidiaries' governance being entirely aligned in accordance with the respective principles. To this end, the EC has issued directives in relation to all relevant matters for the subsidiaries, including, but not limited to, organization, the structuring of internal controls to ensure compliance with applicable laws and regulations, and the supervision of the persons entrusted with the management of the subsidiaries.

Further, the EC has implemented a system of reporting duties and approval processes which are applicable to all subsidiaries. It ensures that all corporate governance directives are implemented by the subsidiaries in a timely manner in accordance with local laws and regulations.

The EC is responsible for the annual business plan and budget, the issuance of guidelines for financial reporting, financial commitments relative to investments and long-term contracts, and the acquisition and encumbrance of real estate property.

Legal and regulatory matters also fall within the competence of the EC, such as the monitoring of legal and regulatory risk management (including the compliance program), the handling of legal matters, the initiation of lawsuits and other legal proceedings, withdrawal from lawsuits and other proceedings and entering into court settlements if the committed amount is above CHF 250'000 or the matter is of a fundamental nature, and withdrawal from and entering into out-of-court settlements for a settlement value of up to CHF 1 million.

Finally, the EC is in charge of the concept, design and implementation of the corporate identity and of media and investor relations.

Following a Board decision in December 2012, the EC structure changed from a council to a CEO model. Thus the EC is now headed by the CEO, who is responsible for the overall management and performance of the Group. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents EFG Financial Products vis-à-vis third parties and regulators and is jointly responsible (together with the Board of Directors and the other senior executives) vis-à-vis FINMA for the prudent management and regulation-compliant operation of the organization.

The new CEO model was not reflected in the FINMA-approved Organizational and Management Regulations as of 31 December 2012, as yet.

The EC has delegated certain functions to the Product Approval Committee and the Risk Committee of the EC. These functions are described in more detail in the Risk Management section.

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

In order to control the business activity of the Group, the Board of Directors has formed the committees listed in section 3.4. 'Internal organizational structure'. Each committee chairperson is in regular contact with the EC and the management, providing the complete Board of Directors with regular updates on the current activities of the respective committee and on important committee matters. Minutes of the committee meetings are made available to the complete Board of Directors. Between the Board and committee meetings, conference calls are held in order to get updates on current topics and initiatives, to exchange views and opinions, and to decide on matters for which waiting until the next meeting is not appropriate.

The Board supervises the EC through recurring meetings with management. The CEO, the Deputy CEO and the CFO attend all Board meetings, update the Board on important issues and are available to answer questions. The other members of the Executive Committee are available on a case-by-case basis upon request.

The CEO provides a report to the Board in each Board meeting, summarizing the financial situation of the Group, developments in the business and staff matters. He seeks approval for the corporate strategy on an annual basis and prepares ad hoc reports on new business proposals as they occur and on any other relevant business matters. The Head of Risk, Legal and Compliance prepares quarterly risk reports and reports on regulatory and compliance issues. He further informs the Board on a quarterly basis of the capital adequacy situation, the large exposure risk and the ten largest debtors, and seeks annual Board approval of the strategic capital planning in accordance with FINMA circular 2011/2 'Capital buffer and capital planning – banks'. He finally reports on claims and litigation on an ad hoc basis as they occur. The CFO reports in each Board meeting on the financial results (incl. comparison of budget vs. actual) and seeks annual approval for the budget.

Members of management responsible for the finance and accounting function, including the CFO, attend Audit Committee meetings and are available to answer questions from the committee relating to the financial statements and the annual budgeting process. Also, the Head of Risk, Legal and Compliance attends Audit Committee meetings and is available to answer questions relating to compliance issues. He further provides an oversight of all major areas of risk within EFG Financial Products, provides an update on the overall key risk aspects to the Risk Committee, and provides an annual written risk assessment to the Audit Committee.

Additionally, independent audits are performed by the EFG International Group's Audit Services Department (ASD or 'Internal Audit'), which reports to EFG Financial Products' Audit Committee. Organizationally independent of management, it continuously provides EFG Financial Products' Board of Directors and the Audit Committee with independent and objective assurance of the adequacy and effectiveness of the internal control system. The ASD 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 ASD are set forth in the internal regulations and in an internal audit charter. In accordance with this charter, the ASD has an unlimited right of access to premises, people, information and documents with respect to all elements of EFG Financial Products and its subsidiaries.

EXECUTIVE COMMITTEE

EFG Financial Products Holding AG

MICHAEL HÖLZLE


MICHAEL HARTWEG
JAN SCHOCH
ULRICH SAUTER
SANDRO DORIGO

4 EXECUTIVE COMMITTEE

4.1 Members of the Executive Committee

Name	Age	Appointment	Position
Jan Schoch*	35	2007	Chief Executive Officer (CEO)
Michael Hartweg*	40	2007	Deputy CEO/CFO a.i. & Head of Structured Solutions
Sandro Dorigo*	34	2007	Head of Asset Management & Pension Solutions
Ulrich Sauter	42	2009	Head of Risk, Legal & Compliance
Michael Hölzle	37	2012	Chief Operating Officer

* Founding Partners

On 6 December 2012, the Company announced the appointment of Roman Kurmann, the former CFO of the Clariden Leu Group, as a member of the Executive Committee and the new Chief Financial Officer. Roman Kurmann assumed his new position on 1 March 2013, while Michael Hartweg will in future focus on his position as Deputy CEO and Head of Structured Solutions.

JAN SCHOCH

Chief Executive Officer (CEO)
1977

Jan Schoch is a Swiss citizen and was born in 1977. He began his career at Goldman Sachs in London. Having initially worked within the Structured Solutions Group in structuring, he later transferred to Goldman Sachs International in Switzerland where he was responsible for Swiss business involving over-the-counter (OTC) options, futures, listed options, portfolio trading and equity finance. He built up the structured product business and was Head of Public Distribution in Switzerland for Goldman Sachs. Jan Schoch was with Goldman Sachs for almost five years (from 2001 to 2006) before becoming Head of Equity, Commodity and Hybrid Derivatives at Lehman Brothers International Europe in Switzerland, where he spent twelve months (from 2006 to 2007). Here his responsibilities encompassed 20 employees across three locations. In April 2007 he resigned from Lehman Brothers to found EFG Financial Products.

He was further elected as a member of EFG International’s Global Business Committee as of 1 January 2013.

Jan Schoch holds a master’s degree in finance and capital markets from the University of St. Gallen.

MICHAEL HARTWEG

Deputy CEO
CFO a.i. Head of Structured Solutions
1972

Michael Hartweg is a German citizen and was born in 1972. He began his career at Commerzbank AG, Frankfurt, where he initially joined the structuring division to structure different fixed-income as well as equity-linked exotic and flow derivative products with a focus on private and retail investors. Thereafter Michael Hartweg helped to build up the securitized derivatives trading platform as Head of Certificates Trading. In this function he was responsible for index, basket and turbo certificates, developing strategy and fund indices in close cooperation with sales and legal teams. Michael Hartweg was at Commerzbank from 1999 to 2004, before becoming Head of Trading in Securitized Structured Products for Europe at Goldman Sachs in London (from 2004 to 2007). As a registered trader for SIX, Eurex and XETRA, he developed a multi-asset securitized structured products trading platform, which concentrates on real-time pricing, trading, sales trading and managing flow. In April 2007 he resigned from Goldman Sachs to found EFG Financial Products.

He was further a member of EFG International's Global Business Committee until 31 December 2012.

Michael Hartweg holds a master's degree in business and engineering science from the University of Karlsruhe.

SANDRO DORIGO

Head of Asset Management &
Pension Solutions
1978

Sandro Dorigo is a Swiss citizen and was born in 1978. Prior to joining EFG Financial Products in 2007, he was with Lehman Brothers (from 2006 to 2007), where he was in charge of Swiss securitized structured products engineering. During this time, he introduced the structured products distribution and processing platform and was responsible for the project to successfully launch the public distribution efforts. Sandro Dorigo started his career in 1994 with an apprenticeship at Bank Julius Bär, where he worked from 1994 to 2006. After working for the M&A department, where he was involved in several successful IPO and capital market transactions, he joined the structured products desk, building up the structured products infrastructure. In parallel, he was responsible for the coverage of discretionary mandates and the selling of products in the Private Bank division.

Sandro Dorigo holds a degree as a Certified International Investment Analyst (CIIA) and a federal diploma as an expert in finance and investments from the Swiss Financial Analysts Association (AZEK).

ULRICH SAUTER

Head of Risk, Legal & Compliance
1970

Ulrich Sauter is a Swiss citizen and was born in 1970. Prior to joining EFG Financial Products in summer 2007, he worked as Head of Legal & Compliance at Julius Bär Asset Management Switzerland (2006 to 2007) and as Deputy General Counsel for Trading & Sales and Asset Management (2003 to 2005) with Bank Julius Bär & Co. Ltd in Zurich. Beforehand he worked in the banking and finance department of a major Zurich law firm (2000 to 2003), as an intern in a New York law firm and as an apprentice at the St. Gallen District Court.

Besides being admitted to the Swiss bar, Ulrich Sauter holds a law degree from the University of St. Gallen and an LL.M. degree in corporate law from the New York University School of Law.

MICHAEL HÖLZLE

Chief Operating Officer
1975

Michael Hölzle is a German citizen and was born in 1975. Before joining EFG Financial Products in 2007, he worked for Goldman Sachs in Frankfurt and was responsible for program trading as well as the sale of infrastructure services (2003 to 2007) in Germany, Austria and Switzerland. Previously he worked as an analyst in program trading at Goldman Sachs in London (from 2002 to 2003).

Michael Hölzle completed a banking apprenticeship at WGZ in Düsseldorf (1995 to 1997) and holds a diploma in economic sciences from Heinrich-Heine University in Düsseldorf.

4.2 Other activities and vested interests

There are no other activities and vested interests of any members of the Executive Committee, other than as mentioned in the CVs in section 4.1.

4.3 Management contracts

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

5 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining compensation and the share ownership programs

General

Given the significance of compensation in attracting and retaining talent, appropriate compensation principles are crucial for the Company's future success.

EFG Financial Products is committed to fair, balanced, performance-oriented compensation practices that align long-term employee and shareholder interests and that incentivize appropriate risk-taking, while fostering adequate risk awareness. The system is designed to successfully motivate employees at all levels to realize or even exceed ambitious short-, medium- and long-term objectives. Neither benchmarks nor comparisons with other companies are used in determining remuneration.

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

A detailed description of the RemCo's function with regard to the Board of Directors' and Executive Committee's compensation is listed in section 3.4 'Board Committees'.

Members of the Board of Directors

The independent members of the Board of Directors receive non-performance-related compensation in the form of a director's fee, which is proposed on an annual basis by the Remuneration Committee and decided upon by the entire Board of Directors. The fee amount depends on exposure and responsibilities and the specific tasks performed by each individual member during the financial year and is paid at a rate of 60% in cash and 40% in shares of EFG Financial Products Holding AG. The shares allocated to the members of the Board in 2012 are locked up over three years. A third of such shares are unlocked each year. The Board decides each year to what extent newly allocated shares are locked up.

Chairpersons of subcommittees are entitled to additional remuneration per year and committee.

Board representatives of EFG International do not receive personal remuneration. EFG Financial Products, however, remunerates EFG International for the services rendered by their Board representatives during the year on an effective cost basis.

Additional advisory activities of independent Board members are to be approved by the Chairman of the Board and the CEO.

Members of the Executive Committee

The EC's total compensation, which comprises base and variable components, is decided upon by the RemCo and ratified and approved by the entire Board of Directors. The base salary is assessed annually against responsibility and experience, and is adjusted when needed. The Remuneration Committee considers a number of quantitative and qualitative elements such as the performance of EFG Financial Products through the year, the relationship between variable compensation and key performance indicators, the risk profile of the institution and individual performance. Whilst there is a strong emphasis on 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 reduction in the impact of personal contribution, at senior management level. The poor performance of the Company can result in a significant reduction, or even elimination, of the discretionary variable compensation for senior executives.

Jan Schoch's, Michael Hartweg's and Sandro Dorigo's base salaries were increased effective as of November 2012. They are in turn not eligible for a bonus until December 31, 2015. The advanced salary increase payment in 2012 is repayable in case of resignation before 10 July 2013, (Jan Schoch) and 15 January 2014, (Michael Hartweg) respectively, as per the individual contractual agreement, or in the event that the employer terminates the agreement for the reasons stated in art. 337 of the Swiss Code of Obligations (termination for cause). Sandro Dorigo's base salary increase is not considered an advanced payment and no such repayment clause exists for him accordingly. After December 31, 2015, the individuals mentioned above may receive a discretionary bonus in addition to the base salary.

Until the salary increase in November 2012, the three Founding Partners Jan Schoch, Michael Hartweg and Sandro Dorigo were entitled to formula-based variable compensation fully dependent upon the profits of the Company, determined as follows:

- Jan Schoch and Michael Hartweg: 3.33% of the Group net profit minus CHF 0.4 million if the net profit is between CHF 12 million and CHF 75 million, plus an additional 1.67% of the net profit exceeding CHF 75 million, in total capped at CHF 3.35 million.
- Sandro Dorigo: 0.8% of the Group net profit if the net profit is between CHF 20 million and CHF 75 million, plus an additional 0.4% of the net profit exceeding CHF 75 million, in total capped at CHF 0.9 million.

With the base salary increase described above, this formula-based compensation has been waived.

The other EC members receive a base salary for each year and may receive a discretionary cash bonus (variable compensation), whereof 20% is deferred over three years with graded vesting over three years.

With the exception of the above-mentioned bonus restrictions for the three Founding Partners until 31 December 2015, the determination of variable compensation is entirely at the discretion of the RemCo based upon the proposal by the CEO.

Apart from minor benefits in kind such as paid car parking, no additional payments or other benefits for members of the Board of Directors and the EC exist. In particular, no agreements exist and no payments have been made concerning:

- severance payments in the event of a takeover (golden parachutes);
- the waiver of lock-up periods for equities and bonds;
- shorter vesting periods and additional contributions to occupational pension schemes;
- special payments for new members of the Board of Directors or the EC when they join the Company (i.e. a golden handshake);
- special notice periods or longer-term contracts where they exceed twelve months in duration; the notice period for members of the EC is three months.

Details about the remuneration of the Board of Directors and the EC are disclosed in note 30 to the consolidated financial statements.

Restricted stock units

In March 2012, an equity incentive plan based on restricted stock units (RSUs) was established for certain employees of the Group nominated by the Board of Directors (RSU Plan).

The RSU Plan was developed internally to allow employees entitled to variable compensation to participate in the long-term performance of the Company. Eligible employees were able to voluntarily participate in the plan and to convert a certain amount of their variable compensation (5%, 10% or 15%) into RSUs.

RSUs were granted to management and employees eligible for variable compensation for the year ended 31 December 2011. An RSU corresponds to one underlying share of the Company at a share price derived using a discounted cash flow model (less a 15% discount, representing a stock price of CHF 42.50). The full market risk of the underlying share lies with the employee.

RSUs are on condition of the respective employee completing three years of service (the vesting period), i.e. 2015 starting from the grant date in 2012, and entitle the holders thereof to receive approximately 10'735 shares in total free of charge ('all or nothing').

RSUs are non-transferrable and carry no voting rights or rights to receive dividends, and are subject to anti-dilution protection upon certain corporate actions.

Loans granted to members of the Board of Directors or the Executive Committee

The Company has not granted any loans or guarantee commitments to members of the Board of Directors or members of the EC.

6 SHAREHOLDERS' RIGHTS OF PARTICIPATION

6.1 Voting rights restriction and representation

Any person entered in the share register shall be deemed to be a shareholder.

There are no statutory voting right restrictions regarding registered shareholders, no statutory group clauses and hence no rules on granting exceptions. Each share carries an entitlement to one vote.

In line with the legal provisions, any shareholder with a voting right may have his/her share represented at any general meeting by another person authorized in writing or by corporate bodies, independent proxies or proxies for deposed shares. Such representatives need not be shareholders. The statutory rules on participation in the General Meeting of Shareholders do not differ from applicable legal provisions. Further reference is made to section 2.6.

6.2 Statutory quora

No statutory quora other than those defined by Swiss corporate law and the Swiss Federal Merger Act apply.

6.3 Convocation of the General Meeting of Shareholders

The statutory rules on the convocation of the General Meeting of Shareholders correspond with the respective 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 Inclusion of an item on the agenda

Shareholders representing at least 3% of the share capital may request in writing that an item of business be placed on the agenda and voted upon at the next General Meeting of Shareholders. The request to include a particular item on the agenda, together with the matters to be handled and the proposal must be submitted in writing to the Board of Directors no later than 40 days before the meeting.

6.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with attendance of the General Meeting. However, for organizational reasons, no shareholders will be entered into the share register during the period beginning 7 days prior to a General Meeting and ending immediately after the close of the General Meeting.

7 CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 Duty to make an offer

The obligation to submit a public takeover offer pursuant to art. 32 and 52 of the Stock Exchange Act is set aside in the sense of art. 22, paragraph 2, of the Stock Exchange Act (opting out) according to art. 9 of the Company's Articles of Association.

7.2 Clauses on changes of control

No clauses on changes of control exist at EFG Financial Products for members of the Board of Directors, members of the Executive Committee or other members of management.

In particular, no protection measures such as

- severance payments in the event of a takeover (golden parachutes);
- special provisions on the cancellation of contractual arrangements;
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months;
- the waiver of lock-up periods;
- shorter vesting periods;
- additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

8 AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG was appointed as statutory auditor of EFG Financial Products Holding AG on 29 November 2007, when EFG Financial Products Holding AG was incorporated. Mr. Roman Berlinger took up office as lead auditor in 2011.

The shareholders must confirm the appointment of the auditors on an annual basis at the General Meeting.

8.2 Auditing fees

The Group paid PricewaterhouseCoopers AG audit fees totaling CHF 0.8 million in the 2012 financial year.

8.3 Additional fees

Fees for additional audit-related services, tax advisory services and transaction costs related to the Group's IPO totaled CHF 0.8 million in the 2012 financial year.

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

The Audit Committee, on behalf of the Board of Directors, monitors the qualification, independence and performance of the EFG Financial Products Group's auditors and their lead partner. The Audit Committee confers with the EFG Financial Products Group's auditors about the effectiveness of the internal control systems in view of the risk profile of EFG Financial Products.

The Audit Committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to the EFG Financial Products Group's auditors for additional audit, audit-related and permitted non-audit work are subject to preapproval by the Audit Committee.

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

The Audit Committee regularly meets with the lead partner of the external auditors. 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 partner 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 the contacts and discussions with the external auditors.

The external auditors have direct access to the Audit Committee at all times.

9 INFORMATION POLICY

EFG Financial Products 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 printed as well as electronic form at http://www.efgfp.com/InvestorRelations.

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

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

Important dates

An updated list can be found on our Investor Relations homepage at http://www.efgfp.com/InvestorRelations (see Corporate calendar).

EFG Financial Products AG
Investor Relations
Pedram Payami, Head of Investor Relations
Brandschenkestrasse 90
8027 Zurich

investorrelations@efgfp.com
Telephone +41 58 800 12 95

www.efgfp.com

5

RISK MANAGEMENT

Annual Report 2012

We believe that the proper assessment and control of risks are critical to our business. In compliance with regulatory requirements in Switzerland and other applicable jurisdictions, EFG Financial Products has established a comprehensive risk management and control framework covering market risk, credit risk, operational risk and liquidity risk. This framework is also supervised by and compliant with the risk framework of EFG International, given that EFG International continues to fully consolidate our Group from an accounting, regulatory supervision and regulatory capital perspective, even after the IPO in October 2012. As part of this risk supervision framework, we are responsible for creating our own policies and procedures to ensure that risks can be identified and controlled throughout our organization, and that they can be controlled by management in an effective and consistent manner.


Risk?
Yes

RISK MANAGEMENT ORGANIZATION AND GOVERNANCE

The Board of Directors of EFG International is responsible for setting the risk management parameters of our Group within the boundaries provided by EFG International's risk and regulatory framework. Ultimate responsibility for risk management, within the parameters set by the Board of Directors of EFG International, lies with our Board of Directors, which defines our risk appetite in relation to each category of risk and which approves our risk management policies and procedures in collaboration with the EFG International Risk Management department. The implementation of our policies and compliance with procedures are the responsibility of our management and the dedicated risk function (Management Risk Committee).

The key roles and responsibilities for risk management and control activities for the Board of Directors, the Risk Committee of the Board, the Audit Committee of the Board, our Executive Committee and employees of EFG Financial Products are defined in our risk policy framework and are summarized below:

Board of Directors

Our Board of Directors is responsible for defining and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which EFG Financial Products is exposed within the parameters set by the Board of Directors of EFG International. The main tasks of the Board of Directors relating to risk management are:

- maintenance of the risk policy framework;
- definition of general risk measurement methods and appropriate limit systems;
- definition of our risk appetite, including all global limits; and
- definition of general guidelines regarding allowed asset classes and counterparties.

Risk Committee of the Board

The Risk Committee of the Board of Directors is responsible for supervising the market, credit, liquidity and operational risk functions in our Group. The main tasks undertaken by the Risk Committee are:

- reviewing and recommending to the Board of Directors for approval the EFG Financial Products risk policy framework, including the definition of the risk organization and the control framework and any changes related thereto;
- approving detailed risk guidelines, proposed by management, in those areas of risk for which it has specific supervisory responsibility;
- ensuring that we have an adequate system for identifying and summarizing risks arising throughout our organization;
- approving significant IT developments or acquisitions relating to risk supervision;
- regularly reporting to the Board of Directors on its deliberations and on key risk issues;
- considering the results of periodic stress tests carried out within our organization;
- reviewing and approving the risk management resource plan; and
- assessing the effectiveness of the Risk Management department.

Executive Committee

The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and limits defined by the Board of Directors. Its main tasks comprise:

- providing and maintaining a sufficient infrastructure for the measurement, monitoring, limitation and reporting of all relevant risks of EFG Financial Products;
- employing and maintaining sufficiently qualified staff to ensure a thorough supervision of all relevant risks of EFG Financial Products; and
- issuing and maintaining all relevant directives in the area of risk management and control.

Management Risk Committee

The Risk Committee of the EFG Financial Products Executive Committee (the "Management Risk Committee") consists of members of the Executive Committee plus the Head of Risk Control and any other member that the Board of Directors deems appropriate; the Chief Risk Officer and the Global Head of Market Risk Management of EFG International may attend upon their request. The Management Risk Committee's main tasks are:

- reviewing transactions in relation to their market, credit and reputational risk profile;
- monitoring adherence to market risk limits, counterparty limits and country limits within the limit framework defined by the Board of Directors;
- approval of markets, exchanges and currencies;
- approval of eligible issuers, brokers, marketing partners and investment advisors;
- approval of stress scenarios; and
- approval of new models.

Product Approval Committee

The Product Approval Committee consists of members of the Executive Committee, the Head of Quantitative Analytics and the Head of Risk Control and any other member that the Board of Directors deems appropriate; the Chief Risk Officer and the Global Head of Market Risk Management of EFG International may attend upon their request. The Product Approval Committee is responsible for:

- approving new types of structured investment products and transactions with non-standard features before issuance;
- approval of new services of EFG Financial Products; and
- defining permissible hedging instruments within the framework defined in the risk policies.

Risk Control department

Risk Control is responsible for the daily profit and loss calculation and the measurement, supervision and reporting of all relevant risks, including the monitoring of all limits. The main tasks comprise:

- daily control of market, credit, country and liquidity risk limits;
- daily interest rate exposure analysis and correlation sensitivity analysis;
- reporting all limit breaches and mandate appropriate actions and escalating risk issues to the Risk Committee of EFG Financial Products and the Chief Risk Officer of EFG International;
- daily profit and loss calculation and verification;
- independent price testing of derivative positions;
- independent assessment and approval of pricing models and new structures;
- assessment of new products from a risk control perspective including mandatory sign-off;
- production of internal management and risk reports for the Executive Committee, the Board of Directors and EFG International;
- regulatory risk reporting; and
- proposal of stress scenarios to the Risk Committee and the Board of Directors.

Legal and Compliance

Our legal risks are managed by our Legal and Compliance department from Zurich with local support in Guernsey, Hong Kong and Singapore[1]. The head of our Legal and Compliance department is a member of our Executive Committee. The Legal and Compliance department is responsible for the management and control of our legal risks. Its main tasks comprise:

- monitoring of regulatory developments;
- advice to management and staff on legal and compliance matters;
- staff training on and implementation of new rules and regulations;
- monitoring of compliance with applicable rules and regulations;
- establishment of an adequate policy framework from a legal and compliance perspective;
- quarterly reporting on legal and compliance risks and development to the Executive Committee;
- opening and maintaining client and distribution partner relationships; and
- observance of the anti-money laundering rules and rules with respect to combating the financing of terrorism.

[1] EFG Financial Products sales team operates under the license of EFG Bank AG, Singapore branch, until the local subsidiary obtains a full capital markets license

RISK APPETITE

EFG Financial Products has implemented a client-driven and fee-based business model with a focus on risk management. The activities of Structured Solutions, Structured Asset Management & Pension Solutions as well as our white-labeling activities, in which we offer services based around the structuring and issuance of structured investment products to our partners, are client-driven and not driven by proprietary risk-taking activities.

This translates into the following guiding principles in order to maintain and further develop our client-focused business approach:

- EFG Financial Products' reputation is its most valuable asset and needs to be protected by the implemented risk culture and risk framework.
- Compliance with all regulatory requirements has to be guaranteed at all times.
- The capital base and risk exposure have to be managed to achieve capital ratios significantly higher than regulatory minimum requirements.
- Risk concentrations and exposure to stress scenarios have to be avoided as much as possible.
- Independent risk control functions have to monitor the adherence to the established risk framework.
- Accurate, timely and granular risk disclosure needs to be provided to Senior Management and to the Board of Directors as well as to regulators and auditors.

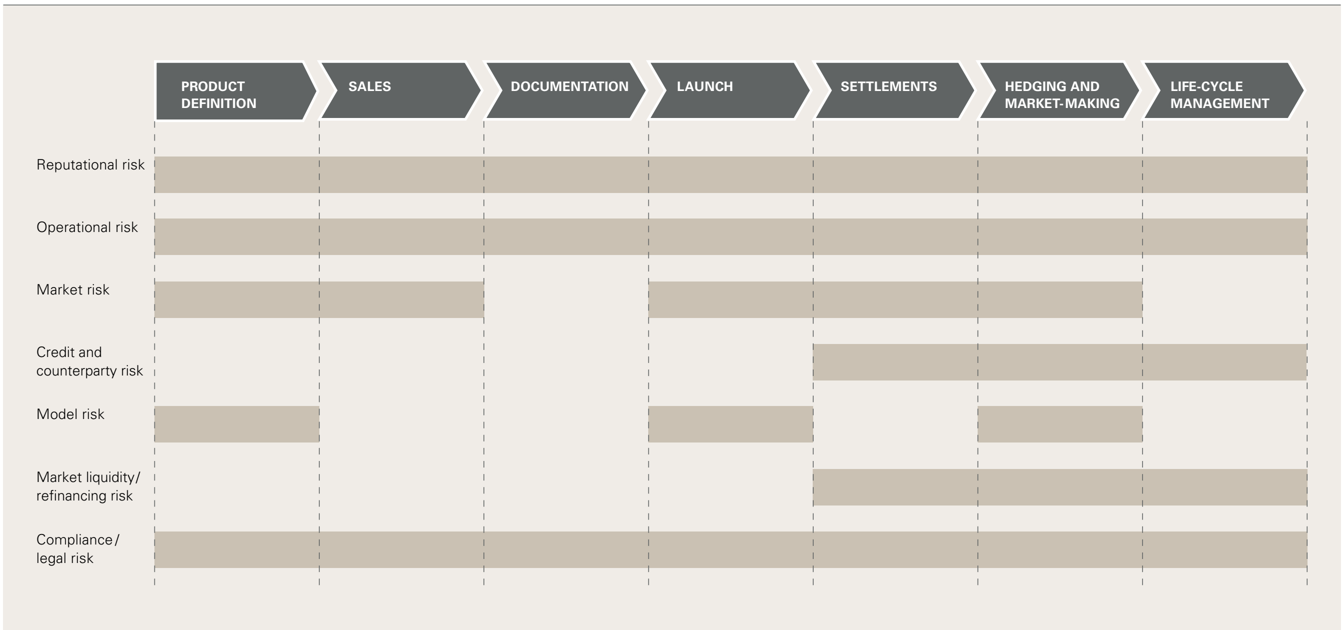
Policies, risk measurement and reporting methodologies and the risk limit framework reflect the above principles. The risk framework is further developed to account for new business activities and changes in EFG Financial Products' risk profile.

RISK CATEGORIES AND RISK FRAMEWORK

We are exposed to risks resulting primarily from the issuance of structured investment products to clients, which we seek to hedge in an efficient manner. We are exposed to market risks, which result from mismatches between exposure to equity prices, interest rates, currencies and commodity prices. This results from the issuance of structured investment products and the instruments that we use to hedge this exposure, and to liquidity risks relating to the need to fund our hedging activities. We are exposed to credit risks resulting from exposure to our trading counterparties and as a result of the investment of the proceeds from the issuance of structured investment products in bonds and other fixed-income instruments. We are also exposed to operational and reputational risks.

The chart on the right-hand side illustrates the key risks inherent in EFG Financial Products' business model along the value chain of structured investment products and white-labeling business activities.

Identification of key risks along the value chain



Reputational risk

Reputational risk is the potential loss in reputation due to a financial loss or due to any other real or perceived event with a negative impact on our reputation.

The implemented risk framework aims at identifying, quantifying and reducing primary and consequential risks that could have an adverse impact on our reputation.

We believe that our reputational risk is further mitigated through strict compliance controls and a culture of ownership and responsibility across all levels of the firm that is also supported by the shareholder structure and by a stringent and transparent communication policy for communication to all stake holders of EFG Financial Products.

Operational risk

Operational risk is the risk of financial loss and/or regulatory sanction resulting from inadequate or failed internal processes, people or systems, or from external events, or a combination of the foregoing.

We consider operational risk as one of our major risks and monitor the risk of loss resulting from failures in business processes, systems and people, or from external sources, through a comprehensive internal reporting system, which aims to oversee and maintain the standards of all transactions as well as collecting information on observed operational incidents.

All incidents that were near misses or have led to losses or profits are reviewed on a monthly basis by a team of experts with representatives from the front-, middle- and back-office areas with the goal of implementing measures that address the root cause of operational loss incidents.

In addition, operational risk is limited by means of, inter alia, organizational measures, automations, internal control and security systems, written procedures, legal documentation and loss mitigation techniques as well as a respective business continuity plan under the responsibility of management.

Special attention is paid to the key performance indicators of our core risk management system, Sophis RISQUE, and trading activities. All securities purchases are executed through central trading desks and are reviewed by traders as to the size and quality of securities. Positions are reconciled on a daily basis by our back office. Our operations are also audited by EFG International Group's internal auditors.

Market risk

Market risk is the risk of loss resulting from adverse movements of the market price or model price of financial assets. EFG Financial Products distinguishes five types of market risks:

- equity risk, i.e. the risk of adverse movements in share prices and related derivatives;
- interest rate risk, i.e. the risk of adverse movements in the yield curve and corresponding movements in the valuation of fixed-income-based assets;
- credit spread risk, i.e. the risk that the widening of credit spreads negatively impacts asset prices. Credit spread risk relates primarily to the investment portfolio;
- FX risk, i.e. the risk of adverse movements in currencies or commodities and related derivative instruments;
- commodity risk, i.e. the risk of adverse movements in commodity prices and related derivatives.

The details of the risk framework to measure and control market risks are outlined in the section "Risk measurement and limit framework".

Credit and country risk

Credit risk is the risk of financial loss if a counterparty or an issuer of a financial security does not meet its obligations.

Counterparty risk is the risk of the counterparty defaulting on a derivative instrument that has a positive replacement value.

Issuer risk is the risk of a default by the issuer of an equity or debt instrument held as a direct position or as an underlying of a derivative.

Country risk is the risk of financial loss due to a country-specific event.

We are exposed to credit risks related to over-the-counter (OTC) derivatives and securities lending and borrowing activities with counterparties as well as through the investment of the proceeds from the issuance of structured investment products in bonds or other fixed-income instruments.

Counterparty and country risk limits are assigned by EFG International's Counterparty Risk Management department under the supervision of the EFG International Management Risk Committee (MRC) on the basis of a detailed credit review based on ratings reports as well as quantitative and qualitative criteria. In addition, counterparty limits assigned to EFG Financial Products by EFG International need to be consistent with risk concentration (large exposure) rules at the level of EFG Financial Products and EFG International. A counterparty limit approved by EFG International's Counterparty Risk Management department is required for all counterparty exposure.

Exposure to counterparties resulting from our OTC derivatives and securities lending and borrowing activities is typically mitigated through the use of mark-to-market collateral arrangements and close-out netting arrangements. Investments in bonds or other fixed-income instruments are subject to additional limits.

Model risk

Model risk is the risk of financial loss due to incorrectly specified models or inadequate model usage. At EFG Financial Products the major model risks arise when models are used to value financial securities as a consequence of wrong valuations or wrong hedging ratios suggested by the model.

We mitigate the risk that our models could give us wrong prices as well as wrong hedging parameters through a comprehensive model validation process, which is performed independently by the Risk Control department. All exceptions and benchmark verifications are validated with different sources. Further validation arises through continuous monitoring of model performance in daily market operations.

Market liquidity risk

Since we hedge our liabilities under structured investment products that we issue through the sale or purchase of derivatives or other financial assets, we are exposed to the risk that we will be unable to sell or buy such hedging assets at fair value or at all when we are required to do so to cover our liabilities under the corresponding structured investment products. We refer to this risk as market liquidity risk. Measures to mitigate market liquidity risks include:

- issuing financial instruments on reasonably liquid underlying instruments (shares, bonds, freely convertible currencies and commodities) and markets only;
- diversification of OTC hedging counterparties; and

- quoting structured investment products including in general a sufficient bid-ask spread in order to provide a sufficient buffer for less-liquid underlyings. The buffer between the value of the product using the current market value of less-liquid underlyings and the prices at which we are willing to trade these products is needed in order to compensate us for the possibility that we may not be able to hedge our liabilities at the current market prices of the less-liquid underlyings.

Liquidity and refinancing risk
We are exposed to liquidity and refinancing risk primarily as the result of the need to fund collateral which we are required to post with SIX Swiss Exchange in order to secure our obligations relating to products issued on the COSI® platform as well as the need to fund the purchase of securities used to hedge market risks induced by the issuance of structured investment products to clients. Due to limitations on the repatriation of funds relating to the issuance of products which would be subject to Swiss withholding tax from Guernsey to Switzerland, we are unable to freely use liquidity held in EFG Financial Products AG's Guernsey branch to fund the purchase of securities needed to hedge market risks in Switzerland and are therefore exposed to the risk that adequate liquidity may be unavailable in Zurich, even if excess liquidity is held in Guernsey.

We have established a liquidity management framework, which requires us to maintain certain levels of available liquidity for both EFG Financial Products AG and EFG Financial Products Holding AG, excluding funds which cannot be repatriated to Switzerland.

Specifically, we have defined "overall available liquidity" to be equal to the sum of cash investments, unencumbered fixed income and equity securities, less haircuts which depend on the type, maturity, rating and issue size of the security, and undrawn commitments available on the unsecured credit line from EFG Bank, and undrawn commitments under the CHF 500 million collateral facility. In addition, we define "Swiss available liquidity" to be equal to the amount of available liquidity which can be used in Switzerland in compliance with applicable tax rules.

We require that overall available liquidity correspond to a certain level of the total unsecured funding raised by EFG Financial Products from clients with a remaining maturity of less than one year and be sufficient to cover additional collateral requirements resulting from changes in the value of COSI® products and related hedges.

In addition, we simulate the effect of various stress scenarios on the amount of funding required to purchase hedges under those scenarios and require that we have sufficient liquidity available in Switzerland to cover the funding needs in these scenarios.

Should we experience shortfalls in any measures relating to available liquidity, we would, at the discretion of our Risk Control department, implement restrictions on the issuance of new COSI® products, adjust the pricing for repurchases of unsecured products, and limit our ability to redeem certain unsecured products prior to their scheduled maturity.

Compliance and legal risk
Compliance risk is the risk arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

This exposes us to the risk of fines, civil money penalties, payment of damages and the voiding of contracts. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential and an inability to enforce contracts. Our Compliance department is responsible for ensuring our compliance with 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 Zurich with local compliance support in Guernsey, Monaco, London, Hong Kong and Singapore[1].

[1] EFG Financial Products sales team operates under the license of EFG Bank AG, Singapore branch, until the local subsidiary obtains a full capital markets license

RISK MEASUREMENT AND LIMIT FRAMEWORK

EFG Financial Products measures risks on a single-position and portfolio level. Exposure and position-level risk measures are:

- **Credit exposure measures** on a country, counterparty or issuer level
- **Market risk sensitivities**

Portfolio-level risk measures for market risks are based on the following approaches:

- **Statistical loss measure,** Value at risk (VaR): VaR estimates the potential loss from market risk exposure based on historically observed changes in risk factors which are applied to the current positions and a predefined confidence level. EFG Financial Products uses a confidence level of 99% and a historical time window of 300 business days.
- **Stress loss measures** on a portfolio level based on historical or hypothetical stress scenarios. Stress loss measures are a complementary approach to statistical loss measures like VaR, which are dependent on market behavior during the underlying historical time window.
- **Sensitivity measures** which specifically address single risk factors, such as correlations or dividends. This approach is used to calculate risk sensitivities to risk factors and model parameters where sensitivities are not readily available.

VaR, sensitivity scenarios and stress loss measures are also calculated for sub-portfolios or single asset classes.

EFG Financial Products does not use any approximation techniques to calculate risk sensitivities or the results of sensitivity and stress scenarios. Full revaluation of all positions, including derivatives priced using Monte Carlo techniques, is used for risk-related calculations.

The resulting risk exposure and limit consumption on all established risk limits is reported to Senior Management on a daily basis.

Risk limits are applied to credit exposure, market risk sensitivities, as well as to portfolio-level statistical and stress loss measures.

The risk and limit framework, including the statistical and stress loss measures, for Structured Solutions & Structured Asset Management is outlined in the following sections.

The risk framework for Pension Solutions is outlined in the section Market risk – risk framework Pension Solutions.

CREDIT EXPOSURE – EXPOSURE MEASURES AND LIMITS

Credit exposure against counterparties where EFG Financial Products trades OTC derivatives or performs securities borrowing and lending transactions is measured based on regulatory exposure measures, including regulatory add-on charges. This approach guarantees that EFG Financial Products can assess the impact on capital and monitor exposure with respect to regulatory rules on large exposure.

Issuer exposure for bonds is measured based on the present value of the bonds.

EFG Financial Products maintains separate limits for counterparty and issuer exposure and country exposure.

Market risk – risk sensitivities and limits

The risk and limit framework outlined below is applied to all Structured Solutions and Structured Asset Management activities. Pension Solutions, due to the different nature of its activities, is not considered to be within this risk framework.

Equity risk

Equity risks are monitored and controlled through the daily calculation of delta and vega exposure. Delta risk sensitivity is a measure of the impact of price changes and is expressed in terms of a corresponding direct investment in the underlying, e.g. a delta limit of one million allows an exposure equivalent to a direct investment of one million in the underlying. Vega exposure is sensitivity with respect to changes in the implied volatility of an underlying and is measured based on a change in the implied volatility of 1 percentage point.

Position-level risk sensitivities

Parameter / Scenario	Exposure Limit in kCHF
Individual stock index delta	5’000
Individual stock delta (liquid)	2’000
Individual stock delta (non-liquid)	1’000
Individual stock index vega	500
Individual stock vega (liquid)	500
Individual stock vega (non-liquid)	200

The accumulation of equity delta and vega exposure on a portfolio level is controlled by limits on the following hypothetical stress scenarios.

Portfolio-level stress loss limits for hypothetical scenarios

Parameter / Scenario	Loss limit in kCHF
Delta –10%, volatility +5%	3'500
Delta –5%, volatility +2.5%	3'500
Delta +5%, volatility –2.5%	3'500
Delta +10%, volatility –5%	3'500

In addition, we calculate, but have not imposed, individual limits on various parameters and stress tests relating to dividend exposure and to correlations among equities and among equity indexes.

FX risk

Foreign exchange risks are monitored and controlled through the daily calculation of nominal limits relating to open foreign exchange exposure by currency against a limit of CHF 8 million on an entity and EFG Financial Products consolidated level.

Commodity risk

Commodity risks, including both commodities and precious metals, are monitored and controlled through the daily calculation of limits relating to delta and vega limits, as well as the weekly calculation of VaR relating to changes in commodity and precious metal prices only. The various parameters and the corresponding limits are shown in the table below.

Parameter	Limit in kCHF
Total commodity delta limit	5'000
Total precious metal delta limit	5'000
Individual delta limit per commodity	1'000
Individual delta limit per precious metal	1'000
Total commodity vega limit	250
Total precious metal vega limit	250
Individual commodity vega limit	50
Individual precious metal vega limit	50

Interest rate risk

Interest rate risks are monitored and controlled through the daily calculation of limits relating to yield curves in individual currencies based on a 100 bps parallel shift in the yield curve for each currency and for all currencies together as well as interest rate steepening and flattening scenarios. The overall limit for each scenario is CHF 0.85 million for each individual currency and CHF 2.8 million overall.

Parameter	Limit in kCHF
All currencies – parallel shift + 100 bps	2'800
CHF – parallel shift + 100 bps	850
EUR – parallel shift + 100 bps	850
USD – parallel shift + 100 bps	850
GBP – parallel shift + 100 bps	850
All currencies – steepening	2'800
CHF – steepening	850
EUR – steepening	850
USD – steepening	850
GBP – steepening	850
All currencies – flattening	2'800
CHF – flattening	850
EUR – flattening	850
USD – flattening	850
GBP – flattening	850

In addition, on a daily basis we monitor exposure to yield curves for specific time periods for most interest rate curves, but do not impose limits on this exposure.

Credit spread risk
Credit spread risk relates primarily to the investment portfolio. The investment portfolio was only started in December 2012 in EFG Financial Products' Guernsey branch.

We are in the course of implementing a comprehensive risk management framework relating to credit spread risk, including limits relating to credit spread VaR, as well as global and issuer-specific limits on the sensitivity of the value of our planned investment portfolio to changes in credit spreads.

Statistical risk measure – Value at risk
EFG Financial Products is currently running VaR on a daily basis covering the following risk factors:

	Underlying	Volatility
Equity risk	×	×
FX risk	×	
Interest rate risk	×	
Commodity risk	×	

In addition, risk-type-specific VaR calculations are run on a weekly basis for FX, interest-rate and equity risk factors as mentioned above.

VaR for fixed income is currently being extended to include derivative exposure from the Structured Pension Solutions business and VaR credit for the newly started investment activity. Both VaR calculations will be integrated into the overall VaR calculation in early 2013.

Stress loss and sensitivity measures
Historical stress scenarios are run as below:

Parameter	Limit in kCHF
Stress 9/11 1d	3'500
Stress rally 1d	3'500
Stress dot com 1d	3'500

The same risk types as for Value at risk are shocked in the historical stress scenarios.

About 300 stress and sensitivity scenarios are run on the basis of a full portfolio revaluation to analyze specific risk factors like correlations and dividends. We have the ability to analyze each scenario to identify the risk contribution by instrument and product issued down to single position level.

Market risk – risk framework Pension Solutions
For its Structured Pension Solutions business, EFG Financial Products has long-dated interest rate exposure. EFG Financial Products gives guarantees on minimum returns. This exposes EFG Financial Products to risks involving falling interest rates and risks involving the increasing volatility of interest rates.

The risks are measured and managed on a portfolio level using, among other factors, daily Value at risk (on a standalone basis) and stress loss analysis.

The stress scenarios are designed to simulate severe market conditions due to the long-term nature of those activities.

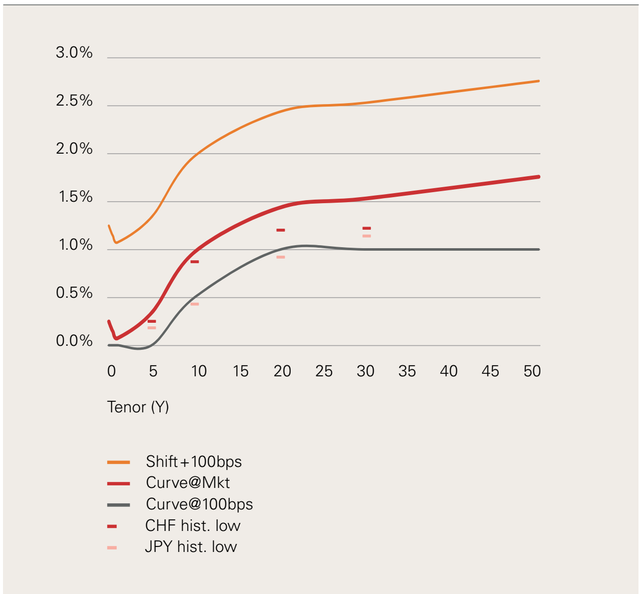
The scenarios consist of combined shocks to the interest rate curves and the interest rate volatilities used for pricing implied options in the guarantees.

The following two scenarios are used for the interest rate curve:

Curve	Description
Curve @100 bps	The curve is shocked downwards so that rates above 20 years are constant at 100 bps. Historical lows in JPY and CHF for rates above 20 years are higher.
Curve + 100 bps	The current curve is shocked by + 100 bps

The following graph shows the market curve as observed on 31 December 2012, and the shocked curves together with the historical lows for JPY and CHF:

Market scenarios

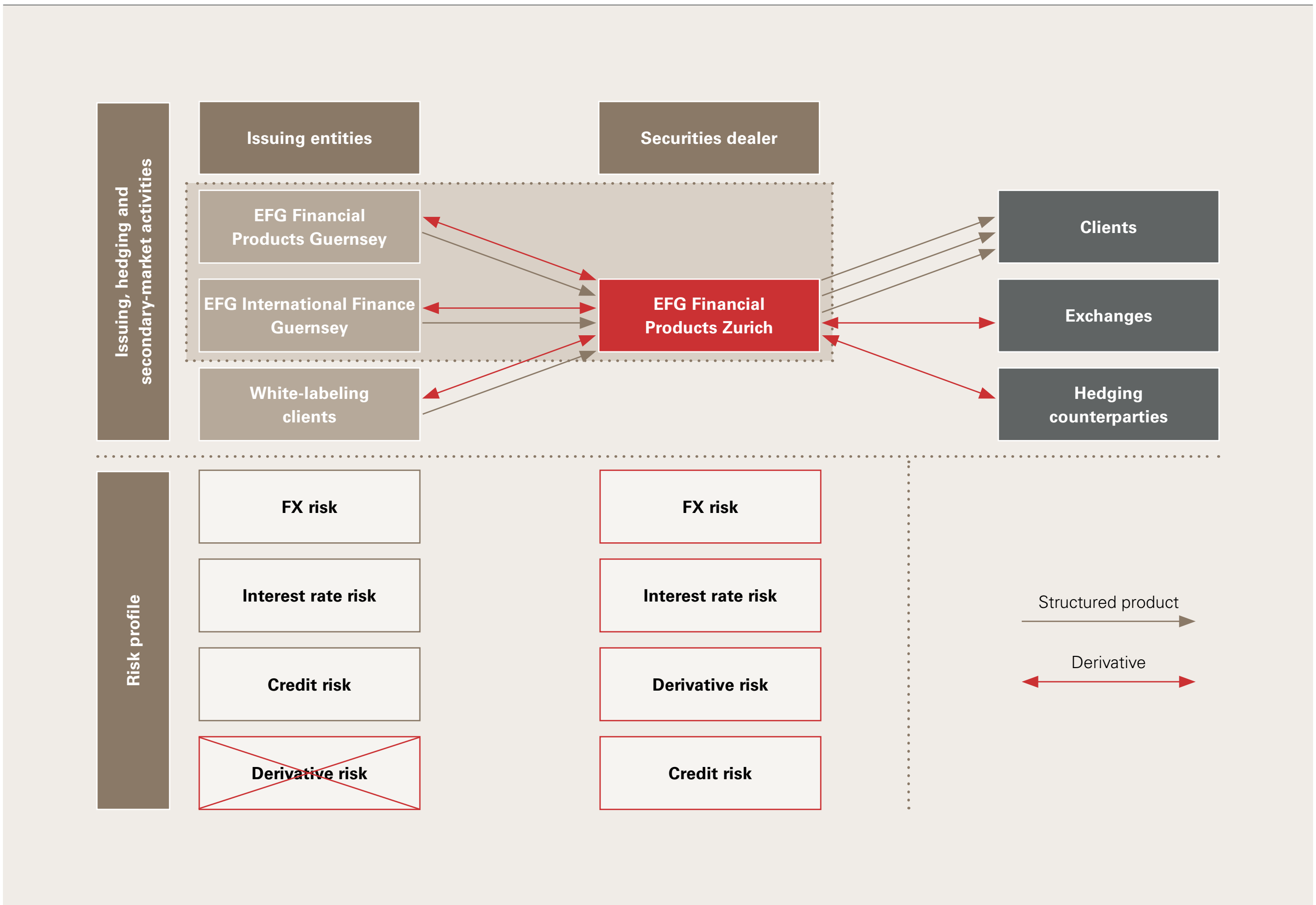


The volatility shocks are based on severe historical shocks based on a twelve-month rolling period. Each curve as described above is combined with a positive and negative volatility shock.

There are currently no formal limits applied to those scenarios. The results of the scenario calculations are closely monitored and reviewed by Senior Management on a regular basis.

RISK DISCLOSURE

The chart below illustrates how the issuance of the structured investment products from different issuing entities and the centralized management of the derivative risks lead to different risk profiles within different entities of the EFG Financial Products Group and the white-labeling entities:



All issuing entities (including the EFG Financial Products Guernsey branch) hedge their derivative exposure from the issuance of structured investment products directly with EFG Financial Products Zurich. This is done in a full back-to-back mode on a single-transaction level which does not leave any derivative risks in the issuing entities.

The resulting market risk profile of the issuing entities consists mainly of exposure to foreign exchange rates and interest rates. Funding raised from the sale of structured investment products is invested either into an actively managed investment portfolio, as in the case of the EFG Financial Products branch, or deposited with another institution, as in the case of EFG International Finance Guernsey. In both cases, credit risk is the consequence of this investment activity.

EFG Financial Products Zurich is the lead manager for all issuing activities and is responsible for the secondary-market activities of structured investment products. In the context of those activities, EFG Financial Products Zurich does not take any positions in structured investment products, which are all passed on to the issuing entities. The issuing entities also bear the operational risks and potential other risks related to the market-making activities of their products and will compensate EFG Financial Products Zurich for potential losses.

The resulting changes in the derivative risk profile of EFG Financial Products Zurich caused by issuing and secondary-market activities, as well as by changes in the risk environment, are hedged by actively trading on exchanges or with OTC counterparties.

Additional risk management activities at EFG Financial Products Zurich include the management of collateral for OTC transactions and securities-lending transactions in order to manage the collateral requirements of EFG Financial Products mainly for products issued under COSI®.

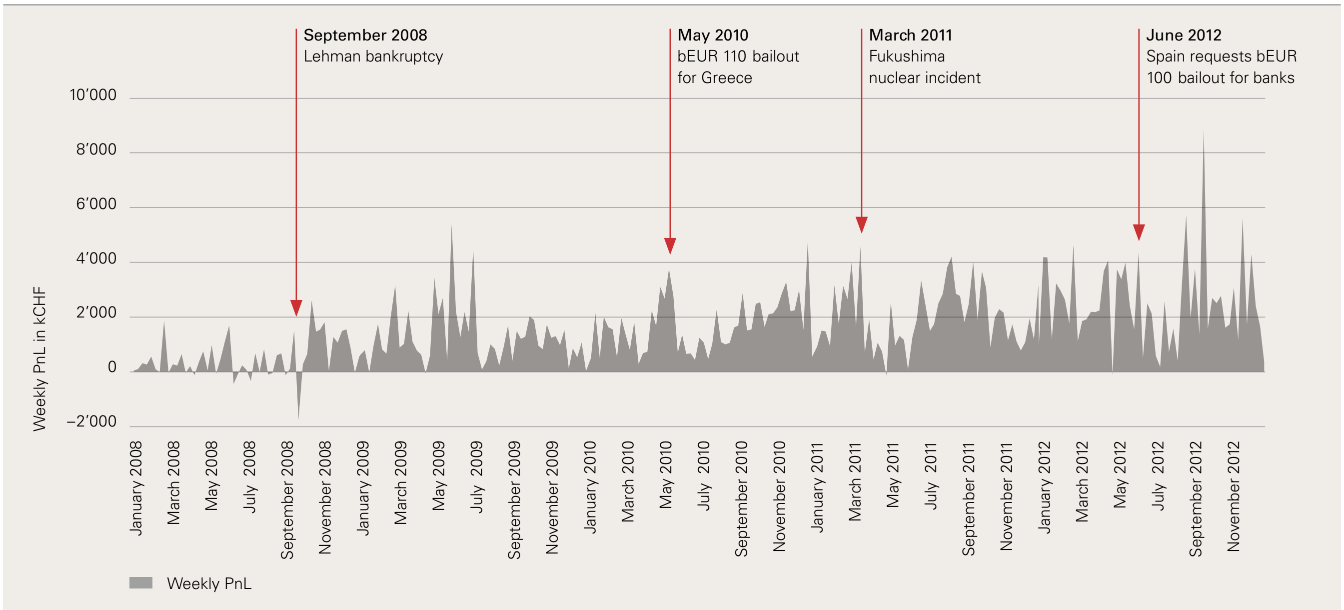
The following sections disclose information on risk exposure at various levels. Where not otherwise stated, disclosed risk figures cover EFG Financial Products and EFG International Finance Guernsey (the former EFG Financial Products issuing entity) for consistency reasons, since it was part of EFG Financial Products until it was sold to EFG International in October 2012. Since then it has been run as a white-labeling entity, with EFG Financial Products providing all services including risk management and risk reporting.

Profit and loss analysis

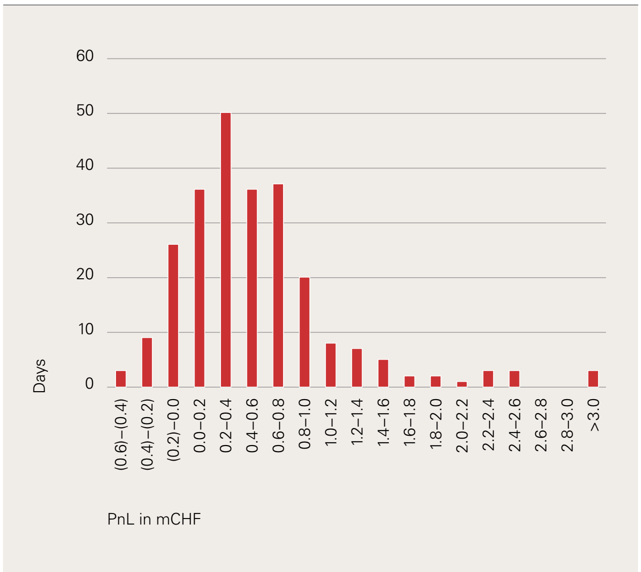
Evidence of the fee-based business model and our focus on risk management within tight limits is provided by the chart of daily and weekly economic revenues in 2012 below. The economic revenues are also relatively stable in different market environments as a result of our relatively large number of trades with a rather small average notional per trade.

There was only one week in 2012 with a negative weekly pnl of CHF –124'000 in the first week of May due to low client activity in the week of the Swiss Labor Day.

Weekly economic revenues



Histogram of daily economic revenues in 2012



Only 38 out of 251 days were negative in 2012, mostly by a relatively small amount.

The largest negative daily pnl was CHF –536'000, which was mainly driven by market-related changes in volatility marks and by a model parameter adjustment which contributed an additional CHF –200'000. There were three days with a daily profit above CHF 3 million driven by day-one profits from the issuance of several new products on the same day.

The term "economic revenues" refers to the daily trading revenues including initial revenues earned on the trade date of a product without any application of IFRS revenue recognition rules. Economic revenues is not a term recognized under IFRS. Accordingly, it should not be used as an indicator of, or alternative to, operating income or other comparable IFRS metrics as a measure of operating performance. Amounts presented as economic revenues should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

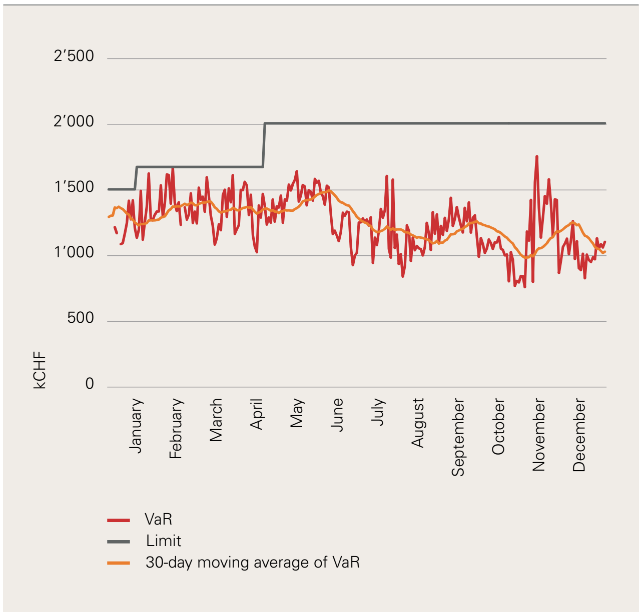
Value at risk

Our overall level of market risk is monitored and controlled using Value at risk, calculated on the basis of a 99% confidence level and a one-day holding period against a limit of CHF 1.5 million at the beginning of the year, which was then increased in two steps during 2012 to CHF 2 million.

Market risks related to our Structured Pension Solutions business, as well as the investment portfolio which was commenced in December 2012, were excluded from the VaR calculations in 2012 but will be included in early 2013.

The following chart illustrates the evolution of the overall VaR for 2012.

Total VaR 2012



There were no limit breaches observed in 2012. The level of Value at risk showed a small tendency to decrease over time as shown by the downward trend of the 30-day average of the daily VaR levels. The main reason for this was a relatively quiet market environment in 2012.

Value at risk backtesting

Backtesting is used to assess the accuracy of the VaR model. The underlying assumption of the VaR model is that the portfolio stays unchanged for one day. The VaR measure, in our case based on a 99% confidence level, states that there is only a 1% probability that the loss in such a scenario would exceed the VaR level.

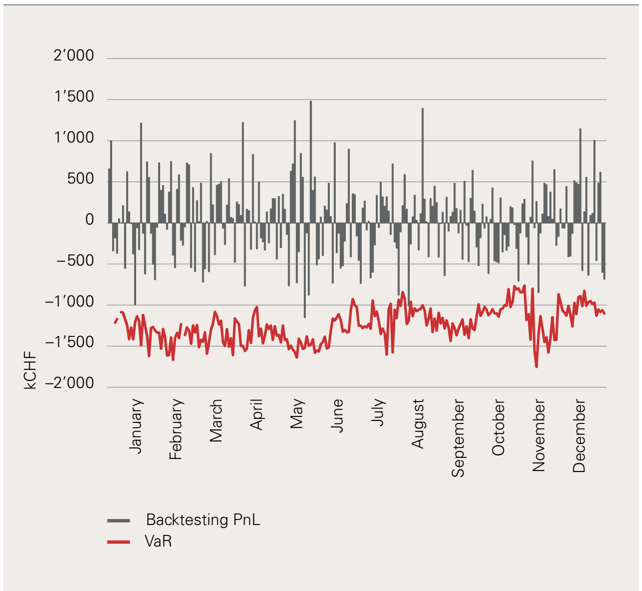
In practice, a backtesting Profit-and-Loss (PnL) is calculated based on end-of-day positions which are revalued with the prices observed one day later. The difference to the observed economic revenues on a daily basis is that any revenues from intraday hedging activities or the issuance of new products are excluded.

If the backtesting pnl is a loss bigger than the VaR level calculated on the previous day, a backtesting exception is noted.

Statistically, a certain number of backtesting exceptions are expected to occur every year. FINMA rules assume that 0 to 4 exceptions per year are in the normal range.

The following graph shows the backtesting performance of EFG Financial Products' VaR model. There were no backtesting exceptions observed in 2012. Backtesting was performed on all exposure that was included in the VaR calculation.

Total VaR backtesting 2012



Value at risk at entity level and per asset class

All the VaR-related figures above were displayed for EFG Financial Products and EFG International Finance Guernsey for consistency reasons. The table below shows VaR for EFG Financial Products and EFG International Finance Guernsey on a standalone basis:

Entity	VaR (kCHF)
EFG FP + EFGI Finance GUE	1'102
EFG FP	1'112
EFGI Finance GUE	267

The comparison shows that the standalone VaR for the white-labeling entity is relatively small and only driven by FX and interest rate exposure. VaR for EFG Financial Products on a standalone basis is almost unchanged as it is mainly driven by the derivative exposure in EFG Financial Products Zurich.

During 2012 there was no contribution by the investment portfolio to VaR, as this activity started only in December 2012. In addition, VaR for the exposure from Pension Solutions activities was only calculated on a standalone basis. Both portfolios will be integrated into the overall VaR calculation in early 2013. The analysis below shows the impact on the total VaR if the two portfolios were included for 31 December 2012:

VaR – impact analysis	VaR (kCHF)
VaR total	1'102
VaR Pension Solutions, standalone	241
VaR incl. Pension Solutions	1'063
VaR investment portfolio, standalone	206
VaR incl. Pension Solutions & investment portfolio	1'017

VaR on a standalone basis is relatively small for both Pension Solutions and the investment portfolio. Given the long-term nature of the pension exposure, a one-day VaR certainly needs to be complemented by stress testing. Given the size of the investment portfolio at year-end, the small contribution of the investment portfolio is not surprising. The small risk-reducing effect of both portfolios on the overall VaR can be made plausible by offsetting certain risk exposure against the exposure arising from structured investment products.

We expect that our VaR will significantly increase over the course of 2013 as the result of the development of the investment portfolio and the inclusion of credit spread VaR within our overall VaR calculations.

VaR is also run for each of our asset classes over weekends. The table below shows the relative size of different exposure for the VaR calculations run for 28 December 2012, the last weekend run in 2012:

VaR by asset class	VaR (kCHF)
VaR total	1’060
VaR equity	1’094
VaR fixed income	148
VaR FX	148
VaR commodity	138

The results clearly indicate that equity exposure is currently the main driver for the VaR.

Scenario & sensitivity analysis

The following table shows an example of scenario analysis for all equity and equity derivative positions. Combinations of different shocks are applied to equity underlyings and equity volatilities. The results give an indication of the overall risk exposure on 31 December 2012:

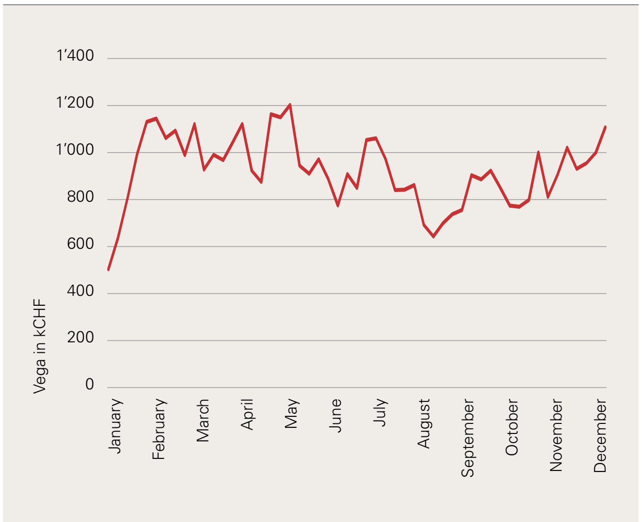
(kCHF)	Vol. –5%	Vol. –2%	Vol. 0%	Vol. +2%	Vol. +5%
Spot –5%	–8’461	–3’333	–86	2’877	6’850
Spot –2%	–5’978	–2’388	98	2’491	5’770
Spot 0%	–4’782	–2’044	0	2’062	4’922
Spot +2%	–3’852	–1’784	–127	1’589	3’957
Spot +5%	–2’928	–1’527	–332	967	2’842

In general, observed market behavior indicates that large increases or decreases in market levels are accompanied by decreases and increases in the level of implied option volatility. Therefore scenarios that are close to the diagonal from the lower left corner to the upper right corner are more likely to be observed, whereas a sudden drop in market levels with a strong decline in implied option volatilities, like in the upper left corner, is extremely unlikely to happen in a short period of time.

The overview illustrates the general positioning of EFG Financial Products as structurally being long volatility. The long volatility exposure is induced by the client flow. With downside and volatile market movements the trading books make a profit, whereas with low volatility and positive market movements the trading books can generate a loss which is expected to be offset by client activity.

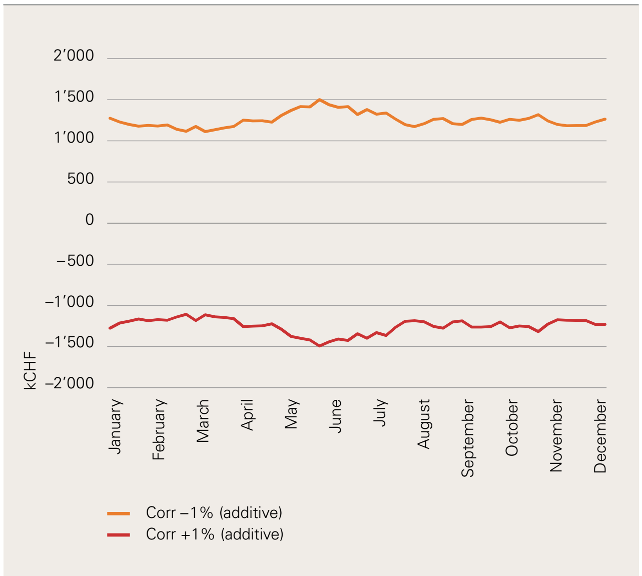
The long vega position is a structural position and was maintained during 2012.

Vega 2012 (weekly average)



The same is correct for the correlation exposure, which is a consequence of the issuance of multi-underlying structured investment products.

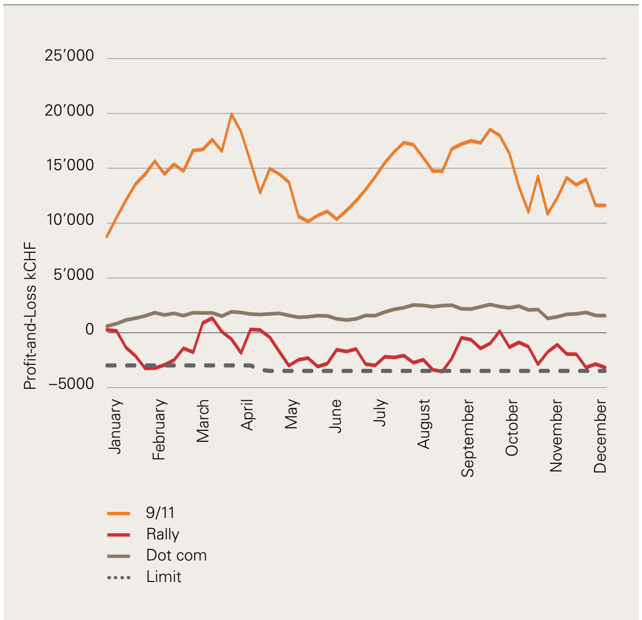
Correlation exposure 2012 (weekly average)



Stress loss analysis

The sections below show the result of the historical stress scenarios for all positions excluding Pension Solutions.

Historical stress scenarios 2012 (weekly average)



The results confirm the observations in the scenario analysis that the portfolio is well protected against downside, but is rather exposed to "Rally" scenarios. The absolute size of the impact in those scenarios needs to be carefully interpreted. It is important to note that certain risk factors are not shocked in those scenarios, like dividends and correlations.

The results of the stress scenarios for Pension Solutions show a slightly different picture:

(kCHF)	Vol. down	Market vol.	Vol. up
Shift+100bps	–343	–1'094	–1'895
Market curve	1'817	0	–1'855
Curve@100bps	–1'103	–3'653	–6'234

The general position is dominated by the fact that options on long-term interest rates are written in the form of guarantees for minimum returns of future investments. This leads to a risk profile that yields losses in a volatile market environment with volatilities on interest rates increasing and rates going down. In such an environment, we would expect that equity volatility would also increase and therefore the overall portfolio should benefit from offsetting effects. The scenarios with the curve shocked downwards reflect prudent scenarios, as the long-term rates in those scenarios are assumed to be lower than the historically observed lows in Japanese and Swiss long-term interest rates.

Credit risk

Exposure to counterparties resulting from our OTC derivatives- and securities-lending and -borrowing activities are typically mitigated through the use of mark-to-market collateral and close-out netting arrangements.

The largest credit exposures at year-end were for securities lending and borrowing activities:

Counterparty	Exposure (mCHF)
SLB Counterparty 1	21.0
SLB Counterparty 2	20.6
SLB Counterparty 3	15.8

And for OTC trading activities outside white-labeling trading activities:

Counterparty	Exposure (mCHF)
OTC Counterparty 1	8.5
OTC Counterparty 2	7.2
OTC Counterparty 3	5.1

Investment portfolio

The investment activities started in December 2012. As of 31 December, a total amount of CHF 123 million was invested, thereof 50.1 million in a French t-bill. The breakdown per sector is shown in the following table:

Issuer sector	Market value (mCHF)
Bonds issued by governments	106.8
Bonds issued by banks	9.1
Bonds issued by supranational organizations	7.2
Total	**123.1**

The exposure breakdown by country is shown in the following table:

Exposure by country (mCHF)	Gov.	Supra.	Bank
Australia			1.4
Denmark	9.7		
France	60.0		3.0
Germany	13.8		
Netherlands	12.9		
Norway	2.9		
Supranational		7.2	
United Kingdom			2.8
United States	7.4		1.8
Total	**106.8**	**7.2**	**9.1**

Credit – country exposure

Total exposure to peripheral European countries was below CHF 1 million.

Operational risk

The total amount of losses related to operational risk events was CHF 1.348 million.

FINANCIAL REPORT 2012

6

FINANCIAL & OPERATIONAL REVIEW

Annual Report 2012

EFG Financial Products Holding AG (the 'Company' or 'EFG Financial Products', together with its subsidiaries the 'Group') recorded total operating income of CHF 127.8 million on increased turnover of CHF 12.1 billion for the twelve months ended 31 December 2012. Group net profit reached CHF 20.5 million in 2012, representing a 56% year-on-year increase. Total eligible capital stood at CHF 118.6 million as of 31 December 2012, including net proceeds from the IPO of CHF 67.1 million, with a BIS total capital ratio of 18.0% at year-end 2012. The return on equity was 25%. The Board of Directors of EFG Financial Products will propose a shareholder distribution, in line with its dividend policy, of CHF 1 per share at its annual general meeting in April 2013.

Income statement

(mCHF)	2012	2011	Change to 2011
Net fee income	**120.9**	87.3	38%
Net trading income	**7.0**	15.0	(53%)
Other operating income	**(0.1)**	2.2	N/A
Total operating income	**127.8**	**104.5**	**22%**
Personnel expenses	**(60.8)**	(54)	13%
Depreciation and amortization	**(9.3)**	(6.1)	52%
Other operating expenses	**(35.8)**	(30.0)	19%
Total operating expenses	**(105.9)**	**(90.1)**	**18%**
Profit before taxes	**21.9**	**14.4**	**52%**
Income tax expense	**(1.4)**	(1.3)	8%
Group net profit	**20.5**	**13.1**	**56%**

Key performance indicators

(mCHF)	2012	2011	Change to 2011
Number of clients[1, 2]	**580**	442	31%
Primary clients[2, 3]	**465**	370	26%
Recurring primary clients[2, 3]	**346**	247	40%
Retention rate	**74%**	67%	7PP
Turnover (bCHF)[4]	**12.1**	10.4	16%
Share of turnover of white-labeling products	**21%**	2%	19PP
Average turnover by client (mCHF)	**21**	24	(13%)
Average margin on turnover (bps)[5]	**106**	100	6%
Cost-income ratio	**83%**	86%	(3PP)
Return on equity[6]	**25%**	36%	(11PP)

1 Clients (intermediaries): Defined as financial institutions, asset managers (including insurance brokers and business introducers), institutional investors or insurers, which, based on a distribution agreement, entered into at least one primary or secondary market transaction in the respective period on account of their respective clients or for their own account

2 Management estimates

3 Primary clients are clients entering into a primary transaction during the period; recurring primary clients are clients who enter into more than one primary transaction during the period

4 Turnover defined as total of notional on structured products issued and of notional on structured products traded, whereby each trade is accounted for

5 Average margin on turnover defined as the ratio of total operating income to turnover

6 Return on equity defined as the ratio of group net profit to average shareholders' equity

RESULTS OF OPERATIONS

In 2012, the Group recorded net profit of CHF 20.5 million, up 56% compared to 2011. Profit before taxes was CHF 21.9 million, up 52% compared to 2011.

Operating income

Total operating income increased by CHF 23.3 million, or 22%, to CHF 127.8 million in 2012 compared to CHF 104.5 million in 2011. This increase was mainly driven by the expansion of the client base and product offering, which resulted in turnover rising by 16% to CHF 12.1 billion in 2012, compared to CHF 10.4 billion in 2011, with margins on turnover increasing by 6 bps to 106 bps in 2012.

In addition, turnover has been positively impacted by the expansion of the number of locations. Further, improvements in the Group's structured investment service platform have made it possible to offer clients a larger number of payoffs and underlyings and to provide better service. Furthermore, the white-labeling partnerships with three banks and two insurance companies had an increasing share in turnover compared to 2011.

	Turnover (bCHF)	Operating income (mCHF)	As bps of turnover
EFG Financial Products	9.5	97.0	102
White-labeling	2.6	30.8	118
Total	**12.1**	**127.8**	**106**

Source: EFG Financial Products; 2012

Net fee income

Fee income primarily represents the initial margin the Group earns upon the issuance of new structured products (primary transactions) and when existing structured products are traded (secondary transactions). The initial margin earned is a percentage of the turnover on (i) the structured products issued in the case of primary transactions, or (ii) the structured products traded in the case of secondary transactions. Net fee income is therefore dependent on turnover. Net fee income also reflects white-labeling fee income earned when the Group provides specific services to its white-labeling partner, including, but not limited to, the setup and issuance of structured investment products, production of term sheets and documentation, settlement and listing of structured investment products on SIX Swiss Exchange, client services and other services including risk management and market-making activities.

Net fee income was CHF 120.9 million, up by CHF 33.6 million from the prior year primarily due to an increase in the number of clients and an increase in the number of large ticket transactions[1] from 13 to 21 in 2012. Furthermore, the conversion of EFG International AG into a white-labeling partner in the context of the IPO led to the generation of white-labeling service fee income on products guaranteed by EFG International AG, while trading income earned on funding from those products is now recognized at EFG International AG.

As of 31 December 2012, EFG Financial Products served 580 clients, compared to 442 clients as of 31 December 2011 (up 31%), and the client retention rate increased from 67% in 2011 to 74% in 2012. The increase in the number of clients is attributed to an increase in the Group's name recognition and reputation. The average turnover per client was CHF 21 million, down by 13% on the prior year as a result of the significant increase in the number of clients.

Large ticket transactions accounted for 21 transactions with recognized fee income of CHF 28.7 million, or 22% of total operating income, in 2012 compared to CHF 7.6 million in 2011. In 2012, transactions have primarily been on product types such as credit-linked notes and tracker certificates and included some one-off special transactions.

[1] Defined as single primary or secondary market transactions on a single product with a single client and a margin earned equal to or larger than CHF 0.5 million.

Large ticket transactions

	2012	2011	Change to 2011
Number of large ticket transactions	**21**	8	13
Recognized fee income from large ticket transactions (mCHF)[2]	**28.7**	7.6	22.1
In % of total operating income	**22%**	7%	15PP

Net trading income

Net trading income is generated on the basis of existing client flow and represents the unrealized and realized change in fair value of financial assets and liabilities. Issued products are economically hedged on both a micro and macro basis and, accordingly, the changes in fair values of the structured investment products issued versus the hedged positions result in trading income. Through the macro hedging principle, hedging synergies can be achieved within the trading book and can result in higher or lower trading income depending on the degree of synergies. As a general principle, the Group does not take proprietary trading positions for the purpose of expressing any market directional views. The Group's residual position is induced by the client flow which is structurally of the same nature, with all residual positions being within tight risk limits which are controlled daily. The net trading income is generally positively affected in a volatile market environment which is usually the case in bearish markets. This position, induced by client flow, generally offers the Group some downside protection against a decline in net fee income on primary transactions, which may result from lower client activity in falling markets.

Since the conversion of EFG International AG into a white-labeling partner in the context of the IPO, EFG Financial Products generates white-labeling service fee income on products guaranteed by EFG International AG, while trading income earned on funding from those products is now recognized at EFG International AG. Further, net trading income was affected by lower volatility than in 2011. As a result, EFG Financial Products posted a decrease of CHF 8 million in net trading income to CHF 7.0 million in 2012.

Other operating income

Other operating income consists primarily of interest income on cash and cash equivalents and interest expense on short cash positions, shared service income from EFG International AG and reclaim of indirect taxes.

In 2012, other operating income was CHF −0.1 million, down by CHF 2.3 million compared to 2011. This decrease is primarily related to an increase in net interest expense of CHF 1.5 million compared to 2011.

[2] Recognized fee income is net of any deferred income, as per the IFRS results

Operating expenses

Total operating expenses were CHF 105.9 million, up 18% compared to 2011. The cost-income ratio improved to 83% in 2012, compared to 86% in 2011. The growth in the Group's expenses was driven primarily by the increase in personnel costs and other operating expenses given the growth and expansion into new locations in Europe and Asia as well as spending related to platform enhancements.

Personnel expenses

Total personnel expenses increased by CHF 6.8 million, or 13%, to CHF 60.8 million from CHF 54.0 million in 2011. This increase was mainly due to the number of employees (measured in fulltime equivalents, FTEs), which grew from 243 in 2011 to 270 in 2012.

The increase in FTEs includes an increase of 7 in the number of sales personnel to 63 as of the end of 2012 from 56 at the end of 2011. The remainder of the increase results from employees hired primarily in support functions in order to support the growth in turnover and the regional expansion.

Depreciation and amortization

Depreciation was CHF 3.0 million, compared with CHF 2.4 million in 2011. Amortization increased by CHF 2.6 million, or 70%, to CHF 6.3 million in 2012 from CHF 3.7 million in 2011 due to additions in internally developed as well as purchased software totaling CHF 12.0 million in 2012 and CHF 7.2 million in 2011 respectively.

Capital expenditure and depreciation and amortization

(mCHF)	2012	2011
Capital expenditure	3.7	3.1
Depreciation	(3.0)	(2.4)
Net increase in property and equipment	**0.7**	**0.7**
Capital expenditure	12.0	7.2
Amortization	(6.3)	(3.7)
Net increase in intangible assets	**5.7**	**3.5**

Other operating expenses

Other operating expenses increased by CHF 5.8 million, or 19%, to CHF 35.8 million in 2012 compared to CHF 30.0 million in 2011. Increases were mainly driven by professional services, rent, IT expenses and other administrative expenses.

Professional services principally comprise legal, audit, consulting and headhunter fees, which increased by CHF 2.8 million to CHF 8.8 million in 2012. Increases are related to external fees for platform enhancements, one-off fees for Board of Directors and Executive Committee recruitment and the setup of the Singapore office. Rent and IT-related expenses were up by CHF 2.1 million in 2012 due to additional locations being operative for a full year. The Singapore sales force operating under the EFG Bank Singapore license led to an increase of CHF 1.6 million in intercompany charges recorded under other administrative expenses.

Income tax expenses

Income tax expenses of CHF 1.4 million included deferred income tax expenses of CHF 1.1 million and current income tax expenses of CHF 0.2 million in 2012. The deferred income tax expense mainly reflects the utilization of tax loss carry-forwards of EFG Financial Products AG incurred during the initial years of its operations. The unused deferred tax asset on net operating losses is expected to be utilized by its expiration in 2015.

INITIAL PUBLIC OFFERING (IPO)

The Company listed its shares on the SIX Swiss Exchange on 19 October 2012. In the IPO, 1’666’665 new registered shares were issued, and 1’270’472 existing registered shares were sold by EFG International AG in the base offering. In addition, an overallotment option granted by EFG International AG of up to 293’713 existing registered shares has been fully exercised. Including the overallotment, the IPO comprised a total of 3’230’850 registered shares at the offering price of CHF 45. EFG International AG’s shareholding in EFG Financial Products was reduced to 20.3%.

As of 31 December 2012, the outstanding share capital amounts to CHF 13’333’330, consisting of 6’666’665 registered shares with a nominal value of CHF 2.00 each; the shares are fully paid-in. The Group’s gross proceeds raised were CHF 75 million. Transaction costs related to the IPO and the sale of EFG International AG’s existing shares were allocated to the Group and EFG International AG respectively on a proportionate basis, newly issued versus existing shares sold. CHF 8 million of transaction costs attributable to the Group and total listing costs for the issuance of new equity have been deducted against share premium. In relation to the listing costs and EFG International AG’s sale of existing EFG Financial Product shares, EFG International AG contributed capital to the Group totaling CHF 2.4 million.

Overall shareholders’ equity was CHF 125 million, up by CHF 83 million compared to 2011.

Pre-IPO reorganization

Prior to the IPO, certain measures to reorganize the Group’s business were undertaken, principally to gain a more independent setup and to agree on access to support from EFG International AG if needed. The main steps of the pre-IPO reorganization included the transfer of EFG Financial Products (Guernsey) Ltd to EFG International AG, the setting up of a branch of EFG Financial Products AG in Guernsey as the Group’s new main issuing entity, a white-labeling partnership with EFG International AG and a cooperation agreement with EFG International AG.

On 4 October 2012, EFG Financial Products (Guernsey) Ltd was sold to EFG International AG pursuant to a series of transactions at a cash sales price equal to the net asset value of EFG Financial Products (Guernsey) Ltd of CHF 9.6 million. No gain or loss on the sale was incurred by the Group. Before effecting the sale of EFG Financial Products (Guernsey) Ltd to EFG International AG, EFG Financial Products (Guernsey) Ltd sold and transferred its shares in its subsidiary EFG Financial Products (Monaco) S.A.M. to EFG Financial Products at book value, deemed to be fair value, and also sold, transferred and assigned certain assets and liabilities other than the legacy portfolio as well as employees by way of an asset transfer to EFG Financial Products AG, Guernsey Branch. Following its transfer to EFG International AG, EFG Financial Products (Guernsey) Ltd has been renamed EFG International Finance (Guernsey) Ltd The servicing of EFG International Finance (Guernsey) Ltd’s portfolio and the issuance of new structured investment products by EFG International Finance (Guernsey) Ltd are performed pursuant to the white-labeling agreement with EFG International AG.

EFG Financial Products (Guernsey) Ltd has been the Company’s main issuing entity, accounting for 95% of the structured investment products outstanding measured at fair value as of 30 June 2012. EFG Financial Products (Guernsey) Ltd’s term deposits totaling CHF 2.9 billion at 30 June 2012, used to hedge certain exposures in its structured investment products outstanding, were held at EFG Bank AG, Cayman Islands Branch. The sale of EFG Financial Products (Guernsey) Ltd to EFG International AG thus had a significant impact on the statement of financial positions. Total financial liabilities decreased by CHF 2’029 million, or 57%, compared to 2011, while total financial assets decreased by CHF 1’997 million, or 50%, compared to 2011.

Statement of financial positions (aggregated)

(mCHF)	31.12.2012	31.12.2011
Cash & receivables	1’109	185
Financial assets	1’972	3’969
Other assets	83	61
Total assets	**3’164**	**4’215**
Short-term credits & payables	1’465	564
Financial liabilities	1’525	3’554
Other liabilities	49	56
Total liabilities	**3’039**	**4’173**
Shareholders’ equity	**125**	**42**

CAPITAL ADEQUACY

Capital development

	mCHF
Tier 1 capital pre-IPO (30 June 2012)	**50.4**
Net IPO proceeds	**67.1**
Other capital contributions and other effects	**2.5**
Equity impact of early adoption of IAS 19 revised	**(4.8)**
Net profit H2 2012	**10.1**
Proposed dividend payment 2013	**(6.7)**
Tier 1 capital (31 December 2012)	**118.6**
Tier 2 capital (31 December 2012)	**0.0**
Total BIS eligible capital (31 December 2012)	**118.6**

BIS required capital and risk-weighted assets

(mCHF)	31.12.2012
Market risk (incl. derivatives)	**32.3**
Credit risk	**5.6**
Operational risk	**12.9**
Non-counterparty-related risk	**1.9**
Total BIS eligible capital	**52.7**
BIS risk-weighted assets	**659.2**

As a securities dealer licensed by FINMA, EFG Financial Products AG is subject to Swiss capital adequacy requirements and has been in compliance with these requirements throughout 2012 and 2011. The Group is subject to consolidated FINMA supervision only as of 31 December 2012. As of this date, the Group needs to be compliant with FINMA's minimum required total capital ratio of 10.5% of its risk-weighted assets.

As of 31 December 2012, the Group's total BIS eligible capital stood at CHF 118.6 million and the BIS required capital was CHF 52.7 million. Risk-weighted assets totaled CHF 659.2 million, resulting in a total BIS capital ratio of 18%.

SEGMENTAL RESULTS

Structured Solutions

(mCHF)	2012	2011	Change to 2011
Core regions	**89.0**	80.2	11%
European Union	**12.3**	10.0	23%
Asia	**9.4**	6.5	45%
Total operating income	**110.7**	**96.7**	**14%**
Core regions	**(63.3)**	(59.4)	7%
European Union	**(11.1)**	(9.8)	13%
Asia	**(13.3)**	(8.9)	49%
Total operating expenses	**(87.7)**	**(78.1)**	**12%**
Core regions	**25.7**	20.8	24%
European Union	**1.2**	0.2	500%
Asia	**(3.9)**	(2.4)	63%
Segment profit before taxes	**23.0**	**18.6**	**24%**

Structured Asset Management & Pension Solutions

(mCHF)	2012	2011	Change to 2011
Total operating income	**16.5**	3.5	371%
Total operating expenses	**(9.6)**	(4.9)	96%
Segment profit before taxes	**6.9**	**(1.4)**	**NA**

Corporate Center

(mCHF)	2012	2011	Change to 2011
Total operating income	**0.6**	4.3	(86%)
Total operating expenses	**(8.6)**	(7.1)	21%
Segment profit before taxes	**(8)**	**(2.8)**	**186%**

Structured Solutions

Structured Solutions is the Group's primary operating segment and reflects the core business of the Group: the development, issuance, distribution, hedging and settlement of structured investment products as well as the market making, secondary market servicing and lifecycle management of the products issued. Core regions represents the Group's initial and principal Structured Solutions offerings from Zurich, Geneva, Guernsey and Monaco. European Union (EU) represents the additional European market accessed through the license of EFG Financial Products (Europe) GmbH, domiciled in Germany, operating in Frankfurt with branch offices in London, Paris and Madrid, also reflected in the EU sub-segment of Structured Solutions. Asia currently represents the operations of EFG Financial Products Hong Kong Ltd and activities in Singapore operating under the license of EFG Bank AG, Singapore Branch.

Results

For 2011, the Structured Solutions division reported profit before taxes of CHF 23.0 million, up by 24% compared to 2011. Results were mainly driven by significant contributions from the core regions. The EU sub-segment has increased its profit contribution by CHF 1.0 million in 2012, reflecting the progress made in the locations newly set up in 2011. Asia recorded a loss of CHF 3.9 million in 2012, primarily due to the build-up-related expenses of the new office in Singapore.

The division increased its operating income by CHF 14.0 million, or 14%, to CHF 110.7 million in 2012 compared to CHF 96.7 million in 2011. The increase in operating income in the Structured Solutions segment in 2012 compared to 2011 is primarily attributable to an increase of CHF 8.8 million relating to core regions. While offices in Asia posted a strong increase of 45% to CHF 9.4 million in operating income, the additional operating income of CHF 2.3 million generated in the EU region stayed slightly below expectations.

Operating expenses were CHF 87.7 million, up by 12% compared to 2011. The increase was principally due to an increase in set-up costs related to Asia (Singapore) and to locations in the European Union being operative for a full financial year.

Structured Asset Management & Pension Solutions

The Group's focus on further leveraging its investment service platform and its focus on further diversifying its operating income are also reflected in the development of its Structured Asset Management & Pension Solutions business. Structured Asset Management designs and manages certificates based on dynamic quantitative portfolio strategies. Pension Solutions specializes in the management of pension products for insurance companies as an additional distribution channel.

Results

The Structured Asset Management & Pension Solutions division's profit before taxes went up from CHF –1.4 million in 2011 to CHF 6.9 million in 2012.

Operating income increased by CHF 13.0 million, or 371%, to CHF 16.5 million in 2012 compared to CHF 3.5 million in 2011. The increases were due to the growing demand for actively managed certificates as well as white-labeling cooperations with Helvetia and Liechtenstein Life.

Operating expenses were CHF 9.6 million, up by 96% compared to 2011. The increase was driven by an increase in personnel expenses.

Corporate Center

Support functions such as Operational Services, Finance, Legal & Compliance, Risk Control, Human Resources, Marketing and Information Technology are allocated to a large extent to the operating segments based on full cost recovery. The allocated costs are reported in the direct cost lines of personnel expenses, depreciation and amortization and other operating expenses of the reportable segments. The remaining general support functions are presented within the Corporate Center. Operating income reported under the Corporate Center is comprised primarily of amortized deferred income and other operating income, excluding interest.

Results

The Corporate Center recorded a segment result before taxes of CHF –8.0 million, compared with CHF –2.8 million in 2011. Results are mainly driven by the decrease in operating income of CHF 3.7 million, which was due to a negative change in deferred income compared to 2011. Operating expenses increased by CHF 1.5 million, or 21%, to CHF 8.6 million compared to CHF 7.1 million in 2011, reflecting the increase in additional support staff.

7

CONSOLIDATED FINANCIAL STATEMENTS

Annual Report 2012

EFG FINANCIAL PRODUCTS HOLDING AG
CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

CHF thousands	Note	2012	restated 2011
Fee income	7	**121'799**	90'714
Fee expense	8	**(889)**	(3'406)
Net fee income		**120'910**	87'308
Net trading income	9	**7'050**	14'972
Other operating income	10	**(203)**	2'286
Total operating income		**127'757**	**104'566**
Personnel expenses	4/11	**60'838**	53'964
Depreciation and amortization	20/21	**9'314**	6'107
Other operating expenses	12	**35'731**	30'067
Total operating expenses		**105'883**	90'138
Profit before taxes		**21'874**	14'428
Income tax expense	4/13	**1'326**	1'355
Group net profit		**20'548**	**13'073**
of which allocated to shareholders of EFG Financial Products Holding AG		**20'548**	13'073
Share information			
Basic earnings per share (CHF)	34	**3.86**	2.61
Diluted earnings per share (CHF)	34	**3.85**	2.61

EFG FINANCIAL PRODUCTS HOLDING AG
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

CHF thousands	Note	2012	restated 2011
Group net profit		**20'548**	**13'073**
Other comprehensive income/(loss)			
Currency translation adjustments	28	**58**	(145)
Defined benefit costs	4/29	**(2'518)**	(2'306)
Deferred tax income	4/13	**533**	488
Total other comprehensive loss		**(1'927)**	**(1'963)**
Comprehensive income		**18'621**	**11'110**
of which allocated to shareholders of EFG Financial Products Holding AG		**18'621**	11'110

EFG FINANCIAL PRODUCTS HOLDING AG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012 AND 2011

CHF thousands	Note	31.12.2012	restated 31.12.2011	restated 01.01.2011
Assets				
Cash and cash equivalents	14	**370'479**	100'555	203'769
Settlement receivables	15	**656'141**	46'432	56'869
Cash collateral	16	**82'135**	37'877	11'934
Trading financial assets	17	**1'200'230**	815'984	625'573
Positive replacement values of derivative instruments	18	**601'560**	201'970	84'434
Financial assets designated at fair value through profit or loss	19	**170'426**	2'950'739	2'413'238
Deferred tax assets	4/13	**2'733**	3'318	3'991
Property and equipment	20	**8'882**	8'145	7'450
Intangible assets	21	**15'587**	9'942	6'409
Other assets	22	**56'184**	39'773	20'605
Total assets		**3'164'357**	**4'214'735**	**3'434'272**
Liabilities				
Short-term credit	23	**514'758**	258'440	346'079
Settlement payables	15	**430'293**	66'564	43'682
Cash collateral	16	**520'278**	239'264	45'603
Other financial liabilities at fair value	24	**31'945**	55'915	38'680
Other liabilities	4/25	**48'994**	53'987	54'526
Negative replacement values of derivative instruments	18	**747'221**	412'050	118'005
Financial liabilities designated at fair value through profit or loss	26	**745'557**	3'086'337	2'756'700
Total liabilities		**3'039'046**	**4'172'557**	**3'403'275**
Equity				
Share capital	27	**13'333**	15'000	15'000
Share premium		**70'257**	4'150	4'150
Accumulated other comprehensive loss	4/28	**(4'025)**	(2'098)	(135)
Other reserves	27	**143**	71	—
Retained earnings		**45'603**	25'055	11'982
Total shareholders' equity		**125'311**	**42'178**	**30'997**
Total liabilities and equity		**3'164'357**	**4'214'735**	**3'434'272**

EFG FINANCIAL PRODUCTS HOLDING AG
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

CHF thousands	Note	Share capital	Share premium	Accumulated other comprehensive loss	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2010		**15'000**	**4'150**	**(135)**	—	**13'331**	**32'346**
Adjustments related to IAS 19 (revised)	4	—	—	—	—	(1'349)	**(1'349)**
Balance at 1 January 2011 restated		**15'000**	**4'150**	**(135)**	—	**11'982**	**30'997**
Adjustments related to IAS 19 (revised)	4	—	—	(1'818)	—	—	(1'818)
Issuance of share capital		—	—	—	—	—	—
Dividends paid		—	—	—	—	—	—
Share-based benefit programs	27	—	—	—	71	—	**71**
Group net profit		—	—	—	—	13'073	**13'073**
Other comprehensive loss	28	—	—	(145)	—	—	**(145)**
Balance at 31 December 2011 restated		**15'000**	**4'150**	**(2'098)**	**71**	**25'055**	**42'178**
Repayment of share capital	27	(5'000)	—	—	—	—	**(5'000)**
Issuance of share capital	27	3'333	—	—	—	—	**3'333**
Premium on shares issued	27	—	71'666	—	—	—	**71'666**
Transaction costs related to share issuances, net of tax	27	—	(7'942)	—	—	—	**(7'942)**
Contribution of capital	27	—	2'383	—	—	—	**2'383**
Dividends paid		—	—	—	—	—	—
Share-based benefit programs	27	—	—	—	72	—	**72**
Group net profit		—	—	—	—	20'548	**20'548**
Other comprehensive loss	28	—	—	(1'927)	—	—	**(1'927)**
Balance at 31 December 2012		**13'333**	**70'257**	**(4'025)**	**143**	**45'603**	**125'311**

EFG FINANCIAL PRODUCTS HOLDING AG
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

CHF thousands	Note	2012	restated 2011
Cash flow from operating activities			
Group net profit		**20’548**	13’073
Reconciliation to net cash flow from operating activities			
Non-cash positions in Group results			
Depreciation and amortization	20/21	**9’314**	6’107
Deferred taxes	13	**1’115**	1’160
Defined benefit costs	4/29	**1’715**	2’434
Share-based benefit programs	27	**72**	71
Net (increase)/decrease in assets related to operating activities			
Financial assets at fair value	17/19	**(172’535)**	30’031
Settlement balances, net	15	**(245’980)**	33’319
Investment in financial assets	17/19	**2’568’602**	(757’943)
Other assets	22	**(16’411)**	(19’168)
Net increase/(decrease) in liabilities related to operating activities			
Financial liabilities at fair value	24/26	**229’231**	(147’013)
Replacement values, net	18	**(64’419)**	176’509
Cash collateral, net	16	**236’756**	167’718
Sale of financial liabilities	24/26	**(2’593’981)**	493’885
Other liabilities	25	**(5’959)**	(2’347)
Pension contributions	29	**(3’263)**	(2’931)
Cash flow from operating activities		**(35’195)**	**(5’095)**
Cash flow from investing activities			
Purchases of property and equipment	20	**(3’694)**	(3’122)
Purchases of intangible assets	21	**(12’002)**	(7’213)
Cash flow from investing activities		**(15’696)**	**(10’335)**
Cash flow from financing activities			
Increase/(decrease) in short-term credit	23	**256’318**	(87’639)
Issuance of share capital, net of issuance costs	6/27	**69’440**	—
Repayment of share capital	27	**(5’000)**	—
Cash flow from financing activities		**320’758**	**(87’639)**
Effects of exchange rate differences		**57**	(145)
Net increase/(decrease) in cash and cash equivalents		**269’924**	**(103’214)**
Cash and cash equivalents, beginning of the year	14	**100’555**	203’769
Cash and cash equivalents at the balance sheet date		**370’479**	**100’555**

Interest received totaled TCHF 480 and TCHF 1’762 for the years ended 31 December 2012 and 2011, respectively. Interest paid totaled TCHF 2’649 and TCHF 2’348 for the years ended 31 December 2012 and 2011, respectively. Taxes paid totaled TCHF 153 and TCHF 194 for the years ended 31 December 2012 and 2011, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

EFG Financial Products Holding AG (EFG FP Holding or "the Company") and its subsidiaries' (hereinafter referred to as "the Group") primary business activities include the development, structuring, distribution, hedging and settlement as well as the market making and secondary market servicing of structured products, the design and management of structured funds and certificates and the management of variable annuity products.

The Group distributes its financial products either directly to institutional investors or indirectly to retail investors through third-party financial intermediaries. The Group provides structured asset management and pension solution services for third parties in Switzerland and abroad. In addition, the Group provides brokerage services to third parties.

EFG FP Holding was incorporated in November 2007 and is a registered share company incorporated in Zurich, Switzerland, with its registered office at Brandschenkestrasse 90, Zurich, Switzerland.

The Company listed its shares on the SIX Swiss Exchange on 19 October 2012. Following completion of the IPO, the Group's ultimate controlling party, EFG International AG (EFGI), reduced its shareholding in EFG FP Holding to 20.3%. EFGI continues to control the Group pursuant to a shareholders' agreement between EFGI, the founding partners and trusts owned by certain founding partners, which among other things allows EFGI and the founding partners to designate the majority of the members of the Group's Board.

Prior to the IPO, certain measures to reorganize the Group's business were undertaken, principally to gain a more independent setup and to agree on access to support from EFGI if needed. The main steps of the pre-IPO reorganization included the transfer of EFG Financial Products (Guernsey) Limited (EFG FP Guernsey) to EFGI, the setting up of a branch of EFG Financial Products AG in Guernsey as the Group's new main issuing entity, a white-labeling partnership with EFGI and a cooperation agreement with EFGI. Refer to Note 6 for further details on this reorganization.

These consolidated financial statements were approved for issue by the Board of Directors on 19 February 2013.

2 Critical accounting estimates and judgments in applying accounting policies

The application of certain accounting principles requires considerable judgment based upon estimates and assumptions that involve significant uncertainty at the time they are made. Changes in assumptions may have a significant impact on the financial statements in the periods where assumptions are changed. Accounting treatments where significant assumptions and estimates are used are discussed in this section as a guide to understanding how their application affects the reported results.

The application of assumptions and estimates means that any selection of different assumptions would cause the reported results and/or disclosures to differ. The Group believes that the assumptions it has made are appropriate, and that the Group's consolidated financial statements therefore present the financial position and results fairly, in all material respects.

The most relevant areas of judgment for the Group include the application of the Group's assumptions with respect to the fair value of financial instruments and pension accounting, which are further discussed within Note 5, Financial risk assessment and management, and Note 29, Retirement benefit obligations.

The sensitivities are presented solely to assist the reader in understanding the Group's consolidated financial statements and are not intended to suggest that other assumptions would be more appropriate.

3 Principal accounting policies

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

The Group prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and are prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The abbreviations TCHF and MCHF within these financial statements refer to thousands of CHF and millions of CHF respectively.

Consolidation

These consolidated financial statements comprise those of the parent company, EFG Financial Products Holding AG, and its subsidiaries. EFG FP Holding controls an entity if it has the power to govern the financial and operating policies. This is generally accompanied by a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. Subsidiaries to be divested are consolidated up to the date of disposal (i.e. loss of control).

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany transactions, balances and unrealized gains or losses on transactions between the Group companies are eliminated.

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

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

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

Hybrid instruments which fall under the criteria above include structured products and certificates issued. These instruments generally include one or more embedded derivative components which refer to an underlying, e.g. equity price, interest rate, commodities price or index. Where a product has multiple embedded derivatives, the value of these derivatives may be dependent upon one another. The Group has designated all of its issued hybrid instruments as financial liabilities designated at fair value through profit or loss.

In addition to structured products and certificates issued, the fair value option is also applied to all term deposits and bonds held by the Group. The application of the fair value option to these instruments reduces an accounting mismatch that would otherwise arise from recognizing these assets using a different basis of accounting than for the offsetting liabilities, the hybrid financial instruments, which are designated at fair value through profit or loss. Financial assets and liabilities meeting the definition of instruments held for trading are also recognized at fair value, with changes in fair value recognized within net trading income. Financial assets held for trading include primarily debt and equity securities.

The Group uses trade date accounting when recording financial transactions. From the date the purchase transaction is entered into (trade date), the Group recognizes a financial asset on the statement of financial position at the fair value of the consideration given or received, including directly attributable transaction costs, which are expensed immediately. When the Group becomes party to a sales contract for a financial asset, it derecognizes the asset.

Derivative financial instruments

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Settlement balances, replacement values and receivables and payables to related parties which meet these criteria are offset.

Receivables and payables to related parties

Receivables from and payables to related parties are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Settlement positions

Settlement receivables and payables are recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Intangible assets

Purchased and internally developed software is stated at cost less accumulated amortization and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognized in the income statement.

The acquisition cost of software capitalized is based on the cost to acquire the software and the costs incurred to bring it into the state of its intended use. Direct costs attributable to the development of internally developed software are capitalized when such items meet the definition of an intangible asset. These costs relate to the design and implementation phase of internally developed software.

Amortization is calculated using the straight-line method and is amortized over its useful life as follows:

- Internally developed software – 3 to 5 years
- Purchased IT software – 5 years
- Other intangible assets – 5 years

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The balance is periodically reviewed for impairment, with any impairment charge being recognized in the income statement. Depreciation is calculated using the straight-line method. Property and equipment are depreciated over their useful lives, as follows:

- Furniture & equipment – 5 years
- Leasehold improvements – 5 to 10 years
- IT equipment – 4 years

Impairment
For all financial assets not measured at fair value, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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.

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

Securities borrowing and lending
Securities borrowing and securities lending transactions are generally entered into on a collateralized basis. In such transactions, the Group typically lends or borrows securities in exchange for securities or cash collateral. Additionally, the Group may borrow securities in exchange for a fee. The majority of securities lending and borrowing agreements involve shares and bonds. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns or recalls surplus collateral in accordance with the underlying agreements.

The securities which have been transferred, whether in a borrowing/lending transaction or as collateral, are not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In such transactions where the Group transfers owned securities and where the borrower is granted the right to sell or repledge them, the securities are presented as Trading financial assets of which pledged as collateral, see Note 17. Cash collateral received is recognized with a corresponding obligation to return it (cash collateral on securities lent). Cash collateral delivered is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral on securities borrowed). Additionally, the sale of securities received in a borrowing or lending transaction triggers the recognition of a trading liability (short sale), see Note 24.

Consideration exchanged in financing transactions (i.e. interest received or paid) is recognized on an accrual basis and recorded as interest income or interest expense.

Repurchase and reverse repurchase agreements
Securities purchased under agreements to resell, reverse repurchase agreements, and securities sold under agreements to repurchase, repurchase agreements, are treated as collateralized financing transactions. Nearly all repurchase and reverse repurchase agreements involve debt instruments, such as bonds, notes or money market papers. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The Group monitors the market value of the securities received or delivered on a daily basis and requests or provides additional collateral or returns or recalls surplus collateral in accordance with the underlying agreements.

The transfer of securities in the case of repurchase and reverse repurchase agreements is not recognized on or derecognized from the statement of financial position unless the risks and rewards of ownership are also transferred. In reverse repurchase agreements, cash collateral provided is derecognized with a corresponding receivable reflecting the right to receive it back (cash collateral for reverse repurchase agreements). In repurchase agreements, the cash collateral received is recognized with a corresponding obligation to return it (cash collateral from repurchase agreements).

In repurchase agreements where the Group transfers owned securities and where the recipient is granted the right to resell or repledge them, the securities are presented in the statement of financial position as Trading assets of which pledged as collateral. Securities received in a reverse repurchase agreement are disclosed as off-balance sheet items if the Group has the right to resell or repledge them, with securities that the Group has actually resold or repledged disclosed if applicable (see Note 17). Additionally, the sale of securities received in reverse repurchase transactions triggers the recognition of a trading liability (short sale), see Note 24.

Interest income from reverse repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

Short term credit
The short-term credit facility in place with EFG Bank, a related party, is accounted for at amortized cost.

Fee income
Fee income primarily represents sales fee income, the initial margin earned upon the issuance of structured investment products. The initial margin earned on the issuance of a new structured investment product is deferred and recognized over the period deemed earned, with the current estimate being three months. Sales fee income related to the sale of an existing product is recognized immediately.

White-labeling fee income relates to income earned when the Group provides specific services to its white-labeling partners. Services provided to white-labeling partners include advisory services provided within the Group's Structured Solutions and Structured Asset Management & Pension Solutions businesses and include, but are not limited to, the setup and issuance of structured products, production of term sheets and documentation, settlement and listing of structured products on SIX Swiss Exchange, client services and other services including risk management and market-making activities.

Other fee income primarily includes brokerage and advisory fees.

Transaction costs that are directly attributable to the issuance of a structured investment product are presented net of any sales fee received.

Fee income generated from services rendered over a specific period of time is generally recorded over the duration of the service provided on a pro rata basis.

Deferred fee income is reflected within Other liabilities.

Trading income

Gains and losses from changes in the fair value of financial assets and financial liabilities held at fair value are recognized as trading income.

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

When a financial instrument is recognized for the first time, the transaction price provides the best indication of the fair value, unless the fair value of the financial instrument can be evidenced by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses market data (level 2 instrument). If this is the case, the difference between the transaction price less initial margin earned and the fair value – referred to as "day 1 profit" – is recorded in trading income.

In the case of level 3 instruments, the day 1 profit is deferred and is not recognized in the income statement. It is only recorded as trading income when the fair value can be determined using observable market data.

During the financial years reported in these financial statements, no positions with deferred day 1 profit were recorded.

Foreign currency translation

The presentation currency of the Group is the Swiss franc (CHF).

The Group companies prepare their financial statements in their respective functional currencies. Transactions in a currency other than the functional currency are recorded by the companies at the spot rate on the date of transaction. Exchange differences arising between the date of a transaction and its subsequent settlement are recognized in the income statement. At the balance sheet date, all monetary assets and liabilities and non-monetary assets and liabilities measured at fair value through profit or loss are translated into the functional currency using the closing exchange rate. Unrealized exchange differences are recognized in the income statement. Non-monetary assets and liabilities not measured at fair value through profit or loss are translated into the functional currency at the historical exchange rate.

Assets and liabilities of Group companies that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items in the income statements, statements of other comprehensive income and statements of cash flows. Exchange differences arising from the use of closing exchange rates and average exchange rates are recognized as currency translation adjustments in other comprehensive income.

The following exchange rates were applied:

	2012 Year-end	2012 Average	2011 Year-end	2011 Average
1 EUR	**1.2078**	**1.2048**	1.2148	1.2328
1 USD	**0.9154**	**0.9338**	0.9385	0.8852
1 HKD	**0.1181**	**0.1204**	0.1209	0.1138
1 GBP	**1.4864**	**1.4837**	1.4591	1.4209

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognized as an expense in the period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the statement of financial position as applicable.

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the Group's statement of financial position and their corresponding tax values are recognized, respectively, as deferred tax assets and deferred tax liabilities. Deferred tax assets arising from temporary differences and from loss carry-forwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized or the tax liabilities settled.

Tax assets and liabilities of the same type (current or deferred) are offset when they refer to the same taxable entity, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realized simultaneously.

Current and deferred taxes are credited or charged to other comprehensive income or shareholders' equity if the taxes refer to items that are credited or charged to other comprehensive income or to shareholders' equity in the same or a different period. Otherwise tax is recognized in the income statement.

Financial guarantees

Prior to the Group's sale of EFG FP Guernsey to EFGI on 4 October 2012, the Group had issued an irrevocable financial guarantee to EFG Bank through its' subsidiary EFG FP Guernsey up to the maximum amount of the outstanding cash and term deposits of EFG FP Guernsey held with EFG Bank in case predefined subsidiaries of EFGI failed to make payments to EFG Bank. The Group's term deposits were pledged to EFG Bank under this arrangement. At the same time, EFGI guaranteed to the investors of EFG FP Guernsey in case of a default on products issued by EFG FP Guernsey. These guarantees were deemed to be economically equal and offsetting and therefore no cash consideration was exchanged by the parties and no fees were paid by either entity with respect to these guarantees.

The guarantee issued to EFG Bank was recognized at fair value in accordance with IAS 39 and subsequently at the higher of amortized cost or the amount determined in accordance with IAS 37.

The corresponding asset for the guarantee provided by EFGI was also recognized at the fair value, specifically the lower of the fair value of the guarantee received by EFGI and the fair value of the guarantee issued, representing the initial carrying amount. Subsequently the guarantee received was amortized over the life of the guarantee provided.

The financial guarantees were recognized within other assets and other liabilities until the sale of EFG FP Guernsey on 4 October 2012. The amortization of the asset and liability were reflected net within other operating income through this date.

Employee share-based benefit program

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the restricted stock units (RSUs) is recognized as an expense over the vesting period for restricted stock units granted under the plan and the period in which the RSUs are deemed earned.

The total amount to be expensed over the vesting period is determined by reference to the estimated fair value of the RSUs granted. The expense recognized during each period is the pro rata amount of the fair value of restricted stock units that are expected to fully vest, plus the impact of any revisions to the estimates. The expense is recognized in the income statement with a corresponding adjustment to equity over the remaining vesting period.

Long-term incentive plan

In 2012, the Group implemented a long-term incentive plan whereby employees have been communicated a potential award to be earned and paid in cash over a three year period in three equal installments. The first earnings period begins in 2013 and the first payment is expected in 2014. Any outstanding award will be forfeited should the employee leave the Company.

Compensation expense under the plan will be recognized using the bonus plan's benefit formula, with a third of the expense recognized in each year earned using a straight-line attribution model. As 2013 is the first earning period for the bonus plan, there were no amounts expensed during 2012 related to this plan.

Refer to Note 31 for amounts committed under this plan.

4 Changes in accounting policies, comparability and other adjustments

Changes in accounting principles and presentation

The following revised standards became effective for the first time in 2012:

- Amendments to IFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7, Disclosures – Transfers of Financial Assets
- Amendments to IAS 12, Deferred Tax: Recovery of Underlying Assets

These revised standards did not have any impact on the Group or were not relevant to the Group when applied for the first time.

The Group also chose to early adopt IAS 19, Employee Benefits (revised 2011) in 2012 prior to its effective date for mandatory adoption of 1 January 2013.

IAS 19, Employee Benefits (revised)

In June 2011, the IASB issued revisions to IAS 19 Employee Benefits. The revised standard introduces changes to the recognition, presentation and disclosure of post-employment benefits. The revised standard eliminates the "corridor method", under which the recognition of actuarial gains and losses was deferred. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income. The measurement of the defined benefit obligation takes into account risk-sharing features, such as those within the Group's Swiss pension plan. In addition, the revised standard requires net interest income and expense to be calculated as the product of the net defined benefit obligation or asset and the discount rate that is used to measure the defined benefit obligation. The effect of this is to remove the current concept of recognizing an expected return on plan assets. The revised standard also enhances the disclosure requirements for defined benefit plans, providing more information about the characteristics of such plans and the risks to which entities are exposed through participation in those plans.

In accordance with IAS 19, Employee Benefits (revised 2011), the standard has been applied retrospectively and a restated opening balance sheet as of 1 January 2011 has been presented.

The defined benefit obligation as of 1 January 2011 remained unchanged due to the immaterial impact of risk-sharing features. Actuarial losses that were not recognized in periods prior to 2011 have been recognized in retained earnings in the restated opening balance sheet. Any remeasurements, including actuarial gains and losses and any returns on plan assets not included in the net interest on the defined benefit liability have been recognized directly in other comprehensive income for the years ended 31 December 2012 and 2011. Service cost, past service cost, net interest on the net defined benefit liability calculated based on the discount rate at the beginning of the reporting period, and administrative costs are recognized in the income statement.

The retrospective application resulted in the following adjustments posted and reflected within prior-year figures presented in these financial statements:

CHF thousands	31.12.2011	01.01.2011
Adjustments to the statement of financial position		
Pension liability increase	**(3'521)**	(1'711)
Deferred tax assets increase	**746**	362
Shareholders' equity decrease	**2'775**	1'349
Adjustments to the income statement		
Pension expense decrease	**(497)**	—
Deferred tax expense increase	**105**	—
Total adjustments to net profit	**(392)**	—
Adjustments to other comprehensive income		
OCI – Defined benefit costs decrease	**2'306**	—
OCI – Deferred taxes related to defined benefit costs increase	**(488)**	—
Net adjustment to other comprehensive income	**1'818**	—

Various other new and revised standards and interpretations must be applied with effect from 1 January 2013 or a later date. The Group has chosen not to early adopt them prior to their effective dates.

IFRS 9, Financial Instruments

In November 2009, the IASB issued IFRS 9, Financial instruments, which includes revised guidance on the classification and measurement of financial assets. In October 2010, the IASB updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments. The publication of IFRS 9 represents the completion of the first part of a multi-stage project to replace IAS 39, Financial instruments: recognition and measurement.

The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is accounted for at amortized cost only if the following criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. Non-traded equity instruments may be accounted for at fair value through other comprehensive income (OCI). Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. All other financial assets are measured at fair value through profit or loss.

The accounting and presentation for financial liabilities and for derecognition of financial instruments has been transferred from IAS 39 Financial instruments: Recognition and measurement to IFRS 9. The guidance is unchanged with one exception: the accounting for financial liabilities designated at fair value through profit or loss. The requirements in IAS 39 regarding the classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. The two existing measurement categories for financial liabilities remain unchanged. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged. For financial liabilities designated at fair value through profit or loss, changes in fair value due to changes in an entity's own credit risk are directly recognized in OCI instead of in profit and loss. There is no subsequent recycling of realized gains or losses from OCI to profit or loss. For financial liabilities that are required to be measured at fair value through profit or loss, i.e., all derivatives and trading portfolio liabilities, all fair value movements will continue to be recognized in profit and loss.

The Group is currently assessing the impact of the new standard on its consolidated financial statements. The effective date for mandatory adoption is 1 January 2015, with early adoption permitted.

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated financial statements, which replaces the guidance on control and consolidation in SIC-12 Consolidation, Special purpose entities, and parts of IAS 27, Consolidated and separate financial statements. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The third pillar in the assessment of control considers the interaction between power and variable returns. To have control over an investee, an investor must also have the ability to use its power over the investee to affect its return from its involvement with the investee. The determination of power is based on current facts and circumstances and is continuously assessed. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. The standard also provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 introduces, for example, guidance on assessing whether an entity with decision-making rights is a principal or an agent. Only entities that are principals can have control. The Group does not expect the new standard to have a material impact on its financial statements. The effective date for mandatory adoption is 1 January 2013, with early adoption permitted.

IFRS 13, Fair value measurement

In May 2011, the IASB issued IFRS 13 Fair value measurement, which completes a major project of the IASB and the US Financial Accounting Standards Board (FASB) to improve IFRS and US GAAP and bring about their convergence. The new standard defines fair value, provides guidance on its determination and introduces consistent requirement for disclosures on fair value measurements.

The standard does not introduce new fair value measurements nor does it eliminate practicability exceptions to fair value measurements. IFRS 13 improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The definition emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As such, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value. IFRS 13 allows a limited exception to the basic fair value measurement principles for a reporting entity that holds a group of financial assets and financial liabilities with offsetting positions in particular market risks or counterparty credit risk and manages those holdings on the basis of the entity's net exposure to either risk. This exception allows the reporting entity, if certain criteria are met, to measure the fair value of the net asset or liability position in a manner consistent with how market participants would price the net risk position. However, the new standard retains the IAS 39 criteria restricting the recognition of day 1 profit and loss for instruments with significant unobservable inputs. The Group does not expect the new standard to have a material impact on its financial statements. The effective date for mandatory adoption is 1 January 2013, with early adoption permitted.

Other new standards and interpretations

The following new and revised standards and interpretations are not expected to have any significant impact on the Group's results or are not expected to be relevant for the Group based on our initial analysis;

IAS 1, Presentation of financial statements (amendments)

IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments)

IFRS 11, Joint arrangements

IFRS 12, Disclosures of interests in other entities

IAS 27, Separate financial statements (amendments)

IAS 28 and IAS 31, Associates and joint ventures (amendments)
IAS 32, Offsetting Financial Assets and Financial Liabilities (amendments)

IFRIC 20, Stripping costs in the production phase of a surface mine

5 Financial risk assessment and management

The Group's activities expose it to a variety of financial risks, including market risk, credit and counterparty risk, and liquidity and funding risk. These risks primarily arise in the Group's Structured Solutions business through the issuance of structured products, the related investment of cash proceeds, and the hedging of market risks through the purchase of debt, equity and derivative products. These risks also arise in the Group's Structured Asset Management & Pension Solutions business as well as the Group's investment portfolio.

Financial risks are one element of the Group's overall risk environment, which also includes operational and other business risks. Other business risks include reputational risk, compliance and legal risks. These risks are managed within the context of the Group's overall risk control principles that are implemented through the Group's risk management and control framework. The framework comprises qualitative elements, such as policies and authorities, and quantitative components, including risk measurement methodologies and risk limits. A variety of methodologies and measurements are applied to quantify the risks of the Group's portfolios and risk concentrations. Risks that are not properly reflected by standard measures are subject to additional controls, which may include pre-approval of transactions and specific restrictions. Pricing models used to manage and quantify risk are developed by a dedicated team within the organization. These models are validated before they are used, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model.

The Board of Directors defines the Group's overall risk appetite and allocates it to individual risk categories. It also approves the Group's risk management policies and procedures. Implementation of the Group's policies and compliance with procedures are the responsibility of the Group's Executive Committee and its risk functions.

The key roles and responsibilities for risk management and control activities of the Board of Directors, the Risk Committee of the Board and the Executive Committee of the Group are defined in the Group's risk policy framework and are summarized below:

- The Board of Directors is responsible for defining and providing an appropriate framework for the measurement, limitation, management and supervision of all risks to which the Group is exposed.
- The Risk Committee of the Board of Directors reviews and analyzes risk information provided by the Executive Management and guides the Board of Directors in matters related to risk management.
- The Executive Committee is responsible for the operational management and supervision of all types of risks within the framework and limits defined by the Board of Directors.

Risk control is carried out by the Risk Control department under policies established and approved by the Executive Committee and the Board of Directors. The core tasks of the Risk Control department in respect of financial risks include:

- daily control of market, credit, country and liquidity limits and/or ratios;
- daily interest rate exposure and correlation sensitivity analysis;
- reporting all limit breaches and mandating appropriate actions and escalating risk issues to the Risk Committee of the Group;
- daily profit and loss calculation and verification;
- independent price testing of derivative positions;
- independent assessment and approval of pricing models and new structures;
- assessment of new products from a risk control perspective, including mandatory sign-off;
- production of internal management and risk reports for the Executive Committee, the Board of Directors, the Risk Committee and EFGI;
- regulatory risk reporting; and
- proposal of stress scenarios to the Risk Committee and the Board of Directors.

The overall risk management program for financial risks focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Measurement methodologies

Derivative instruments, traded financial assets and liabilities, financial assets designated at fair value and financial liabilities designated at fair value are recorded at fair value in the statement of financial position. Changes in the fair values of these instruments are recorded as net trading income in the income statement.

Fair values are determined using quoted prices in active markets when these are available. In other cases, fair value is determined using a valuation model. Valuation models use market-observable inputs and rates derived from market-verifiable data, such as interest rates and foreign exchange rates, when available. Valuation models are primarily used for issued structured products and derivatives.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

All models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Whenever possible, valuations derived from models are compared with prices of similar financial instruments and with actual values when realized in order to further validate and calibrate the models.

Valuation models are generally applied consistently across products and from one period to the next, ensuring comparability and continuity of valuations over time. However, models are changed or adapted to market developments where appropriate. There were no significant changes in the valuation models used during 2012 and 2011.

All financial instruments carried at fair value are categorized into one of three fair value hierarchy levels at year-end depending on how fair value has been determined:

- level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- level 2 – valuation techniques for which all significant inputs are market-observable, either directly or indirectly;
- level 3 – valuation techniques which include significant inputs that are not based on observable market data.

The Group considers input data observable and classifies the respective financial instrument as level 2 in the fair value hierarchy when there is an equal and offsetting level 2 transaction. An offsetting transaction is considered to provide evidence of an observable market transaction when it can be demonstrated that the offsetting transaction nullifies all or a significant proportion of the price risk.

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2012
Financial assets				
Trading financial assets				
Debt securities	134’177	—	—	**134’177**
Equity securities	1’037’207	—	—	**1’037’207**
Precious metals	10’809	—	—	**10’809**
Other securities	—	18’037	—	**18’037**
Total trading financial assets	1’182’192	18’037	—	**1’200’230**
Positive replacement values of derivative instruments	—	601’560	—	**601’560**
Financial assets designated at fair value through profit or loss	123’099	47’327	—	**170’426**
Total financial assets	**1’305’292**	**666’924**	—	**1’972’216**
Financial liabilities				
Other financial liabilities at fair value	31’945	—	—	**31’945**
Negative replacement values of derivative instruments	—	747’221	—	**747’221**
Financial liabilities designated at fair value through profit or loss				
Capital protected	—	158’796	—	**158’796**
Participation	—	229’128	—	**229’128**
Yield enhancement	—	324’751	—	**324’751**
Leverage	—	32’882	—	**32’882**
Total financial liabilities designated at fair value through profit or loss	—	745’557	—	**745’557**
Total financial liabilities	**31’945**	**1’492’778**	—	**1’524’723**

CHF thousands	Level 1	Level 2	Level 3	Total 31.12.2011
Financial assets				
Trading financial assets				
Debt securities	111’442	26’034	—	**137’476**
Equity securities	647’084	—	—	**647’084**
Precious metals	3’272	—	—	**3’272**
Other securities	—	28’152	—	**28’152**
Total trading financial assets	761’798	54’186	—	**815’984**
Positive replacement values of derivative instruments	—	201’970	—	**201’970**
Financial assets designated at fair value through profit or loss	—	2’950’739	—	**2’950’739**
Total financial assets	**761’798**	**3’206’895**	—	**3’968’693**
Financial liabilities				
Other financial liabilities at fair value	55’915	—	—	**55’915**
Negative replacement values of derivative instruments	—	412’050	—	**412’050**
Financial liabilities designated at fair value through profit or loss				
Capital protected	—	1’048’787	—	**1’048’787**
Participation	—	471’574	—	**471’574**
Yield enhancement	—	1’538’749	—	**1’538’749**
Leverage	—	27’227	—	**27’227**
Total financial liabilities designated at fair value through profit or loss	—	3’086’337	—	**3’086’337**
Total financial liabilities	**55’915**	**3’498’387**	—	**3’554’302**

Financial instruments classified in level 1 are primarily comprised of listed debt and equity instruments entered into in order to hedge issued structured products. Financial instruments classified in level 2 are mainly comprised of issued structured products, cash deposits and derivatives entered into in order to hedge issued structured products.

There have been no significant reclassifications of instruments between different levels in 2012 and 2011.

Market risk

Market risk is the risk of loss due to adverse changes in market prices. The Group distinguishes between the following types of market risk:

- equity risk, which is the risk of adverse movements in share prices and related derivatives;
- interest rate risk, which is the risk of adverse movements in yield curves and the corresponding movements in the valuation of fixed-income based assets;
- credit spread risk, which is the risk that the change of credit spreads negatively impacts asset prices or related derivative prices. Credit spread risk relates primarily to the investment portfolio;
- foreign exchange risk (FX risk), which is the risk of adverse movements in currencies and related derivative instruments;
- commodity risk, which is the risk of adverse movements in commodity prices and related derivatives.

The Group's market risk primarily arises from the issuance of structured products and the related hedging activity. The Group's risk mitigation strategies aim to offset market risks to within strict market risk limits. Traders are required to manage their risks within these limits through the use of hedging and risk mitigation strategies. These strategies can however expose the firm to remaining sources of risk as the hedge instrument and the position being hedged may not always move in parallel. Such residual risks are managed at a macro level.

Interest rate risks and foreign exchange risks may also arise in the normal course of business. The Group is also exposed to interest rate risk as a result of its Pension Solutions business. The Group gives guarantees on minimum returns, and this exposes the Group to risks involving falling interest rates and risks involving the increasing volatility of interest rates. These risks are also monitored under market risk limits or subject to specific monitoring.

The Group's market risk measures and related limits take a number of different forms and consider risk at different levels of aggregation. Market risk limits are set by management and reviewed regularly by the Board of Directors.

The Group has three major portfolio measures of market risk: VaR based on historical events, stress loss simulations based on hypothetical but possible scenarios and sensitivity measures.

The Group's VaR model for its structured products and related hedging activity is a statistical measure of market risk and represents the maximum level of market risk losses that the Group should expect in any one-day period with a 99% level of confidence and a one-day holding period against a limit of CHF 1.5 million as of 1 January 2012, which increased to CHF 2 million by 31 December 2012. VaR is based on historical market observations over the prior 300 days. The VaR model assumes the trading book positions remain unchanged over the one-day time horizon. The Group uses VaR for internal management purposes only and not for capital calculations.

The Group's daily VaR covers risks related to the underlying and volatility of equity risk and the underlying of FX, interest rate and commodity risks.

CHF thousands	2012	2011
Value at risk		
12 months to 31 December		
Average	**1'241**	1'206
Minimum	**760**	601
Maximum	**1'751**	2'284
At 31 December	**1'102**	**1'270**

VaR by asset class is also run on a weekly basis. The table below shows the relative size of different exposures for the VaR calculations run during the last week of December:

CHF thousands	2012
Value at risk by asset class	
Value at risk by equity	**1'094**
Value at risk by fixed income	**148**
Value at risk by FX	**148**
Value at risk by commodity	**138**
Value at risk	**1'060**

There were no limit breaches observed in 2012. The level of value at risk showed a small tendency to decrease over time. The main reason for this was a relatively quiet market environment in 2012.

There were no backtesting exceptions observed in 2012. Backtesting was performed on all exposure that was included in the VaR calculation.

Actual realized losses may differ from those implied by the Group's VaR. All VaR measures are subject to the usual limitations and must be interpreted accordingly. The limitations of VaR include the use of historical data that may not reflect future market movements and the use of a specific confidence level that does not indicate potential losses beyond this level. Management continues to review the performance of the VaR model, including a review of the risks not included in VaR. The models are continually enhanced to more accurately capture the relationships between the market risks variables.

These portfolio measures are complemented by concentration and other supplementary limits that act on values (market or notional) and risk sensitivities.

On a daily basis, the risk sensitivities on identified risks such as interest rate, foreign exchange, dividend exposure, delta and vega exposures at both the underlying and portfolio level are reviewed.

Credit and counterparty risk

Credit risk is the risk of loss should a counterparty fail to fulfill its contractual obligations to the Group. Credit risk principally arises from the Group's investment portfolio, specifically bonds and term deposits, but also includes other on balance sheet financial assets such as cash, settlement accounts, OTC derivative transactions and securities lending and borrowing.

Credit risk also includes issuer risk. Issuer risk is a measure of the Group's exposure to the tradable instruments (bonds and third-party issued products) of a single issuer (or issuer group).

The Group's maximum exposure to credit risk on its financial assets is equal to its carrying value in the statement of financial position less any guarantees, collateral and any effects of netting agreements.

The Group actively manages the credit risk in accordance with the risk framework and limits set by the Board of Directors.

The counterparties that the Group trades with are high-grade financial institutions, the vast majority of which have a credit rating of A or higher as published by at least one major credit rating agency. The Group sets a credit limit for each counterparty to reflect their financial standing and relationship with the Group in addition to credit limits by type of asset held. Additionally, the Group has established internal rating categories related to country of domicile. Countries rated below the Group's "Category A" rating are also restricted by a total credit exposure limit. The Group reviews the limits that have been set on a regular basis and monitors its total exposures against these limits on a daily basis. At 31 December 2012 and 2011, the Group's exposure to counterparties domiciled in European countries rated by the Group as below "Category A" was minimal.

The Group also seeks to reduce its credit risk to counterparties through the use of master netting and collateral agreements. The Group's OTC derivatives trading is generally conducted under bilateral International Swaps and Derivatives Association (ISDA), or ISDA equivalent, master trading agreements, which allow for the close-out and netting of all transactions in the event of default. The Group also has collateral agreements through Credit Support Annexes (CSAs) with major market participants, under which either party can be required to provide collateral in the form of cash or marketable securities when the exposure exceeds a predefined level. The Group's securities borrowing and lending transactions are performed under bilateral Global Master Securities Lending Agreements (GMSLA), which require both parties to provide collateral.

The table below reports net credit exposures per asset class.

CHF thousands	Maximum exposure to credit risk as reported under IFRS	Effect of master netting agreements	Effect of collateral received	Credit protection through issued products	Net exposure to credit risk
Financial assets at 31.12.2012					
Cash and cash equivalents	**370'479**	—	**(274'317)**	—	**96'162**
Settlement receivables	**656'141**	—	**(310'757)**	—	**345'384**
Cash collateral	**82'135**	**(22'714)**	**(54'471)**	—	**4'950**
Trading financial assets	**163'023**	—	—	**(148'191)**	**14'832**
Positive replacement values of derivative instruments	**601'560**	**(267'484)**	**(328'142)**	—	**5'934**
Financial assets designated at fair value through profit or loss	**170'426**	**(47'327)**	—	—	**123'099**
Total 31.12.2012	**2'043'764**	**(337'525)**	**(967'687)**	**(148'191)**	**590'361**

CHF thousands	Maximum exposure to credit risk as reported under IFRS	Effect of master netting agreements	Effect of collateral received	Credit protection through issued products	Net exposure to credit risk
Financial assets at 31.12.2011					
Cash and cash equivalents	**100'555**	—	(29'502)	—	**71'053**
Settlement receivables	**46'432**	—	(42'306)	—	**4'126**
Cash collateral	**37'877**	(15'209)	(13'729)	—	**8'939**
Trading financial assets	**168'900**	—	—	(126'389)	**42'511**
Positive replacement values of derivative instruments	**201'970**	(43'645)	(145'218)	—	**13'107**
Financial assets designated at fair value through profit or loss	**2'950'739**	(34'910)	—	—	**2'915'829**
Total 31.12.2011	**3'506'473**	**(93'764)**	**(230'755)**	**(126'389)**	**3'055'565**

There are no significant past due or impaired receivables at 31 December 2012 or 2011.

Liquidity and funding risk

The Group hedges its liabilities through the sale or purchase of derivative instruments or other financial assets. The Group is therefore exposed to the risk that it will be unable to sell or buy such hedge assets at fair values or at all, as needed in order to cover its liabilities. This risk is referred to as liquidity risk. Measures to mitigate market liquidity risks include:

- issuing financial instruments on reasonably liquid underlying instruments (shares, bonds, freely convertible currencies and commodities) and strictly liquid markets;
- diversification of OTC hedging counterparties; and
- quoting financial products including a sufficient bid-ask spread in order to provide a sufficient buffer for less liquid underlyings. The buffer between the value of the product using current market value of less liquid underlyings and the prices at which the Group is willing to trade these products is needed in order to compensate for the possibility that the Group may not be able to hedge its liabilities at the current market prices of the less liquid underlyings.

Liquidity is managed at both a Group level and a legal entity level with respect to legal, regulatory and other requirements. There remains a constant requirement for liquidity for the Group's secondary market activities, collateralization and other operational obligations.

The Group's management of liquidity risk aims to maintain sufficient liquidity at any time to meet liabilities when due whilst maximizing investment returns under both normal and stressed conditions. Liquidity resources are comprised of cash at hand, repurchase agreements, external bilateral secured financing, ability to break deposits at market and credit facilities with EFG Bank. Liquidity is actively managed daily and the process is maintained and managed by the Group's Treasury function.

The table below shows the maturity analysis of the Group's financial assets and liabilities. Financial assets are presented based on either the first time period in which they can be contractually redeemed, or in the case of trading financial assets, principally equity instruments with no contractual maturity, in the up to 1 month category reflecting management's view on the liquidity characteristics of these instruments. Financial liabilities are presented based on the first time period in which they are contractually redeemable. As the undiscounted cash flows are not significantly different from the discounted cash flows, the balances equal their carrying amount on the statement of financial position with the exception of financial assets and financial liabilities designated at fair value through profit and loss which have been adjusted to reverse the effects of changes in fair values due to changes in interest rates.

	Due				
CHF thousands	Up to 1 month	1 – 3 months	3 – 12 months	Over 12 months	Total 31.12.2012
Assets					
Cash and cash equivalents	370'479	—	—	—	370'479
Settlement receivables	656'141	—	—	—	656'141
Cash collateral	82'135	—	—	—	82'135
Trading financial assets	1'195'630	—	—	—	1'195'630
Positive replacement values of derivative instruments	8'547	168'905	159'278	264'830	601'560
Financial assets designated at fair value through profit or loss	48'193	2'800	15'179	96'042	162'214
Total assets	**2'361'125**	**171'705**	**174'457**	**360'872**	**3'068'159**
Liabilities					
Short-term credit	514'758	—	—	—	514'758
Settlement payables	430'293	—	—	—	430'293
Cash collateral	520'278	—	—	—	520'278
Other financial liabilities at fair value	31'945	—	—	—	31'945
Negative replacement values of derivative instruments	26'378	62'114	250'462	408'267	747'221
Financial liabilities designated at fair value through profit or loss	99'511	97'227	313'428	238'748	748'914
Total liabilities	**1'623'163**	**159'341**	**563'890**	**647'015**	**2'993'409**

CHF thousands	Due: Up to 1 month	1 – 3 months	3 – 12 months	Over 12 months	Total 31.12.2011
Assets					
Cash and cash equivalents	100’555	—	—	—	**100’555**
Settlement receivables	46’432	—	—	—	**46’432**
Cash collateral	37’877	—	—	—	**37’877**
Trading financial assets	815’984	—	—	—	**815’984**
Positive replacement values of derivative instruments	7’813	24’228	44’381	125’548	**201’970**
Financial assets designated at fair value through profit or loss	666’591	656’399	879’936	718’964	**2’921’890**
Total assets	**1’675’252**	**680’627**	**924’317**	**844’512**	**4’124’708**
Liabilities					
Short-term credit	258’440	—	—	—	**258’440**
Settlement payables	66’564	—	—	—	**66’564**
Cash collateral	239’264	—	—	—	**239’264**
Other financial liabilities at fair value	55’915	—	—	—	**55’915**
Negative replacement values of derivative instruments	23’554	46’937	137’840	203’720	**412’051**
Financial liabilities designated at fair value through profit or loss	537’357	502’678	1’285’301	732’152	**3’057’488**
Total liabilities	**1’181’094**	**549’615**	**1’423’141**	**935’872**	**4’089’722**

Funding risk is the risk that the Group might be unable to borrow funds in the market at an acceptable price to fund actual or proposed commitments. The Group’s primary funding is provided by the issuance of structured products to a client base that is diversified across different investors and geographies, which reduces its reliance on any one funding provider. Additional funding is also available to the Group through various sources as described above.

Capital risk management

The capital base serves primarily to cover inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulations and ratios defined by the Basel Committee on Banking Supervision.

The Group’s capital management is closely tied to the Group’s overall income targets and budgeting process, which also provides a reliable forecast of available capital on the basis of future profits, dividend policy and corporate actions. Capital planning is based on realistic assumptions with regards to business performance and includes an analysis of potential sources of additional capital in times of stress. Management is responsible for the capital planning process. The Board of Directors approves the capital planning at least annually. The main drivers of capital consumption are monitored on a regular basis by Risk Control. Risk Control, Finance and Regulatory Compliance meet regularly to consider the current and future capital situation and to provide management and the Board of Directors with the necessary information for their decision-making.

Compliance with the statutory capital adequacy requirements prescribed by Switzerland and the Swiss Financial Market Supervisory Authority (FINMA) is mandatory. These capital adequacy requirements were met in the period under review without exception.

As a securities dealer licensed by FINMA, EFG FP AG is subject to Swiss capital adequacy requirements and has been in compliance with these requirements throughout 2012 and 2011. The Group is subject to consolidated FINMA supervision only as of 31 December 2012 and as of this date, the Group is required to meet minimum regulatory capital requirements and will therefore need to be compliant with FINMA’s minimum required total capital ratio of 10.5% of its risk-weighted assets at all times at the consolidated Group level.

The Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as Basel III), and on 1 June 2011 issued its final guidance, which includes substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards, to establish minimum liquidity standards and introduce a minimum leverage ratio for financial institutions. The changes include, among other items, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions, the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio).

In Switzerland, regulatory capital requirements are determined by FINMA. The Swiss regulator in principle follows the Bank for International Settlements (BIS) framework, retaining the tradition of higher capital requirements through the application of capital buffers depending on the size of the company. FINMA's requirements with respect to liquidity are not applicable to EFG Financial Products, as these rules are applicable only to banks.

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

The following approaches are applied in determining the regulatory capital requirements of the Group:

- Market risk: Standardized approach
  Given the Group's business strategy and activities, market risk represents the main driver of the Group's capital requirements, primarily related to equities as a result of the Group's hedging strategies (vega CHF 10.7 million, specific and general risk of equity CHF 5.3 million).

  Interest risks are mainly driven by the general market risk of CHF 7.3 million, which is principally due to the Group's issued products and its bond portfolio, as well as vega and gamma (CHF 4.0 million and CHF 1.3 million respectively), given the Group's strategic hedges of the long-term interest curve.

- Credit risk: International Standardized Approach (SA BIS)
  Large credit risks are primarily with banks and insurance companies as a result of the Company's OTC and securities lending business.

- Operational risk: Basic indicator approach
  The capital requirement for operational risk is based on the previous three years' average earnings, which include revenues of EFGI Guernsey, previously EFG FP Guernsey, which was sold to EFGI in October 2012 and is therefore no longer consolidated by the Group. EFGI Guernsey will however continue to affect the Group's operational risk charges until March 2016.

  The scope of consolidation used for the calculation of capital was the same as for the preparation of these financial statements. The Group is subject to consolidated FINMA supervision as of 31 December 2012.

The table below summarizes the eligible capital, required capital and capital ratios computed using BIS as of 31 December 2012:

CHF thousands	31.12.2012
BIS eligible capital	
Total shareholders' equity	**125'311**
Other intangible assets	**(83)**
Capital deductions	—
Other adjustments	**(6'667)**
Tier 1 capital	**118'561**
Tier 2 capital	—
Total BIS eligible capital	**118'561**

Other adjustments are deductions for capital distributions, as suggested by the Board of Directors.

CHF thousands	31.12.2012
BIS required capital	
Market risk (incl. derivatives)	**32’281**
Interest rates	**12’772**
Equities	**16’066**
Foreign exchange and gold	**1’022**
Commodities	**2’421**
Credit risk	**5’560**
Operational risk	**12’946**
Non-counterparty-related risk	**1’951**
Total BIS required capital	**52’738**
BIS risk-weighted assets	**659’225**

	31.12.2012
BIS capital ratios (%)	
Tier 1 ratio	**18.0%**
Total capital ratio	**18.0%**

Of the net IPO proceeds of CHF 67.0 million, CHF 40.0 million have been transferred to EFG Financial Products AG in the form of Tier 1 capital (CHF 20 million) and Tier 2 capital (CHF 20 million) respectively. Short-term liabilities were repaid to EFGI and its subsidiaries, and a liquidity reserve was built up at EFG FP Holding AG level with the remaining proceeds.

Risk-weighted assets have increased since the IPO primarily due to the new bond portfolio established at the Guernsey branch and increased credit risk charges due to the omission of the reduction agreement with EFG Bank AG.

Risk concentrations

Management considers that a risk concentration exists when an individual or group of financial instruments is exposed to changes in the same risk factor and that exposure could result in a significant loss based on plausible adverse future market developments. Management reviews risk concentrations, including residual risks such as vega, correlation, dividend and gap risk, on a regular basis and takes corrective action to ensure exposures are limited to an acceptable level.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration (“Large exposures”) within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank’s eligible capital, taking into account counterparty risks and risk mitigation instruments. At 31 December 2012, the Group identified seven large exposures, whereof the largest included Credit Suisse AG, the Group’s primary execution broker and custodian of its trading assets, EFGI and its subsidiaries and SIX Group AG, the Group’s settlement clearer.

Refer to details of related-party transactions with EFGI and its subsidiaries within Note 30.

6 IPO and pre-IPO restructuring

Initial public offering

The Company listed its shares on the SIX Swiss Exchange on 19 October 2012. Through the IPO, 1’666’665 new registered shares were issued and 1’270’472 existing registered shares were sold by EFGI at a price of CHF 45 per share. An additional 293’713 existing registered shares were sold by EFGI during the over-allotment period ending on 24 October 2012, also at a price of CHF 45 per share.

EFGI’s shareholding in EFG FP Holding was reduced to 20.3% as a result of the sale of these 1’564’185 existing registered shares.

Pre-IPO reorganization

Prior to the IPO, certain measures to reorganize the Group’s business were undertaken, principally to gain a more independent setup and to agree on access to support from EFGI if needed. The main steps of the pre-IPO reorganization included the transfer of EFG FP Guernsey to EFGI, the setting up of a branch of EFG Financial Products AG in Guernsey (EFG FP Guernsey Branch) as the Group’s new main issuing entity, a white-labeling partnership with EFGI and a cooperation agreement with EFGI.

On 4 October 2012, EFG FP Guernsey was sold to EFGI pursuant to a series of transactions at a cash sales price equal to the net asset value of EFG FP Guernsey of CHF 9.6 million. No gain or loss on the sale was incurred by the Group.

Before effecting the sale of EFG FP Guernsey to EFGI, EFG FP Guernsey sold and transferred its shares in its subsidiary EFG Financial Products (Monaco) S.A.M. (EFG FP Monaco) to EFG FP Holding at book value, deemed to be fair value, and also sold, transferred and assigned certain assets and liabilities other than the legacy portfolio as well as employees by way of an asset transfer to EFG FP Guernsey Branch. Following its transfer to EFG International, EFG FP Guernsey has been renamed EFGI Guernsey. The servicing of EFGI Guernsey’s portfolio and the issuance of new structured products by EFGI Guernsey is performed pursuant to the EFG white-labeling agreement with EFGI.

Refer to further details within Note 27, Shareholders equity, and Note 30, Related-party transactions.

7 Fee income

CHF thousands	2012	2011
Sales fee income	**87’324**	82’102
White-labeling service fee income	**30’768**	1’690
Other fee income	**3’707**	6’922
Total fee income	**121’799**	**90’714**

8 Fee expense

CHF thousands	2012	2011
Fee expense	**889**	3’406
Total fee expense	**889**	**3’406**

Fee expense consists primarily of commissions paid for fund administration services.

9 Net trading income

CHF thousands	2012	2011
Net (loss)/gain on trading financial assets at fair value through profit or loss	**131'285**	(94'996)
Net gain on financial assets designated at fair value through profit or loss	**41'250**	64'965
Total net (loss)/gain on financial assets at fair value	**172'535**	**(30'031)**
Net gain/(loss) on financial liabilities designated at fair value through profit or loss	**(229'231)**	147'013
Total net gain/(loss) on financial liabilities at fair value	**(229'231)**	**147'013**
Net (loss)/gain from changes in replacement values of derivative instruments	**63'746**	(102'010)
Total net (loss)/gain from changes in replacement values of derivatives	**63'746**	**(102'010)**
Total net trading income	**7'050**	**14'972**

Gains and losses from financial assets, financial liabilities and derivatives consist of the changes in the fair values and the settlement of the related assets and liabilities during the period. The investment in these financial instruments and the resulting gains and losses are client-driven. Trading financial assets consist of debt, equity, precious metal and other securities held for trading. Refer to Note 17 and 24 for further details.

Financial assets designated at fair value through profit or loss consist of term deposits held with related parties and financial institutions and bonds. Refer to Note 19 for further details.

Financial liabilities designated at fair value through profit or loss consist of the Group's issued products. Refer to Note 26 for further details.

10 Other operating income

CHF thousands	2012	2011
Shared service income EFGI	**1'704**	1'941
Interest income	**448**	1'743
Interest expense	**(2'747)**	(2'497)
Other operating income	**392**	1'099
Other financial guarantee income	**7'425**	10'530
Other financial guarantee expense	**(7'425)**	(10'530)
Total other operating income	**(203)**	**2'286**

Shared service income EFGI reflects the various services provided to EFGI and its subsidiaries, including marketing services relating to the EFG brand generally, office space provided to various employees of EFGI and its subsidiaries and consulting services. Shared service income EFGI does not include white-labeling service fee income which is reflected within Fee income.

Interest income relates to interest earned on cash and cash equivalents.

Interest expense relates primarily to interest paid on short-term credit.

Other operating income relates to reimbursements of indirect taxes and other income.

Other financial guarantee income relates to the premiums earned by the Group related to the issuance of a financial guarantee contract with EFG Bank, a related party. Other financial guarantee expense relates to the amortization of the financial guarantee provided by EFGI to the Group. These guarantees provided and received by the Group's former subsidiary EFG FP Guernsey, are further described within the accounting policies.

11 Personnel expenses

CHF thousands	2012	restated 2011
Salaries and bonuses	**52'436**	46'710
Social contributions	**3'914**	3'561
Pension plan expense	**2'280**	1'990
Other personnel expense	**2'208**	1'703
Total personnel expenses	**60'838**	**53'964**

The Group employed 270 and 243 full-time equivalents as of 31 December 2012 and 2011, respectively.

Certain personnel costs directly attributable to the development of internally developed software have been capitalized as Intangible Assets. Capitalized costs include salaries and bonuses, social contributions and pension costs.

The Group made an additional contribution of TCHF 650 to the pension fund during 2012 as required by the plan regulators. This amount is also reflected as pension plan expense.

12 Other operating expenses

CHF thousands	2012	2011
Professional services	**8'839**	5'966
Marketing, travel and representation	**4'866**	5'763
Rent and other office expenses	**4'300**	3'338
IT-related expenses	**7'677**	6'570
Banking fees	**3'471**	3'231
Other administrative expenses	**6'578**	5'199
Total operating expenses	**35'731**	**30'067**

13 Taxes

Income taxes

CHF thousands	2012	restated 2011
Income tax expense		
Switzerland	—	—
Foreign	**211**	194
Current income tax expense	**211**	194
Switzerland	**1'118**	1'163
Foreign	**(3)**	(2)
Deferred income tax expense	**1'115**	1'161
Total income tax expense	**1'326**	**1'355**

CHF thousands	2012	restated 2011
Profit before tax	**21'874**	14'428
Income tax expense/computed at the statutory tax rate of 21.17%	**4'632**	3'055
Explanations for higher (lower) tax expense		
Tax rate differential	**(3'306)**	(1'700)
Income tax expense	**1'326**	**1'355**

The statutory tax rate of the Group's main operating entity, EFG FP Zurich, is 21.17%. The Group has to date been able to utilize the net operating loss of the EFG FP Zurich entity incurred during the initial years of its operations. This has resulted in no income tax payments due for the years ended 31 December 2012 and 2011.

Income generated by EFG FP Holding is generally not taxed in accordance with preferential holding company tax rules in Switzerland.

The Group's foreign operations are taxed at varying rates. The tax rate differential presented relates primarily to the income of the Group's Guernsey Branch and the Group's previously owned subsidiary EFG FP Guernsey, which are taxed at the Guernsey company standard rate of 0%.

The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may differ from the amounts determined by the tax authorities in the future.

Deferred taxes

CHF thousands	31.12.2012	restated 31.12.2011	restated 01.01.2011
Composition of deferred taxes			
Tax loss carry-forwards	**1’212**	1’878	2’730
Deferred income	**570**	535	578
Pension liability	**951**	746	362
Capitalized start-up costs	**—**	159	321
Total deferred tax assets	**2’733**	**3’318**	**3’991**
Fixed assets and intangible assets	**1**	4	6
Total deferred tax liabilities	**1**	**4**	**6**

CHF thousands	2012	restated 2011
Changes in deferred tax assets and liabilities (net)		
Balance at the beginning of the year	**3’314**	3’986
Changes affecting the income statement		
Utilization of tax losses carried forward	**(666)**	(852)
Other temporary differences	**(449)**	(308)
Changes affecting the statement of other comprehensive income	**533**	488
At 31 December	**2’732**	**3’314**

The deferred tax asset balances were restated as of 1 January 2011 and 31 December 2011 with respect to the early adoption of IAS 19 (revised 2011). Refer to Note 4 for further information on these adjustments.

In the case of deferred tax assets, the amounts recognized depend on assumptions regarding available future profits that are eligible for offset.

The Group was able to utilize TCHF 666 of its tax loss carry-forward in 2012 as a result of profits generated by its EFG FP Zurich entity. The Group has not recognized any valuation allowances on any deferred tax assets. The unutilized tax loss carry-forward is expected to be utilized by its expiration in 2015.

14 Cash and cash equivalents

CHF thousands	31.12.2012	31.12.2011
Unrelated financial institutions	**118’473**	29’502
Related parties	**252’006**	71’053
Total cash and cash equivalents	**370’479**	**100’555**

15 Settlement positions

CHF thousands	31.12.2012	31.12.2011
Settlement receivables		
Unrelated financial institutions	**180’329**	42’306
Related parties	**475’812**	4’126
Total settlement receivables	**656’141**	**46’432**
Settlement payables		
Unrelated financial institutions	**165’136**	60’324
Related parties	**265’157**	6’240
Total settlement payables	**430’293**	**66’564**

Settlement balances arise in the normal course of trading activities and represent the receivables and payables of cash.

16 Cash collateral

CHF thousands	31.12.2012	31.12.2011
Assets		
Cash collateral on securities borrowed	**54’473**	18’629
Cash collateral receivables on derivative instruments	**22’830**	16’748
Cash collateral other	**4’832**	2’500
Total cash collateral provided	**82’135**	**37’877**
Liabilities		
Cash collateral on securities lent	**33’546**	31’164
Cash collateral from repurchase agreements	**460’000**	165’000
Cash collateral payables on derivative instruments	**26’732**	43’100
Total cash collateral received	**520’278**	**239’264**

The Group enters into securities borrowing and securities lending transactions, repurchase agreements and derivative transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The Group monitors credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited or returned when deemed necessary.

17 Trading financial assets

CHF thousands	31.12.2012	31.12.2011
Debt securities		
of which: bonds issued by governments	**7'771**	65'979
of which: bonds issued by banks	**8'772**	8'002
of which: bonds issued by others	**117'634**	63'495
Total debt securities	**134'177**	**137'476**
Equity securities	**1'037'206**	647'084
Precious metals securities	**10'810**	3'272
Other trading financial assets		
of which: mutual funds	**102**	8'662
of which: hedge funds	**2'096**	3'750
of which: securitised product instruments	**8'529**	11'699
of which: capital protection	**1'343**	713
of which: yield enhancement	**5'000**	3'301
of which: participation	**967**	27
Total other trading financial assets	**18'037**	**28'152**
Total trading financial assets	**1'200'230**	**815'984**
of which: pledged as collateral		
Debt securities	**69'679**	18'658
Equity securities	**373'887**	227'309
of which: lent as collateral in securities lending and borrowing transactions with the right to resell or repledge		
Debt securities	**26'781**	12'550
Equity securities	**220'843**	52'087

Financial assets held for trading include debt, equity, precious metal and other securities. Trading financial assets are purchased to offset the economic exposures arising from the non-host debt component of the Group's issued products or other financial liabilities.

18 Replacement values of derivative instruments

CHF thousands	Notionals	Positive RV	Negative RV
Interest rate instruments			
Swaps	**5'819'922**	**63'121**	**38'929**
Futures	**469'981**	**121**	**78**
Options	**326'447**	**17'396**	**62'869**
Foreign currency / precious metals			
Forward contracts	**781'198**	**5'101**	**8'685**
Futures	**46'300**	**447**	**1'978**
Options	**354'516**	**3'764**	**7'614**
Equities / indices			
Swaps	**26'260**	**45**	**793**
Futures	**14'920**	**1'425**	**1'206**
Options	**8'700'103**	**501'664**	**614'406**
Credit instruments			
Credit default swaps	**356'099**	**6'251**	**7'057**
Other			
Futures	**16'362**	**642**	**626**
Options	**52'918**	**1'583**	**2'980**
Total replacement values of derivative instruments 31.12.2012	**16'965'026**	**601'560**	**747'221**

CHF thousands	Notionals	Positive RV	Negative RV
Interest rate instruments			
Swaps	2'126'278	38'883	18'469
Futures	291'351	537	120
Options	103'142	10'296	181
Foreign currency / precious metals			
Forward contracts	186'077	9'679	1'993
Futures	106'811	930	4'750
Options	490'284	12'955	8'325
Equities / indices			
Swaps	53'793	894	275
Futures	114'178	3'226	951
Options	4'425'417	118'664	367'095
Credit instruments			
Credit default swaps	160'827	2'544	7'722
Other			
Futures	48'096	653	2'141
Options	27'219	2'709	28
Total replacement values of derivative instruments 31.12.2011	**8'133'473**	**201'970**	**412'050**

The Group enters into derivative transactions to offset the economic risks it is exposed to from the issuance of its structured products.

19 Financial assets designated at fair value through profit and loss

CHF thousands	31.12.2012	31.12.2011
Term deposits with related parties	**11’489**	2’915’557
Term deposits with unrelated financial institutions	**35’838**	35’182
Debt securities		
of which: bonds issued by governments	**106’592**	—
of which: bonds issued by banks	**9’097**	—
of which: bonds issued by others	**7’410**	—
Total financial assets designated at fair value through profit and loss	**170’426**	**2’950’739**

Financial assets designated at fair value through profit and loss include bonds and term deposits. Bonds and term deposits are used to offset the exposures to similar term components of the Group’s issued products, principally the host debt component of structured products issued.

Bond and term deposit terms range from one month to nine years.

As described in Note 6, as part of the Group’s pre-IPO restructuring the Group sold EFG FP Guernsey to EFGI. EFG FP Guernsey was previously the Group’s primary issuing entity and as such the balance of term deposits along with the balance of structured products outstanding, as presented in Note 26, were significantly reduced in 2012 due to this sale. The Group began building up its own bond portfolio in 2012 as reflected above, with the addition of debt securities.

20 Property and equipment

CHF thousands	Furniture/ Equipment	Leasehold improvements	IT equipment	Total 31.12.2012
Historical cost				
Balance at the beginning of the year	2’443	4’052	8’582	**15’077**
Additions	525	359	2’810	**3’694**
Disposals	—	—	—	—
Balance at the end of the year	**2’968**	**4’411**	**11’392**	**18’771**
Accumulated depreciation				
Balance at the beginning of the year	1’088	1’437	4’407	**6’932**
Depreciation	557	531	1’869	**2’957**
Disposal	—	—	—	—
Balance at the end of the year	**1’645**	**1’968**	**6’276**	**9’889**
Property, plant and equipment at the end of the year	**1’323**	**2’443**	**5’116**	**8’882**

CHF thousands	Furniture/ Equipment	Leasehold improvements	IT equipment	Total 31.12.2011
Historical cost				
Balance at the beginning of the year	1’885	3’830	6’240	11’955
Additions	558	222	2’342	3’122
Disposals	—	—	—	—
Balance at the end of the year	**2’443**	**4’052**	**8’582**	**15’077**
Accumulated depreciation				
Balance at the beginning of the year	644	1’313	2’548	4’505
Depreciation	444	124	1’859	2’427
Disposal	—	—	—	—
Balance at the end of the year	**1’088**	**1’437**	**4’407**	**6’932**
Property, plant and equipment at the end of the year	**1’355**	**2’615**	**4’175**	**8’145**

There was no impairment loss recognized during the years ended 31 December 2012 and 2011, respectively.

21 Intangible assets

CHF thousands	Internally developed software	Purchased software	Other intangible assets	Total 31.12.2012
Historical cost				
Balance at the beginning of the year	9’646	8’732	51	**18’429**
Additions	4’865	7’049	88	**12’002**
Disposals	—	—	—	—
Balance at the end of the year	**14’511**	**15’781**	**139**	**30’431**
Accumulated amortization				
Balance at the beginning of the year	2’323	6’113	51	**8’487**
Amortization	4’324	2’028	5	**6’357**
Disposal	—	—	—	—
Balance at the end of the year	**6’647**	**8’141**	**56**	**14’844**
Intangible assets at the end of the year	**7’864**	**7’640**	**83**	**15’587**

CHF thousands	Internally developed software	Purchased software	Other intangible assets	Total 31.12.2011
Historical cost				
Balance at the beginning of the year	3’251	7’914	51	11’216
Additions	6’395	818	—	7’213
Disposals	—	—	—	—
Balance at the end of the year	**9’646**	**8’732**	**51**	**18’429**
Accumulated amortization				
Balance at the beginning of the year	259	4’497	51	4’807
Amortization	2’064	1’616	—	3’680
Disposal	—	—	—	—
Balance at the end of the year	**2’323**	**6’113**	**51**	**8’487**
Intangible assets at the end of the year	**7’323**	**2’619**	—	**9’942**

There was no impairment loss recognized during the years ended 31 December 2012 and 2011 respectively.

Research costs are expensed as incurred. Research and development costs expensed during the years ended 31 December 2012 and 2011 totaled TCHF 4’554 and TCHF 2’039 respectively.

22 Other assets

CHF thousands	31.12.2012	31.12.2011
Receivables from pension solutions counterparties	**31'680**	12'952
Related-party guarantee	—	12'419
Withholding and other tax receivables	**8'864**	8'565
Receivables from related parties	**13'416**	2'475
Prepaid expenses	**1'277**	1'924
Other assets	**947**	1'438
Total other assets	**56'184**	**39'773**

Receivables from pension solutions counterparties relate to expenses incurred to purchase economic hedges for interest rate risks on behalf of pension solutions counterparties prior to the inception of their specific customer contracts. The expenses are recovered beginning at the inception of individual customer contracts and reimbursed to the Group by the respective pension solutions counterparty.

As described in Note 6, as part of the Group's pre-IPO restructuring the Group sold EFG FP Guernsey. As such, as of the date of the sale the Group no longer held the related-party guarantee asset or liability.

23 Short-term credit

CHF thousands	31.12.2012	31.12.2011
Short-term credit with related parties	**492'447**	253'580
Overdrafts with unrelated financial institutions	**22'311**	4'860
Total short-term credit	**514'758**	**258'440**

Short-term credit includes all overdraft balances and credit facilities with banks.

24 Other financial liabilities at fair value

CHF thousands	31.12.2012	31.12.2011
Equity securities	**29'015**	35'846
Debt securities	**2'930**	20'069
Total other financial liabilities at fair value	**31'945**	**55'915**

Short positions of debt, primarily government bonds, and equity securities are temporary short positions which are entered into if facilities to borrow the respective securities are in place.

25 Other liabilities

CHF thousands	31.12.2012	restated 31.12.2011	restated 01.01.2011
Accrued compensation	**19'083**	21'520	18'046
Related-party guarantee	—	12'419	11'595
Third-party interest in consolidated funds	—	6'394	—
Deferred fee income	**3'848**	3'617	4'641
Accounts payable	**6'855**	2'722	7'784
Payable to related parties	**13'791**	2'156	9'543
Pension liability	**4'490**	3'521	1'711
Other liabilities	**927**	1'638	1'206
Total other liabilities	**48'994**	**53'987**	**54'526**

As described in Note 6, as part of the Group's pre-IPO restructuring the Group sold EFG FP Guernsey. At the date of the sale, the Group no longer held the related-party guarantee asset or liability.

The Group liquidated its investment in the Swiss Peaks Saentis fund during 2012.

A pension liability has been recognized as of 31 December 2012 and 2011 and as of 1 January 2011 as the Group has adopted IAS 19 (revised 2011). Refer to Note 4 for further details.

26 Financial liabilities designated at fair value through profit and loss

CHF thousands	31.12.2012	31.12.2011
Hybrid financial instruments	**506'331**	2'709'727
Structured certificates	**239'226**	376'610
Total financial liabilities designated at fair value through profit and loss	**745'557**	**3'086'337**

Financial liabilities designated at fair value include the Group's issued products. Hybrid financial instruments contain debt hosts and embedded derivatives. Some hybrid instruments may also contain multiple embedded derivatives whose values may be interdependent. Structured certificates include certificates with multiple derivatives whose values may be interdependent. The contractual amounts to be paid at maturity of the structured products may differ from the fair values recognized at the respective balance sheet dates.

Any changes in the Group's own credit risk are reflected in financial liabilities designated at fair value, where the Group's own credit risk would be considered by market participants. There were no changes in the Group's own credit risk for the periods ending 31 December 2012 and 2011, respectively.

27 Shareholders' equity

As of 31 December 2012, the outstanding share capital amounts to CHF 13'333'330, consisting of 6'666'665 registered shares with a nominal value of CHF 2.00 each; the shares are fully paid-in.

No dividends were declared or paid during the years ended 31 December 2012 and 2011, respectively.

Pre-IPO

EFG FP Holding repaid the full amount of the participation certificates outstanding with a payment of TCHF 5'000 on 2 April 2012, satisfying in full all obligations with respect to this share class.

Immediately preceding the IPO, the Company split all 1'000'000 registered shares with a nominal value of CHF 10 each with a split ratio of 1:5 into 5'000'000 registered shares with a nominal value of CHF 2.00 each, fully paid-in. The Company also registered 1'666'665 new shares prior to the IPO. Registered shares thereafter totaled 6'666'665.

The Company also created conditional share capital in the amount of CHF 100'000 to cover potential exposures arising from the RSUs.

Listing

In connection with the IPO of the Company on 19 October 2012, 1'666'665 new registered shares were issued by the Company and 1'270'472 existing registered shares were sold by EFGI at a price of CHF 45 per share. An additional 293'713 existing registered shares were sold by EFGI during the over-allotment period ending on 24 October 2012 also at a price of CHF 45 per share. The gross proceeds raised were CHF 75 million.

Transaction costs related to the IPO and the sale of EFGI's existing shares were allocated to the Group and EFGI respectively on a proportionate basis, newly issued versus existing shares sold.

CHF 8 million of transaction costs attributable to the Group and total listing costs for the issuance of new equity have been deducted against share premium. In relation to the listing costs and EFGI's sale of existing EFG FP shares, EFGI contributed capital to the Group totaling TCHF 2'383.

Other reserves

On 13 December 2011 the Group announced a Restricted Stock Unit (RSU) plan (the 2012 RSU Plan). The grant date of the RSUs was in March 2012.

The RSUs were granted to certain employees of the Group nominated by the Board of Directors and was developed internally to allow employees entitled to variable compensation to participate in the long-term performance of the Company. Eligible employees were able to voluntarily participate in the plan and to convert a certain amount of their variable compensation (5%, 10% or 15%) into RSUs.

RSUs were granted to management and employees eligible for variable compensation for the year ended 31 December 2011. An RSU corresponds to one underlying share of the Company at a share price derived using a discounted cash flow model less a 15% discount. The market risk of the underlying share lies fully with the employee.

RSUs are conditional on the respective employee, 28 employees in total, completing three years of service (the vesting period) starting from the grant date and entitle the holders thereof to receive all together approximately 10'735 shares in total upon completion of the full three years.

The expense recognized in the income statement spreads the costs of the grants equally over the period of service in which the RSUs were deemed earned and the vesting period.

The amount expensed for the years ended 31 December 2012 and 2011 totaled TCHF 72 and TCHF 71, respectively. There were no further RSUs granted during 2012.

28 Accumulated other comprehensive loss

CHF thousands	Currency translation adjustments	Defined benefit cost	Deferred tax	Accumulated other comprehensive loss
1 January 2011	(135)	—	—	(135)
Cumulative effect, change in accounting	—	(2'306)	488	(1'818)
Increase / (decrease)	(145)	—	—	(145)
31 December 2011 restated	**(280)**	**(2'306)**	**488**	**(2'098)**
Increase / (decrease)	58	(2'518)	533	(1'927)
31 December 2012	**(222)**	**(4'824)**	**1'021**	**(4'025)**

29 Retirement benefit obligation

The Group's principal pension plan is that which is operated in Switzerland which covers most Group employees. This pension scheme is maintained in accordance with Swiss law.

The Group also contributes to pension schemes on behalf of employees domiciled in other locations and as required by the various jurisdictions. These pension schemes qualify as defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Contributions totaling TCHF 401 and TCHF 112 for the years ended 31 December 2012 and 2011 related to contribution plans in other jurisdictions were also recognized within staff costs.

The Company's obligations under the Swiss pension scheme are to pay defined contributions. However, in accordance with the Swiss law "LPP/BVG", the pension scheme incorporates certain guarantees, such as minimum interest accumulation at defined rates, conversion of capital at defined rates upon transfer of vested benefits and potential life-long pension annuities. The pension scheme has therefore been reported as a defined benefit pension plan in accordance with IFRS.

There were certain amendments to the pension plan made during 2012, principally regarding insured salary, financing of the plan and the conversion rate. The impact of these changes was recognized in past service costs directly within the income statement. The characteristics of the plan as of 31 December 2012 were as follows:

- employees insured up to a salary of CHF 250'000
- financing by employee contributions = 50%
- financing by employer contributions = 50%
- conversion rate = 5.8% – 6.8%
  (increasing with retirement age)

The pension plan is maintained by a foundation that is a separate legal entity from the Company. The plan provides coverage to all Switzerland-domiciled employees for retirement, death and disability. There have not yet been any pensioners included in the Group's pension plan.

The Foundation is governed by a board of trustees and supervised by the "BVG und Stiftungsaufsicht (BVS) des Kantons Zürich". The pension scheme also has an EFG FP Pension Committee consisting of three employee and three employer representatives.

The foundation via a collective foundation maintained by Trianon SA covers all actuarial and investment risks. The foundation has chosen to fully insure the death and disability insurance risk within the Swiss pension plan with a third-party insurance company. The insurance contract is renewable on an annual basis.

During 2012 the Foundation mandated Credit Suisse with the investment management for the pension scheme. The mandate follows a risk-controlled investment strategy.

The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Service costs and net interest on the net defined benefit liability are recognized immediately in the income statement.

The table below outlines where the Group's post-employment amounts related to the Swiss pension scheme are included in the financial statements.

CHF thousands	31.12.2012	restated 31.12.2011
Net amount recognized in the balance sheet		
Present value of funded obligation	**27'290**	21'366
Fair value of plan assets	**22'800**	17'845
Impact of minimum funding requirements/asset ceiling	—	—
Liability in the balance sheet	**4'490**	**3'521**

CHF thousands	2012	restated 2011
Net amount recognized in the income statement	**1'715**	2'434
Net amount recognized in the other comprehensive income	**2'518**	2'307

The movement in the net defined benefit obligation over the year is as follows:

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
1 January 2012	**21'366**	**(17'845)**	**3'521**	—	**3'521**
Current service cost	2'753	—	2'753	—	**2'753**
Interest expense / (income)	645	(555)	90	—	**90**
Administrative costs	11	—	11	—	**11**
Past service cost resulting from plan changes	**(1'139)**	—	**(1'139)**	—	**(1'139)**
Net amount recognized in the income statement	**2'270**	**(555)**	**1'715**	—	**1'715**
Remeasurements:					
Return on plan assets, excl. amounts incl. in interest expense/ (income)	—	279	279	—	**279**
Actuarial loss on defined benefit obligation	2'238	—	2'238	—	**2'238**
Net amount recognized in OCI	**2'238**	**279**	**2'517**	—	**2'517**
Plan participants	1'842	(1'842)	—	—	—
Company	—	(3'263)	(3'263)	—	**(3'263)**
Benefit payments	(426)	426	—	—	—
	1'416	**(4'679)**	**(3'263)**	—	**(3'263)**
31 December 2012	**27'290**	**(22'800)**	**4'490**	—	**4'490**

Actuarial losses arising from changes in demographic assumptions for the year ended 31 December 2012 totaled TCHF 825.

CHF thousands	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
1 January 2011 restated	**16'452**	**(14'741)**	**1'711**	—	**1'711**
Current service cost	2'383	—	2'383	—	**2'383**
Interest expense/(income)	546	(503)	43	—	**43**
Administrative costs	8	—	8	—	**8**
Past service cost resulting from plan changes	—	—	—	—	—
Net amount recognized in the income statement	**2'937**	**(503)**	**2'434**	—	**2'434**
Remeasurements:					
Return on plan assets, excl. amounts incl. in interest expense/(income)	—	1'443	1'443	—	**1'443**
Actuarial loss on defined benefit obligation	864	—	864	—	**864**
Net amount recognized in OCI	**864**	**1'443**	**2'307**	—	**2'307**
Plan participants	1'657	(1'657)	—	—	—
Company	—	(2'931)	(2'931)	—	**(2'931)**
Benefit payments	(544)	544	—	—	—
	1'113	**(4'044)**	**(2'931)**	—	**(2'931)**
31 December 2011 restated	**21'366**	**(17'845)**	**3'521**	—	**3'521**

The significant actuarial assumptions were as follows:

	2012	2011
Significant actuarial assumptions		
Discount rate	**1.90%**	2.75%
Salary growth rate	**1.00%**	1.00%
Pension growth rate	**0.00%**	0.00%

Assumptions regarding future mortality as set forth below are set based on Swiss BVG/LLP 2010 mortality tables which include generational mortality rates allowing for future projections of increasing longevity.

	2012	2011
Assumptions regarding future mortality		
Longevity at age 65 (use plan retirement age) for current pensioners:		
– male	**21.18**	19.56
– female	**23.66**	21.89
Longevity at age 65 (use plan retirement age) for future pensioners (age 45):		
– male	**23.00**	19.56
– female	**25.44**	21.89

Assumptions regarding staff turnover have been determined using the BVG 2010 standard tables. The average duration of the pension obligations in the pension plan is approximately 15 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Sensitivity analysis			
Discount rate	0.15%	–2.24%	2.35%
Salary growth rate	0.25%	0.89%	–0.88%
Pension growth rate	0.50%	3.81%	not applicable

	Increase by 1 yr	Decrease by 1 yr
Life expectancy	0.67%	–0.68%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

CHF thousands	Quoted	Unquoted	Total	in %
Plan assets are comprised as follows				
Cash and cash equivalents	—	1’044	1’044	4.58%
Equity instruments	8’333	—	8’333	36.55%
Debt instruments	10’132	—	10’132	44.44%
Investment funds	2’337	—	2’337	10.25%
Other	954	—	954	4.18%
Total plan assets 31 December 2012	**21’756**	**1’044**	**22’800**	**100.00%**

CHF thousands	Quoted	Unquoted	Total	in %
Plan assets are comprised as follows				
Cash and cash equivalents	—	817	817	4.58%
Equity instruments	6’522	—	6’522	36.55%
Debt instruments	7’930	—	7’930	44.44%
Investment funds	1’829	—	1’829	10.25%
Other	747	—	747	4.18%
Total plan assets 31 December 2011	**17’028**	**817**	**17’845**	**100.00%**

Expected contributions to post-employment benefit plans for the year ending 31 December 2013 are CHF 2’076’770.

30 Related-party transactions

The Group enters into various transactions and agreements with EFGI and its subsidiaries. The significant transactions and agreements can generally be categorized into financial agreements, service level agreements and general operating activities.

Financial agreements

EFG Bank provides the Group with certain credit facilities. The outstanding amounts related to these facilities totaled TCHF 492’447 and TCHF 253’580 as of 31 December 2012 and 2011, respectively.

EFG Bank also provides the Group with securities which the Group may use to collateralize its various counterparty and own issuer exposure.

Service level agreements

The Group, as a subsidiary of EFGI, relied on EFGI or other EFGI Group companies for various services, including brokerage, internal audit, information technology, human resources, administration and other services and lease agreements for office space with respect to offices outside Switzerland. Expenses related to services provided by EFGI were TCHF 920 and TCHF 908 for the years ended 31 December 2012 and 2011, respectively. Expenses related to services provided by other EFGI subsidiaries were TCHF 3’812 and TCHF 2’635 for the years ended 31 December 2012 and 2011, respectively.

On 4 October 2012, the Group sold EFG FP Guernsey to EFGI pursuant to a series of transactions. EFG FP Guernsey has been renamed EFG International Finance (Guernsey) Ltd. (“EFGI Guernsey”) subsequent to the sale, and is now a subsidiary of EFGI. At the time of the sale, the Group entered into a Cooperation Agreement with EFGI as the two parties share certain services.

The Group also provided various services to other EFGI subsidiaries, including marketing services relating to the EFG brand generally, office space provided to employees of other EFGI subsidiaries and consulting services. Income related to services rendered to other EFGI subsidiaries was TCHF 1’704 and TCHF 1’941 for the years ended 31 December 2012 and 2011, respectively.

The Group entered into a white-labeling service agreement with EFGI pursuant to which the Group continues to service the legacy portfolio of products issued by EFG FP Guernsey, including the lifecycle management of both structured products issued by EFG FP Guernsey prior to its sale to EFGI and issued by EFGI Guernsey subsequent to the sale.

The parties have committed in the white-labeling agreement to cooperate in each and every aspect involving structured products, including the structuring, issuance, distribution, hedging, market making and settlement of structured products issued previously by EFG FP Guernsey or subsequently by EFGI Guernsey.

Operating activities

The Group enters into transactions with EFGI and its subsidiaries in the normal course of its business as discussed below.

Cash and cash equivalents held with various EFG Bank branches totaled TCHF 252’005 and TCHF 71’053, as of 31 December 2012 and 2011, respectively.

Net settlement balances with other EFGI subsidiaries amounted to TCHF 159’655 and TCHF (2'114) as at 31 December 2012 and 2011, respectively.

In relation to OTC and SLB agreements with the Group, EFG Bank provides cash collateral to the Group. Amounts received from EFG Bank amount to TCHF 450 and TCHF 35'653 for the period ending 31 December 2012 and 2011, respectively.

The fair value of the term deposits held with EFG Bank Cayman Branch, recognized as financial assets designated at fair value, totaled TCHF 12’055 and TCHF 2’915’557 as of 31 December 2012 and 2011, respectively.

The net replacement values of derivative transactions with other EFGI subsidiaries amounted to TCHF (49'927) and TCHF 4'828 as of 31 December 2012 and 2011, respectively.

Distribution fees and brokerage fees paid to EFGI amounted to TCHF 64 and TCHF 3’067 for the years ended 31 December 2012 and 2011, respectively. Distribution fees and brokerage fees paid to other EFGI subsidiaries amounted to TCHF 50’559 and TCHF 22’702 as of 31 December 2012 and 2011, respectively.

Fee income received from EFGI and its subsidiaries totaled TCHF 21’483 and TCHF 19’014 for the years ended 31 December 2012 and 2011, respectively.

Governing bodies

The governing bodies of EFG Financial Products consist of the Board of Directors and the Executive Committee. The governing bodies are considered the key management personnel.

The Board currently comprises nine members (including the Chairman), all of whom are non-executive directors. The table below sets out the name, position, committee membership, the date from which the individual became a director and the term of each of the current members of our Board.

Name	Position	Committee membership	Director since	Term expires
Peter Forstmoser*	Chairman	Remuneration (Chair)	2012	2015
Jörg Behrens*	Member	Risk (Chair), Audit	2012	2015
Vince Chandler*	Member	Remuneration	2012	2015
Hans Isler*	Member	Audit (Chair), Risk	2012	2015
Patrick de Figueiredo	Member	Audit	2010	2013
Frederick Link	Member	Risk	2008	2013
Piergiorgio Pradelli	Member	—	2012	2013
Lukas Ruflin	Member	—	2009	2013
John Williamson	Vice-Chairman	Remuneration	2012	2013

* Independent director

During the year 2012 the following members of the Board of Directors have resigned: Lawrence Howell, Jonas Fischerström, James Tak Him Lee and Mark Bagnall. There was no remuneration to those former members of the Board of Directors for the years ended 31 December 2012 or 2011, respectively.

The Executive Committee of the Group currently comprises five members. The table below sets out the name, position and date of appointment of the current members of our Executive Committee.

Name	Position	Date of Appointment
Jan Schoch	Chief Executive Officer (CEO)	2007 (Founding Partner)
Michael Hartweg	Deputy CEO (Chief Financial Officer)	2007 (Founding Partner)
Sandro Dorigo	Head Asset Management & Pension Solutions	2007 (Founding Partner)
Ulrich Sauter	Head Risk, Legal & Compliance	2009
Michael Hölzle	Chief Operating Officer	2012

Remuneration

Compensation paid to the Board of Directors and the Executive Committee is determined by the Group's Remuneration Committee and is reviewed annually. The Remuneration Committee provides the Board with recommendations on the remuneration of Board members and the Executive Committee as well as the basic principles for the establishment, amendment and implementation of incentive plans. The Board makes final decisions regarding remuneration.

The members of the Board of Directors receive non-performance related compensation in the form of a director's fee. The fee amount depends on the exposure and responsibilities and the specific tasks performed by each individual member during the financial year and is paid in cash.

In addition to the director's fee, additional advisory services provided by independent board members approved by the Chairman of the Board and the CEO are remunerated at CHF 3'500 per day. Amounts paid are included in the table below as short-term benefits.

The three Founding Partners who are members of the Executive Committee receive a fixed salary but will not be eligible for a bonus for the three years following completion of the Company's IPO. Thereafter, they may receive in addition to their fixed salary a discretionary bonus. The other Executive Committee members receive for each year a fixed salary and may receive a discretionary cash bonus (variable compensation).

The total personnel expenses for the Board of Directors and the Executive Committee of the Group amounted to:

CHF thousands **NAME**	**Short-term benefits***	**Post-employment benefits**	**Other long-term benefits**	**Termination benefits**	**Share-based payments**	**2012 Total Compensation**	**2011 Total Compensation**
Peter Forstmoser	59.2	6.0	—	—	53.4	**118.6**	—
Jörg Behrens	16.7	3.6	—	—	35.6	**55.9**	—
Vince Chandler	59.5	4.1	—	—	35.6	**99.2**	—
Hans Isler	26.6	4.4	—	—	35.6	**66.6**	—
Patrick de Figueiredo	—	—	—	—	—	—	—
Frederick Link	—	—	—	—	—	—	—
Piergiorgio Pradelli	—	—	—	—	—	—	—
Lukas Ruflin	—	—	—	—	—	—	—
John Williamson	—	—	—	—	—	—	—
Total (TCHF)	**162.0**	**18.1**	—	—	**160.2**	**340.3**	—
Executive Committee**	**3'445.4**	**459.0**	—	—	—	**3'904.4**	**2'901.0**
of which highest paid: Jan Schoch, CEO***	825.0	125.0	—	—	—	**950.0**	604.0

* Short-term benefits include fees for advisory services provided by independent board members.
** Including one EC member who left the Company in September 2012.
*** Effective as of November 2012 the new base salary (excluding any employer contributions for social security and pension) of Jan Schoch is TCHF 950. Any formula-based compensation has been waived.

Ownership of shares and options

The table below shows the number of shares held by the individual members of the Board of Directors and members of the Executive Committee as of 31 December 2012. Members of our Board of Directors did not hold any options to acquire shares as of 31 December 2012, except for Restricted Stock Units (RSUs) which convert into shares upon vesting, see Note 27, Other Reserves.

	Shares	Restricted Stock Units
Name		
Peter Forstmoser	1'125	—
Jörg Behrens	750	—
Vince Chandler	2'750	—
Hans Isler	2'000	—
Patrick de Figueiredo	—	—
Frederick Link	—	—
Piergiorgio Pradelli	—	—
Lukas Ruflin*	5	—
John Williamson	2'222	—
Total	**8'852**	—
Jan Schoch	506'100	—
Michael Hartweg	448'015	—
Sandro Dorigo	229'515	—
Ulrich Sauter	19'000	830
Michael Hölzle	42'855	840
Total	**1'245'485**	**1'670**

* This excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 503'015 shares.

The Company has not granted any loans or guarantee commitments to members of the Board of Directors or the members of the Executive Committee.

31 Commitments

CHF thousands	31.12.2012	31.12.2011
Due within one year	**2'943**	2'479
Due between one and five years	**5'763**	5'682
Due later than five years	—	891
Commitments for minimum payments under operating leases	**8'706**	**9'052**

Commitments include operating lease contracts with non-cancellable terms. The table above sets forth the details of any future minimum operating lease commitments under these non-cancellable operating leases.

In addition to the commitments relating to operating lease contracts, the Group has also provisionally committed to cash payments totaling CHF 5.4 million with respect to the Group's long-term incentive plan.

32 Contingent liabilities

The Group did not have any significant contingencies as of 31 December 2012 and 2011.

33 Provisions

The Group did not recognize any provisions in the financial statements for the periods presented.

34 Earnings per share

	31.12.2012	31.12.2011
Group net profit (in CHF thousands)	**20'548**	13'073
Weighted average number of shares outstanding (undiluted)	**5'328'703**	5'000'000
Dilution effect number of shares	**10'735**	—
Weighted average number of shares outstanding (diluted)	**5'339'438**	**5'000'000**
Basic earnings per share	**3.86**	**2.61**
Diluted earnings per share	**3.85**	**2.61**

Immediately preceeding the IPO, EFG FP Holding split all of its 1'000'000 shares with a nominal value of CHF 10 each with a split ratio of 1:5 into 5'000'000 registered shares with a nominal value of CHF 2.00. The Group's weighted average number of shares outstanding has been adjusted accordingly also as of 31 December 2011.

The weighted average number of shares outstanding (undiluted) as presented for 31 December 2012 was impacted by the 1'666'665 shares issued during the Company's IPO.

The dilution effect number of shares represents the RSUs granted in 2012.

35 Segment reporting

The Group has three primary operating segments: Structured Solutions, Structured Asset Management & Pension Solutions and Corporate Center. These segments reflect the types of products and services offered to clients and constitute the operating and reportable segments used by the Group's Executive Committee to manage and assess the performance of the Group. The Executive Committee is the chief operating decision maker of the Group. The Group's white-labeling services are not considered a separate segment. These services are included within Structured Solutions and Structured Asset Management & Pension Solutions.

Structured Solutions

Structured Solutions is the Group's principal operating segment and reflects the core business of the Group: the development, issuance, distribution, hedging and settlement of structured products as well as the market making and secondary market servicing of the products issued.

Core regions represent the Group's initial and principal Structured Solutions offerings from Zurich, Geneva, Guernsey and Monaco.

Consistent with the Group's focus on further leveraging its structured product platform and its focus on further diversifying its revenues in part by expanding regionally, the Group has expanded into the European Union and into Asia.

European Union (EU) represents the additional European market accessed through the license of EFG FP Europe, domiciled in Germany, under the BaFin license. The BaFin license may be and is passported to other EU countries. The EFG FP Europe branch offices in London and Paris are also reflected in the EU sub-segment of Structured Solutions.

Asia currently represents the operations of EFG FP Hong Kong under the Securities and Futures Commission license obtained in Hong Kong and of EFG FP Singapore operating under the license of EFG Bank Singapore Ltd.

All regional offices act as introductory agents to EFG FP AG, the FINMA licensed securities dealer located in Switzerland.

Structured Asset Management & Pension Solutions

The Group's focus on further leveraging its structured product platform and its focus on further diversifying its revenues is also reflected in the development of its Structured Asset Management & Pension Solutions business. Structured Asset Management designs and manages structured funds and certificates based on dynamic quantitative portfolio strategies. Pension Solutions specializes in the management of variable annuity products for insurance companies.

Operational Services, Finance, Legal & Compliance, Risk Control, Human Resources, Marketing and Information Technology are allocated to a large extent to the operating segments based on a full cost recovery. The allocated costs are reported in the direct cost lines of personnel expenses, depreciation and amortization and other operating expenses of the reportable segments. The remaining general support functions are presented within Corporate Center. Operating income reported under Corporate Center is comprised primarily of amortized deferred income and other operating income, excluding interest.

CHF thousands	Structured Solutions			Asset Management & Pension Solutions	Corporate Center	Total
31.12.2012	Core regions	Europe	Asia			
Total operating income	**88'957**	**12'266**	**9'391**	**16'478**	**665**	**127'757**
Personnel expenses	(38'221)	(5'828)	(6'593)	(5'618)	(4'578)	**(60'838)**
Depreciation and amortization	(6'257)	(901)	(785)	(861)	(510)	**(9'314)**
Other operating expense	(18'709)	(4'337)	(5'939)	(3'162)	(3'584)	**(35'731)**
Total operating expense	**(63'187)**	**(11'066)**	**(13'317)**	**(9'641)**	**(8'672)**	**(105'883)**
Segment profit before tax	**25'770**	**1'200**	**(3'926)**	**6'837**	**(8'007)**	**21'874**
Income tax expense						**(1'326)**
Group net profit						**20'548**

CHF thousands	Structured Solutions			Asset Management & Pension Solutions	Corporate Center	Total
31.12.2011	Core regions	Europe	Asia			
Total operating income	**80'263**	**10'038**	**6'512**	**3'470**	**4'283**	**104'566**
Personnel expenses	(36'777)	(5'700)	(4'957)	(2'872)	(3'658)	**(53'964)**
Depreciation and amortization	(4'212)	(730)	(486)	(315)	(364)	**(6'107)**
Other operating expense	(18'602)	(3'428)	(3'354)	(1'655)	(3'028)	**(30'067)**
Total operating expense	**(59'591)**	**(9'858)**	**(8'797)**	**(4'842)**	**(7'050)**	**(90'138)**
Segment profit before tax	**20'672**	**180**	**(2'285)**	**(1'372)**	**(2'767)**	**14'428**
Income tax expense						**(1'355)**
Group net profit						**13'073**

Information by geographic location

31.12.2012	Switzerland	Guernsey	Other	Total
Total operating income	83'575	28'125	16'057	**127'757**
Deferred tax assets	2'733	—	—	**2'733**
Property and equipment	7'915	55	912	**8'882**
Intangible assets	13'481	2'103	3	**15'587**
Other assets	34'932	18'248	3'004	**56'184**

31.12.2011	Switzerland	Guernsey	Other	Total
Total operating income	72'685	18'321	13'560	**104'566**
Deferred tax assets	2'573	—	—	**2'573**
Property and equipment	7'246	86	813	**8'145**
Intangible assets	8'857	1'085	—	**9'942**
Other assets	18'727	17'363	3'683	**39'773**

The allocation of total operating income by geographic location is based on the location of the office recording the transaction. This presentation does not reflect the way the Group is managed.

36 Shares in subsidiary undertakings

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

Name	Line of business	Country of incorporation	Currency	Share capital	Share of votes and capital in %
EFG Financial Products AG	Securities dealer	Switzerland	CHF	15'000'000	100
EFG Financial Products (Monaco) SAM	Financial services provider	Monaco	EUR	500'000	100
EFG Financial Products (Hong Kong) Ltd.	Financial services provider	Hong Kong	HKD	10'000'000	100
EFG Financial Products (Europe) GmbH	Financial services provider	Germany	EUR	200'000	100
EFG Financial Products (Singapore) PTE Ltd.	Financial services provider	Singapore	SGD	1'000'000	100

EFG FP Guernsey was sold to EFGI on 4 October 2012 and has therefore been removed from consolidation.

All shares of the Swiss Peaks Saentis fund were also sold during 2012. Therefore this fund has also been removed from consolidation.

37 Post balance sheet events

There have been no other significant subsequent events.

38 Capital distribution

The Board of Directors plans to propose a capital distribution of CHF 1.00 per registered share with a par value of CHF 2.00 to the General Meeting of Shareholders of EFG Financial Products Holding AG on 25 April 2013. This corresponds to a total payment of CHF 6.7 million. The financial statements for the year ended 31 December 2012 do not reflect this resolution, which will be accounted for in shareholders' equity in the year ending 31 December 2013.

39 Statutory banking regulations

The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks or security dealers domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2008/2) and the reporting standard used. The most significant differences between IFRS and Swiss accounting regulations for banks that are of relevance to the Group are as follows:

Financial assets and financial liabilities designated at fair value

IFRS allows certain financial assets and financial liabilities to be designated at fair value if certain conditions are met. These financial assets and liabilities are carried at fair value on the balance sheet and income from the financial instruments is recognized in the income statement. Under Swiss accounting regulations for banks, the fair value option is available only for structured products issued by the Group. Term deposits are stated at nominal value net of specific provisions for impaired loans. Changes in fair value due to a change in the Group's own credit risk are also not recorded in the income statement under Swiss accounting regulations for banks.

Extraordinary profit

Under IFRS, all items of income and expense are allocated to ordinary operating activities. In accordance with Swiss accounting regulations for banks, income and expenses are classified as extraordinary if they are not recurring or not related to operational activities.

Pensions and post-retirement benefits

Under IFRS, the liability and related pension expense are determined based on the projected unit credit actuarial calculation of the benefit obligation. Under Swiss accounting regulations for banks, the liability and related pension expense are primarily determined based on the pension plan valuation. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss accounting regulations for banks, any additional contribution mandated by the pension fund trustees, and any change in the value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Report of the statutory auditor
to the general meeting of
EFG Financial Products Holding AG
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG Financial Products Holding AG, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes (pages 82 to 129), for the year ended 31 December 2012.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich
Telephone: +41 58 792 44 00, Facsimile: +41 58 792 44 10, www.pwc.ch

pwc

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 AG

Roman Berlinger
Audit expert
Auditor in charge

Markus Meier
Audit expert

Zurich, 19 February 2013

8

STATUTORY FINANCIAL STATEMENTS

Annual Report 2012

EFG FINANCIAL PRODUCTS HOLDING AG
BALANCE SHEET

Assets

CHF thousands	Note	31.12.2012	31.12.2011
Current assets			
Due from banks		**10'214**	—
Due from subsidiaries		**4'600**	—
Accrued income		**633**	63
Total current assets		**15'447**	**63**
Non-current assets			
Due from subsidiaries		**37'000**	11'000
Investments in subsidiaries	1	**81'505**	58'005
Cost of capital increase		**7'611**	—
Total non-current assets		**126'116**	**69'005**
Total assets		**141'563**	**69'068**
whereof subordinated loan due from subsidiaries		**37'000**	11'000

Liabilities and shareholders' equity

CHF thousands	Note	31.12.2012	31.12.2011
Short-term liabilities			
Due to banks		—	9'113
Accrued expenses		**6'782**	7'361
Total short-term liabilities		**6'782**	**16'474**
Long-term liabilities			
Due to subsidiaries		—	300
Total long-term liabilities		—	**300**
Total liabilities		**6'782**	**16'774**
Shareholders' equity			
Share capital	2	**13'333**	10'000
Participation capital		—	5'000
Legal reserves		**73'549**	1'470
whereof general reserves		**1'882**	1'470
whereof reserves from capital contributions		**71'667**	—
Profit carried forward		**35'412**	27'589
Net profit		**12'487**	8'235
Total shareholders' equity		**134'781**	**52'294**
Total liabilities and shareholders' equity		**141'563**	**69'068**

EFG FINANCIAL PRODUCTS HOLDING AG
INCOME STATEMENT

CHF thousands	2012	2011
Operating income		
Dividend income	**10'000**	9'750
Gains on the sale of consolidated subsidiaries	**4'600**	—
Interest income from subsidiaries	**770**	388
Other operating income	**2**	2
Total operating income	**15'372**	**10'140**
Operating expenses		
Interest expense to subsidiaries	**11**	15
Interest expense	**278**	374
Personnel expenses	**312**	—
Other operating expenses	**1'911**	1'500
Depreciation	**331**	—
Total operating expenses	**2'843**	**1'889**
Profit before taxes	**12'529**	**8'251**
Taxes	**42**	16
Net profit	**12'487**	**8'235**

Risk management

Risk evaluation process

The risk assessment for EFG FP Holding AG according to art. 663b of the Swiss Code of Obligations is performed on a regular basis and was approved the last time by the Board of Directors on 27 November 2012.

Balance sheet disclosures

1 Investment in subsidiaries

CHF thousands Name	Domicile	Business activity	Equity interest in %	Share capital 31.12.2012	Share capital 31.12.2011
EFG Financial Products AG	Zurich, Switzerland	Securities dealer	100%	**15'000**	15'000
EFG Financial Products (Guernsey) Ltd.	St. Peter Port, Guernsey	Product issuer	100%	—	5'000
EFG Financial Products (Monaco) SAM	Monte Carlo, Monaco	Financial services provider	100%	**759**	—
EFG Financial Products (Europe) GmbH	Frankfurt, Germany	Financial services provider	100%	**256**	256
EFG Financial Products (Hong Kong) Ltd.	Kowloon, Hong Kong	Financial services provider	100%	**1'224**	1'224
EFG Financial Products (Singapore) PTE Ltd.	Singapore	Financial services provider	100%	**741**	0

2 Significant shareholders

	Number of registered shares	Voting rights in %
EFG International AG	1'350'000	20.3%
Jan Schoch	506'100	7.6%
Tabatseka Limited*	455'490	6.8%
Michael Hartweg	448'015	6.7%
Terra Felice Limited*	47'525	0.7%

* Tabatseka Limited and Terra Felice Limited are companies wholly owned by EFG Bank & Trust (Bahamas) Ltd, which acts as the trustee of trusts to which Lukas Ruflin (Founding Partner) has settled on trust the 455'490 and 47'525 shares, respectively.

3 Conditional share capital

The share capital may be increased by a maximum of CHF 100'000 by issuing 50'000 fully paid up registered shares with a face value of CHF 2.00 each to cover potential exposures arising from Restricted Stock Units granted to certain employees of the company.

4 Compensation of Board of Directors and Executive Committee

CHF thousands NAME	Function	Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	2012 Total Compensation	2011 Total Compensation
Peter Forstmoser	Chairman	59.2	6.0	—	—	53.4	**118.6**	—
Jörg Behrens	Member	16.7	3.6	—	—	35.6	**55.9**	—
Vince Chandler*	Member	59.5	4.1	—	—	35.6	**99.2**	—
Hans Isler	Member	26.6	4.4	—	—	35.6	**66.6**	—
Patrick de Figueiredo	Member	—	—	—	—	—	—	—
Frederick Link	Member	—	—	—	—	—	—	—
Piergiorgio Pradelli	Member	—	—	—	—	—	—	—
Lukas Ruflin	Member	—	—	—	—	—	—	—
John Williamson	Vice-Chairman	—	—	—	—	—	—	—
Board of Directors		**162.0**	**18.1**	—	—	**160.2**	**340.3**	—
Executive Committee**		**3'445.4**	**459.0**	—	—	—	**3'904.4**	**2'901.0**
of which highest paid: Jan Schoch, CEO		825.0	125.0	—	—	—	**950.0**	604.0

* Including fees for additional advisory services of CHF 37 thousands indirectly paid by EFG Financial Products AG.
** All members of the Executive Committee are indirectly remunerated by EFG Financial Products AG or by EFG Financial Products (Singapore) PTE Ltd. Including one EC member who left the Company in September 2012.

5 Share ownership of Board of Directors and Executive Committee

NAME	Shares	Restricted stock units
Peter Forstmoser	1'125	—
Jörg Behrens	750	—
Vince Chandler	2'750	—
Hans Isler	2'000	—
Patrick de Figueiredo	—	—
Frederick Link	—	—
Piergiorgio Pradelli	—	—
Lukas Ruflin*	5	—
John Williamson	2'222	—
Total Board of Directors	**8'852**	—

* This excludes the shareholdings of the trusts to which Lukas Ruflin has settled on trust 503'015 shares.

NAME	Shares	Restricted stock units
Jan Schoch	506'100	—
Michael Hartweg	448'015	—
Sandro Dorigo	229'515	—
Ulrich Sauter	19'000	830
Michael Hölzle	42'855	840
Total Executive Committee	**1'245'485**	**1'670**

PROPOSAL TO THE ANNUAL GENERAL MEETING

Proposed appropriation of retained earnings
The Board of Directors proposes the following appropriation of retained earnings.

CHF thousands	2012
Net profit	12'487
Profit carried forward	35'412
Accumulated profit	**47'899**
Distribution of profit	
Allocation to general reserves	(785)
Allocation to other reserves	—
Profit carried forward	**47'114**

Proposed capital distribution
Subject to the approval of the Annual General Meeting, the Board of Directors proposes a capital distribution of CHF 1.00 per share.

CHF thousands	2012
Reserves from capital contributions	
Balance before distribution	71'667
Distribution against reserves from capital contributions: CHF 1.00 per share	(6'667)
Balance after distribution	**65'000**

pwc

Report of the statutory auditor
to the general meeting of
EFG Financial Products Holding AG
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG Financial Products Holding AG, which comprise the balance sheet, income statement and notes (pages 132 to 137), for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich
Telephone: +41 58 792 44 00, Facsimile: +41 58 792 44 10, www.pwc.ch

pwc

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 AG

Roman Berlinger	Markus Meier
Audit expert	Audit expert
Auditor in charge	

Zurich, 19 February 2013

9

GLOSSARY[1]

Annual Report 2012

Asian option	Product where the payoff is determined by the average underlying price over a pre-set time period.
Asset class	An investment segment in which to invest, such as equities, bonds or commodities.
Autocallable	This is a feature of an exotic option and is often found in structured investment products. A product with such a feature would be called prior to maturity by the issuer if the underlying price is at or above a predefined level on a specific observation date.
Barrier option	Product where the option right is activated or expires if the underlying's price breaches a previously defined upper or lower barrier.
Bid-ask spread	Difference between the bid price and the ask price. The size of the bid-ask spread depends, on the one hand, on the underlying's liquidity and its basic volatility. On the other hand, the influence of the market maker's quality on the spread should not be underestimated. If market making is not given sufficient attention, the spread can be too wide, the volume too low or the bid and ask prices might not materialize.
Bond	Bonds are debt instruments. In contrast to the purchase of a stock, the buyer of a bond does not acquire equity in the company (i.e. an equity right), but instead loans the company money for a certain period of time.
Callable	This is a feature of an exotic option and is often found in structured investment products. The difference to autocallable structured investment products is that the issuer has the right but not the obligation to call the product at the observation dates.
Cap	Many structured products feature a cap. The value of the product can never exceed that particular level. In return, these products are priced lower than a comparable uncapped product type or the underlying instrument itself.
Capital protection products	Structured products which protect against losses from falling prices of the underlying asset by the inclusion of a capital protection level. The capital protection is guaranteed by the issuer or guarantor and is dependent on its credit risk. In addition, the investor participates in the performance of an underlying risky asset. This participation may be limited. During the lifetime of the structured product it can trade below its capital protection level.
Certificate	From a legal standpoint, almost all structured products are considered to be debentures of the issuer. Once investors purchase a certificate, they become creditors of the issuer of the product. Certificates are classed among the securitized derivatives. These products can vary greatly in the features they offer – from capital-guaranteed products to speculative instruments with built-in leverage, everything is possible these days.

[1] Source: SIX Swiss Exchange, Scoach Switzerland; Swiss Structured Products Association, EFG Financial Products

Credit spread

Allows a debtor's creditworthiness to be assessed. The credit spread represents a debtor's risk premium. Companies with poor creditworthiness usually have a high credit spread.

COSI®

COSI® (Collateral Secured Instruments) are subject to a collateralization mechanism defined by SIX Swiss Exchange. This mechanism sets clear requirements for the quality of the collateral that is pledged, its administration and, where required, also its realization. COSI® products thus minimize the investor's issuer risk.

Counterparty risk

The risk that a counterparty to a contract will fail to fulfill their obligations and thus cause another contractual party to incur a financial loss.

Coupon

A collective expression for the detachable parts of a securities certificate that entitle the holder to receive a dividend or interest payment. In the capital market, "coupon" normally refers to the interest payment; in the case of bonds, they are also called interest coupons.

Delta

Delta is one of the dynamic coefficients related to derivatives. The delta of an option/warrant indicates how sharply the value of the security changes when the price of the underlying instrument moves by a certain amount.

Derivatives

Derivatives are financial contracts whose prices are derived from an underlying asset (e.g. shares, bonds, indices or currencies). These so-called "underlyings" are subject to changing market prices. Derivatives make it possible to uncouple such market price risks from the underlying and trade them separately.

Discount certificate

A discount certificate enables the purchase of an underlying instrument at a reduced price. The discount simultaneously functions as a safety buffer against price declines in the underlying instrument. For that advantage, however, the maximum return on the certificate is limited to a predetermined amount.

Dividend

If a company has had a successful financial year, it normally books a profit. Shareholders have a right to a portion of that profit. The dividend represents the portion of a joint-stock (plc) company's profit that is distributed to its shareholders.

Exchange-Traded Funds (ETFs)

In contrast to traditional investment funds, ETFs replicate the price and yield developments of an underlying instrument (e.g. an index) that covers one or more stocks, bonds or commodities from one or more countries. As ETFs are traded on an exchange, they are just as flexible and liquid as shares.

Futures

Futures are standardized forward contracts that are traded on exchanges such as EUREX. Futures are among the unconditional types of forward transaction. On the expiry date, both parties to the transaction – buyer and seller – are obligated to fulfill their part of the transaction (e.g. funds paid against goods delivered). Expressed simply, a futures transaction involves the purchase/sale of a financial instrument, commodity, etc. for a specified future point in time, whereby the relevant terms and conditions are established at the time the trade is executed.

Gamma
Gamma indicates the extent to which the delta of an option or warrant changes when the underlying instrument moves by a given amount. Gamma is one of the dynamic coefficients associated with options.

Hedging
Strategy designed to protect a position or a portfolio against any adverse changes in the market. A counterposition is built up for an existing securities position with the aim of minimizing the risk of the portfolio.

Issuer risk
Risk resulting from the chance that the debtor (issuer) might default.

Leverage products
Structured products which are used for the purpose of speculation and hedging. The best-known leverage products are simple call and put options also known as warrants, mini-futures and knock-out products. Leverage products follow the underlying asset's price movements with leverage. Alongside the price movement of the underlying asset, it is the volatility and dividend rate of this asset as well as the residual time to maturity that mainly influence the price of a call or put option. Leverage products are typically not a buy-and-hold investment.

Market maker
Market makers are those participants who ensure the tradability (market liquidity) of securities by providing continuous bid and ask prices.

Maturity
On the maturity date, repayment is made for a certificate or warrant. This can take place in the form of a cash settlement or the physical delivery of the underlying instruments.

Option
A standardized option confers the right to buy (call) or sell (put) a specific amount of a specific underlying instrument at a specific price at a specific point in time (European-style option) or at any point during a specified period of time (American-style option). Warrants are essentially a securitized form of standardized options. They are usually traded on a securities exchange and are therefore easily accessible for private investors.

Outperformance certificate
Outperformance certificates enable investors to profit disproportionately from a price increase in the underlying instrument that exceeds a predetermined level. The extent of the outperformance above this threshold at maturity is determined by the "participation rate". The risk of loss is no greater than that for a direct investment in the underlying instrument, but the investor foregoes the receipt of a dividend.

Proprietary trading
As well as processing orders for their clients, many finance companies trade on their own behalf and their own account. Proprietary trading is primarily conducted in a financial company's investment banking branch.

Reverse convertible
A reverse convertible guarantees a fixed interest rate (coupon) on the nominal value of the bond at a level that in most cases is far in excess of going capital market rates. At maturity, the issuer has the option of either paying back the nominal value or delivering to the investor's account a predetermined number of the underlying shares. If the share price on the valuation date lies below the strike price, repayment is normally made in shares. Sharper declines in the share price can more than outweigh the interest payments, so it is possible that a loss could also be incurred.

Structured investment products
Structured investment products are structured products excluding so-called vanilla or flow products, such as warrants, discount certificates and equity-linked notes.

Participation products

In general, the performance of participation products is closely linked to the underlying asset's price movements, with no up or down limitations. Sometimes these products feature conditional capital protection (bonus certificates) or leveraged upside participation (outperformance certificates). The most well-known participation products are tracker certificates. This product tracks the performance of the underlying asset 1:1.

Range-accrual products

Range-accrual products generate value for the investor during the period in which the underlying asset's price remains within a specific corridor. If one of the barriers is touched, only the return associated with the specific observation period is affected and hence the barrier hit does not have any direct impact on future potential performance.

Reference entity certificates

Reference entity certificates are products whose basic structure is optimized with the addition of a corporate or government bond (reference bond) with a comparable maturity. This means that, in addition to the issuer risk, the redemption of the product is also subject to the solvency of the reference entity (i.e. the non-occurrence of a credit event).

Trigger (event)

Found mostly in express certificates. Like the barrier, the trigger represents a decisive threshold. If the price of the underlying asset at the time of observation is at or above the trigger, early repayment is automatically made.

Underlying

The underlying instrument of a structured product is the basis on which the price of the structured product is determined and dependent.

Vega

Vega is one of the dynamic coefficients for options and indicates the degree to which the price of an option or warrant responds to changes in implied volatility if all other price-influencing factors remain constant.

Volatility

Volatility in financial market terms is a yardstick for measuring the magnitude of the fluctuations in a financial instrument. "Implied volatility" indicates the market's expectation regarding the degree to which a financial instrument will fluctuate in the future. In addition to the price of the underlying instrument, implied volatility is the most significant influencing factor in the value of options and warrants.

Warrant

A warrant confers the right to buy (call) or sell (put) a specific amount of a specific underlying instrument at a specific price at a specific point in time (European-style warrant) or at any point during a specified period of time (American-style warrant). Warrants are essentially a securitized form of standardized options and are usually traded on a securities exchange.

White-labeling

A partnership where the white-labeling partner (e.g. a financial institution) outsources certain services in connection with the issuance of structured products to the other partner.

Yield enhancement products

The most common yield enhancement products are reverse convertibles and barrier reverse convertibles. The holder of a reverse convertible gives up the potential upside exposure to the underlying asset in exchange for an enhanced coupon. The holder of the product remains exposed to the downside of the respective asset.

Legal Disclaimer

This annual report of EFG Financial Products Holding AG (the "Company") serves for information purposes only and does not constitute research. This annual report and all materials, documents and information used therein or distributed in the context of its publication do not constitute or form part of and should not be construed as, an offer (public or private) to sell or a solicitation of offers (public or private) to purchase or subscribe for shares or other securities of the Company or any of its affiliates or subsidiaries in any jurisdiction or an inducement to enter into investment activity in any jurisdiction, and may not be used for such purposes. Copies of this annual report may not be made available (directly or indirectly) to any person in relation to whom the making available of the annual report is restricted or prohibited by law or sent to countries, or distributed in or from countries, to, in or from which this is restricted or prohibited by law.

This annual report may contain specific forward-looking statements, e.g. statements including terms like "believe", "assume", "expect", "forecast", "project", "may", "could", "might", "will" or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the Company or any of its affiliates or subsidiaries and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) general market, macroeconomic, governmental and regulatory trends, (2) movements in securities markets, exchange rates and interest rates and (3) other risks and uncertainties inherent in our business. Against the background of these uncertainties, you should not rely on forward-looking statements. Neither the Company nor any of its affiliates or subsidiaries or their respective bodies, executives, employees and advisers assume any responsibility to prepare or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this annual report or to adapt them to any change in events, conditions or circumstances, except as required by applicable law or regulation.

The COSI® asset-backed products (hereinafter «COSI products») are collateralized in accordance with the terms of the SIX Swiss Exchange «Framework Agreement for Collateral Secured Instruments» («Framework Agreement»). Being, or together with the issuer, EFG Financial Products AG («Collateral Provider») has concluded the Framework Agreement on 10.09.2010 and the Collateral Provider undertakes to secure the current value of the COSI product in favour of SIX Swiss Exchange. The rights of Investors in connection with the collateralization of the COSI products arise from this Framework Agreement. The principles of collateralization are summarized in an Information Sheet issued by SIX Swiss Exchange. This Information Sheet is available from the www.six-swiss-exchange.com website. The issuer shall, upon request, provide the Framework Agreement to the investors free of charge in the German version or in an English translation. The Framework Agreement may be obtained from the Lead Manager at Brandschenkestrasse 90, P.O. Box 1686, CH-8027 Zurich (Switzerland), or via telephone (+41 (0)58 800 1000), fax (+41 (0)58 800 1010) or email (termsheet@efgfp.com).

FSC

In the spirit of sustainability, this publication was printed using a carbon-neutral process on FSC certified paper and guarantees a sustainable management of the world's forests. Only green electricity was used for the manufacture of this publication and it was delivered with a hybrid car.

Publisher
EFG Financial Products Holding AG
Brandschenkestrasse 90
P.O. Box 1686
CH-8027 Zurich
Switzerland

Design Concept and Realization
EFG Financial Products AG
Marketing & Communications

Portraits
Duncan Blum, Zurich
www.duncanblum.com

Print
Staffel Druck AG, Zurich
www.staffeldruck.ch

Paper
Munken Polar

Print run
1500

CONTACT

EFG Financial Products Holding AG
Brandschenkestrasse 90 – P.O. Box 1686 – 8027 Zurich – Switzerland
info@efgfp.com – www.efgfp.com