EFG INTERNATIONAL
INTERIM MANAGEMENT REPORT 2010

DESCRIPTION OF BUSINESS

EFG International AG and its subsidiaries (hereinafter collectively referred to as "the Group") are a leading global private banking group, offering private banking and asset management services. The Group operates in over 50 locations in 30 countries, with circa 2,400 employees. The Group's parent company is EFG International AG, which is a limited liability company and is incorporated and domiciled in Switzerland and listed on the SIX Swiss Exchange. EFG International AG is a member of EFG Group.

FINANCIAL SUMMARY

For the first six months of 2010 (H1 2010):

Net profit

– Core* net profit attributable to Group shareholders was CHF 88.4 million, up 17% year-on-year. Core net profit attributable to ordinary shareholders was CHF 77.8 million, up 21% year-on-year.

– EFG International's first-half 2010 results were impacted by an impairment charge of CHF 859.5 million in relation to institutional product businesses MBAM, CMA, and DSAM. These resulted in a net loss attributable to Group shareholders of CHF 799.2 million and a net loss attributable to ordinary shareholders of CHF 809.8 million for the first half of 2010.

Operating income & expenses

– Core operating income was CHF 407.1 million (H1 2009: CHF 412.1 million).

– Core operating expenses were CHF 321.0 million (H1 2009: CHF 320.2 million).

– The core cost-income ratio for the first half of 2010 stood at 81.5%, up from 80.6% a year earlier.

– The core revenue margin was 0.92% of average clients' Assets under Management, compared to 1.07% for H2 2009 and 1.07% for the same period a year ago.

Equity base

– EFG International remains well capitalised, with a BIS capital ratio of 13.0% as at 30 June 2010, compared to 13.7% at 31 December 2009 and 12.9% as at June 2009.

** EFG International announced in March 2010 that it would report core net profit as a proxy for the internal Tier 1 capital generation of the business through earnings, after minorities. It therefore excludes impairment charges of CHF 859.5 million, the amortisation of acquisition-related items of CHF 17.2 million, the amortisation of employee stock options of CHF 10.9 million, and minority interests of CHF 2.1 million.*

Clients' Assets under Management

– Revenue-generating clients' Assets under Management (excluding EFG International shares which do not form part of the current free float) were CHF 87.5 billion as at 30 June 2010, up 9% year-on-year. Net inflows from private clients were CHF 6.3 billion, up from CHF 4.7 billion year-on-year. Total net new assets were CHF 5.0 billion, up from CHF 2.2 billion year-on-year.

For more information on financial performance, see the EFG International Half Year Report 2010 (enclosed separately).

IMPORTANT EVENTS DURING THE FIRST SIX MONTHS AND, WHERE APPROPRIATE, THEIR IMPACT ON FINANCIAL STATEMENTS

Results impacted by a challenging environment

While core net profit of CHF 88.4 million increased by 17% year-on-year, performance was constrained by the factors detailed earlier, with core operating income down 1% year-on-year to CHF 407.1 million. The core revenue margin of 0.92%, which was disappointing, was caused by a substantially lower net interest margin (accounting for a reduction of 8 bps) and a much lower contribution from specialist product businesses MBAM, CMA and DSAM (accounting for a reduction of 7 bps). In addition, the significant increase in net new assets from private clients negatively affected the core revenue margin. Excluding net new assets from private clients (which tend to be low margin, pending their investment), the core revenue margin was closer to 1%.

Core operating expenses of CHF 321 million remained flat, with savings of circa CHF 20 million from last year's cost reduction programme offset by further investments in EFG International's fast-growing businesses in H1 2010 – primarily Asia (CHF 8 million); the Americas (CHF 4 million); and EFG Financial Products in its third year of operation (CHF 6 million) – as well as renewed growth initiatives in Sweden/Denmark (CHF 2 million).

Based on EFG International's strong clients' Assets under Management development, EFG International believes that the current cost base is justified. However, costs will continue to be closely monitored, and would be reduced proactively should investments in growth not yield the expected results, and/or external conditions deteriorate significantly.

Impairment charge relating to underperforming specialist product businesses MBAM, CMA and DSAM

Following the exchange of EFG International's economic interest in MBAM for a perpetual share of income, concluded in July 2010, MBAM is now an external hedge fund manager with clients' Assets under Management of less than CHF 1 billion. CMA, the funds of hedge funds manager (with CHF 2.2 billion relating to private client assets under management and advice), and DSAM, which specialises in structured products for the Swedish market (with circa CHF 5 billion under management), are internal businesses, and both are running-rate break even.

Given recent underperformance, and an uncertain outlook, EFG International has taken the conservative step of writing off the full goodwill & intangibles associated with CMA (CHF 210 million), and all non-private banking related goodwill & intangibles in DSAM (CHF 168 million); it has also fully written down its perpetual share of income from MBAM, accounted for as a financial asset (CHF 499 million). These write-downs, totalling CHF 859.5 million, after tax and minorities, resulted in a net loss attributable to Group shareholders of CHF 799.2 million for the first half of 2010.

This had no impact on EFG International's regulatory capital or cash-flow, nor should it obscure the underlying core net profit of the business. Furthermore EFG International anticipates that, with improved market conditions, these businesses will again contribute positively to its performance.

EFG International's balance sheet remains strong and highly liquid (with a deposit to-loan ratio of 2:1). It remains well capitalised, with a BIS capital ratio of 13.0%.

Strong private client net new assets, and encouraging performance from most private banking businesses

EFG International's private banking business has consistently delivered strong, double-digit net new asset growth, and the first half of 2010 was no exception. Net new assets relating to private clients were CHF 6.3 billion. This represents annualised growth of 16%, one of the highest growth rates in the sector.

Most regional businesses once again delivered strong performances, with the UK, Americas, Caribbean, Asia and Luxembourg all growing clients' Assets under Management by over 20% on an annualised basis.

Continued selective approach to CRO hiring

As at 30 June 2010, the number of CROs stood at 665, up slightly from 650 at end-2009. Underlying hiring was in keeping with our policy of focusing selectively on high quality CROs and teams, and the pipeline is strong.

Improved investment support for CROs and solid performance of EFG Financial Products

EFG International continues to develop organically its asset management activities (encompassing traditional long-only investments, funds of hedge funds selection, and structured products), on the basis that these are integral to private banking. Good progress has been made in providing better coordinated investment support, and a number of practical tools have been introduced.

EFG International expects that the percentage of clients' assets subject to fee based management will increase gradually over time, benefiting margins in the process. Several other revenue-enhancing initiatives are starting to come on stream. By way of example, EFG International is generally looking at pricing; it has introduced yield-enhancing cash products as an alternative to cash deposits; and it is more actively capitalising on synergies with EFG Financial Products.

EFG Financial Products continued to progress solidly in the first half of 2010, with the number of clients increasing strongly; the number of products issued more than doubling; and operating income increasing by 12% year-on-year.

A number of management changes

After ten years at EFG International, Rudy van den Steen has asked to step down as Chief Financial Officer as of 1 October 2010, but will continue to work on matters of strategic significance. EFG International thanks him for his valuable contribution as CFO.

Jean-Christophe Pernollet (aged 44) has been appointed as his successor as Chief Financial Officer and member of the Executive Committee as of 1 October 2010. He was formerly the partner in charge of PricewaterhouseCoopers' Geneva office, with 350 people, and the Business Unit Leader for its audit practice for the French- and Italian-speaking parts of Switzerland. From 2001 to 2007, Mr Pernollet was the lead auditor for EFG International and as a result has in-depth knowledge of the organisation.

Henric Immink (aged 45) has joined EFG International as Senior General Legal Counsel and will become Group General Counsel and Member of the Executive Committee with effect from 1 January 2011. He is an experienced lawyer, specialised in corporate, banking and tax law, who was formerly a partner of Python & Peter in Switzerland. He also has extensive knowledge of EFG International, having been one of its key external legal and tax advisors for the past seven years.

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

The above appointments are subject to regulatory approval.

Selective expansion of international presence

During the first half of 2010, EFG International entered a number of new markets, establishing businesses in Denmark, Uruguay and Key Biscayne, Florida. All have made encouraging starts in terms of business development. In Switzerland, plans to grow the business organically have started to be implemented.

DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

General outlook

Looking ahead, EFG International's strategic focus will be on private banking; the fundamentals of the business are strong (international diversification; onshore as well as offshore; entrepreneurial bankers); and its capacity for growth is intact.

Based on prevailing economic and market conditions, EFG International has identified the following strategic targets for the next three years:

– Double-digit annual net new private client asset growth.

– Revenue margin of 1%.

– Annual net CRO hiring of 25–50.

– To improve the cost-income ratio over time to below 70%, based on growth in revenues and careful management of costs.

– Minimum BIS Tier 1 capital ratio of 16%, to be attained no later than end-2012.

– Minimum core net profit of CHF 200 million for 2011. Thereafter, to rise in line with the anticipated development in revenues.

Specific risk considerations

The EFG International Board of Directors determines the overall risk appetite for EFG International and has delegated such responsibilities to various risk committees who have as their main objective the minimizing of risks as follows:

a) Credit risk: Credit risk arises principally from the Group's lending activities to its clients. However as EFG International's primary credit exposures relate to loans collateralized by security portfolios and by mortgages, credit risk exposure is comparatively low. EFG International is also exposed to credit risk related to financial institutions. Management of such exposure is based on a system of counterparty limits coordinated at the EFG Group level, subject to country limits.

b) Market Risk: EFG International is exposed to fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk derives from trading in treasury and investment market products for which prices are fixed daily, as well as from more traditional banking business, such as loans. As EFG International engages in the trading of investment market products predominantly on behalf of its clients and does not have meaningful proprietary trading activities, the market risk resulting from trading positions is limited.

c) Funding and Liquidity Risk: EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to clients, both in demand for loans and repayment of deposits, and to satisfy the company's own cash flow needs within all of its business entities. The global upheaval in the financial markets that started two years ago continues to be marked by instability and volatility impacting upon market and investor confidence primarily characterized by a reduction in liquidity. However, our client deposit base, our capital and reserves position and our conservative gapping position when funding client loans ensure that EFG International runs only limited liquidity and funding risks.

d) Legal and Regulatory Risk: EFG International is subject to stringent regulation of all its businesses including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Switzerland and the other markets where it operates. Future changes in regulation, fiscal or other policies in Switzerland and globally are unpredictable and beyond the control of EFG International and could have a future impact on its businesses.

The global macroeconomic environment in the first half of 2010 was characterized by an increasing focus on sovereign credit risk, most notably in relation to lower-rated European Union member states. This has contributed to continued volatility in financial markets which have adversely affected clients' confidence and activity levels. The main concern for the Group in the second half of 2010 will continue to be the global macroeconomic environment, economic growth and a return to confidence in the financial markets by market counterparties and clients alike.

SUMMARY

The business environment in 2010 has so far been more difficult than EFG International had expected at the start of the year. However, the ability of EFG International to generate new business remains strong, as evidenced by growth across most of its private banking businesses. Leadership remains confident over the medium-term prospects for EFG International, based on its consistent record of double digit net new asset growth in private banking, maintained notwithstanding economic and market challenges.

FORWARD LOOKING STATEMENTS

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

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

Many factors may cause our results of operations, financial condition, liquidity, and the development of the industries in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this report. These factors include among others (i) general market, macro-economic, governmental and regulatory trends; (ii) EFG International AG's ability to implement its cost savings program; (iii) movements in securities markets, exchange rates and interest rates; (iv) competitive pressures; (v) our ability to continue to recruit CROs; (vi) our ability to manage our economic growth and (vii) other risks and uncertainties inherent in our business.

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

Non-IFRS measures

Core net results are financial measures that have not been prepared in accordance with IFRS and recipients of this report should not consider them as alternatives to the applicable IFRS measures. Core net results exclude the amortisation of acquisition-related items of CHF 17.2 million, the amortisation of employee stock options of CHF 10.9 million, minority interests of CHF 2.1 million, and impairment adjustments of CHF 859.5 million attributable to ordinary shareholders.

Recipients of this report should not consider core net profit as a measure of our financial performance under IFRS, or as an alternative to profit from operations, net profit or any other performance measures derived in accordance with IFRS.

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