EFG INTERNATIONAL
INTERIM MANAGEMENT REPORT 2012

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 approximately 30 locations worldwide, with circa 2,300 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 2012 ("H1 2012"):

Net profit

– IFRS net profit was CHF 53.1 million, compared with CHF 55.9 million a year earlier and a loss of CHF (350.0) million for the second half of 2011.

– Underlying IFRS net profit was CHF 74.1 million – after adding back CHF 11.4 million in relation to Greek sovereign exposure and CHF 9.6 million on account of business review measures (a gain of CHF 11.2 million from business disposals, less unprovided closure costs of CHF 12.2 million, and net operating losses of CHF 8.6 million from businesses being exited) – up from CHF 55.9 million during the first half of 2011.

Operating income & expenses

– Operating income was CHF 409.1 million, up 3% on a year earlier. While traditional private banking business continued to be impacted by client caution, specialist business relating to large clients was particularly strong during the first half of 2012 – notably structuring transactions related to clients' business activities. Operating income also benefited from a strong treasury performance and contribution from EFG Financial Products.

– Operating expenses were CHF 328.3 million, versus CHF 335.4 million a year earlier. However, better reflecting good progress with the business review, they were down from CHF 378.3 million during the second half of 2011.

– The cost-income ratio stood at 79.5%, compared with 82.8% for the same period last year but down from 101.1% for the second half of 2011. Furthermore, cost savings associated with the business review are only now starting to be realised. In the first half of 2012, underlying cost savings in excess of CHF 30 million were achieved, before costs relating to EFG Financial Products, businesses being exited and bonuses as a result of improved operating performance.

– The revenue margin stood at 104bps, compared with 95bps in the first half of last year.

Capital position

– The BIS Capital Ratio stood at 15.1% at end-June, up from 12.9% at end-2011.

Revenue-generating Assets under Management

– Revenue-generating Assets under Management were CHF 76.5 billion as at end-June 2012, down from CHF 78.4 billion as at end-2011. There was an outflow of CHF 3.6 billion in relation to exited operations, offset by CHF 0.4 billion from FX and market effects and net new assets of CHF 1.2 billion from continuing businesses. The latter represented annualised growth of 3.2%, down from CHF 2.7 billion a year earlier but a significant improvement on the second half of 2011*.*

For more information on financial performance, see the EFG International Half Year Report 2012 (enclosed separately).

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

Implementation of business review on track

In terms of the objectives set by EFG International in its business review in October 2011:

– *Reinforce focus on private banking.* A number of non-private banking businesses have been exited. EFG Asset Management is clearly positioned as an integral part of private banking, and EFG Financial Products is earmarked for an IPO, as and when market conditions permit.

– *Address factors that served to obscure the underlying strength of EFG International as a private bank.* Exposure to GIIPS has been substantially reduced, and a more conservative treatment of life settlement policies has been adopted. Misconceptions relating to Greece are clearly refuted by the facts and should be further allayed by the recent announcement by EFG Group relating to its shareholding in Eurobank, as well as the recent decision of Eurobank to drop "EFG" from its name.

– *Address capital structure and position.* The composition of the capital structure has been improved as a result of the conversion exercise in relation to Bons de Participation, and has been strengthened through the sale of treasury shares and business profits. EFG International's BIS capital ratio stood at 15.1% at end-June 2012, up from 12.9% at end-2011.

– *Exit loss-making or marginal businesses/locations.* All loss-making businesses have been (or are in the process of being) exited. As a result, the number of locations has reduced by 20, enabling leadership to focus on the most compelling elements of the business.

– *Improve productivity.* The business has addressed unproductive Client Relationship Officers (CROs) as a result of past over-hiring, reducing the number of CROs by 157 over the past year. As a consequence, CRO productivity (AUM per CRO) has improved by 26%. Total headcount has reduced by 8% over the past year (9.3% excluding EFG Financial Products), and will reduce further as the business review completes.

EFG International is on track to deliver the net P&L benefit targeted in the business review of CHF 35 million per annum, realised in part in 2012 and in full from 2013. As a result of the measures taken, the business is less complex and has a sharper focus.

And business review on target to deliver anticipated financial benefits

The business review targeted a reduction in total headcount by 10–15%. Since September 2011, total headcount excluding EFG Financial Products (which has increased headcount by 16% as it continues to invest in growth ahead of its planned IPO) has reduced by 11%. Furthermore, businesses in the process of being exited will increase this figure to 13%. For the same period, the number of private banking CROs was reduced by 20%, compared with a business review objective of 15%. EFG International believes there is further scope to improve productivity, and its hiring freeze remains in place, other than to meet industry-wide regulatory and risk management requirements and the selective hiring of high quality CROs.

On the revenue side, the business review anticipated an AUM impact of circa 10% (CHF 7 billion) over an 18 month period. So far there has been a negative impact from businesses being exited of CHF 5.4 billion (CHF 3.6 billion in H1 2012; CHF 1.8 billion in H2 2011), with an additional CHF 1.2 billion still to come.

As a result of exiting under-performing businesses and employees, as well as measures taken to improve operational efficiency, EFG International is on target to deliver a net P&L benefit of CHF 35 million, as detailed in its business review.

Positive net new assets for continuing businesses, and further improvement anticipated as disruption effects of business review fall away.

Net new assets relating to continuing businesses were CHF 1.2 billion (compared with CHF 2.7 billion during the first half of 2011, but just CHF 0.6 billion for 2011 as a whole). This represents annualised growth of 3.2% – below EFG International's target range of 5–10%, but a significant improvement on the second half of 2011, when continuing businesses experienced outflows due to the time and resources that had to be devoted to resetting the business. The level of net new assets continues to be influenced by client confidence in the wider economy. On account of this, the second quarter of 2012 was weaker than the first, but net new assets were still positive and picked up in June. The core private banking business retains its capacity to grow, and net new asset generation should move to within its target range as disruption caused by the business review diminishes and assuming that market conditions normalise.

Process of resetting the business now largely complete

EFG International committed in its business review to exiting loss-making or marginal businesses/locations, and since last October has withdrawn (or is in the process of withdrawing) from:

– *Scandinavia.* Offices in Helsinki and Denmark have been closed, and EFG Bank AB in Sweden is in the process of being wound down.

– *France.* EFG International has sold EFG Assurance to Meeschaert Gestion Privée and has reached an agreement with Amaika Asset Management for the transfer of the management of the fund range of EFG Asset Management France. The remaining business will undergo a formal closure process.

– *Secondary locations in Switzerland.* Offices in Lugano and the Valais have been closed.

– *The Middle East.* Offices in Dubai and Abu Dhabi have been closed, although a number of CROs targeting the Non-Resident Indian market have relocated to Singapore.

– *India.* EFG International has agreed to sell what remains of this business, which was in the process of being wound down, to Atul Sud, the former owner and 25% minority shareholder.

– *The Philippines.* The Manila office has been closed.

– *Canada.* Bull Wealth Management in Canada is being acquired by HighView Financial Group. This will complete EFG International's exit from the Canadian market.

– *Select locations in the Americas.* Offices in New York and Buenos Aires have been closed.

Non-core businesses have also been exited, allowing EFG International to return to a single focus on private banking. The business of SIF Swiss Investment Funds SA was transferred to CACEIS, and negotiations are currently being formalised with regard to OnFinance, EFG International's Lugano-based financial services boutique.

With the resetting process now virtually complete, the focus of all remaining locations is on business development. Even though it has exited 20 locations, EFG International still retains a strong international presence in around 30 locations worldwide.

Focus now firmly on optimising and growing – most private banking businesses performing strongly

Three of the four regional private banking businesses delivered strong performance during the first half of 2012. The Americas delivered very strong double-digit growth in revenues and profits compared with a year earlier. The UK again made steady progress, with a strong end to the first half. In Asia, the core theme for the first half has been optimising the existing business, resulting in strong double-digit growth in profit. With competition more intense in Asia, EFG International believes that it is well placed, courtesy of a well established and profitable business, which was once again voted the Best Pure-Play Private Bank in Asia 2012 by Asiamoney – and, for the first time, the Best Private Bank in Asia for clients with USD 1-5 million.

In Europe, Luxembourg, Monaco and Spain are all well on track to be more profitable this year than last. The Swiss business continues to be impacted by various industry pressures, and while there is more to be done to optimise the business it has reduced costs substantially.

Continuing to strengthen management team and ongoing emphasis on CRO productivity

We have continued to strengthen the senior management team of EFG International, with the specific objectives of driving growth and hiring quality CROs:

– In Singapore, Tho Gea Hong has been appointed Deputy CEO and Head of Private Banking for South-East Asia, effective from the beginning of August 2012. She was formerly Managing Director, Wealth Management, covering Singapore and Malaysia, for Merrill Lynch. She joined Merrill Lynch in 2004, and before that spent 17 years at DBS Bank. Gea Hong will report to Kong Eng Huat, CEO of Singapore and South East Asia.

– In the UK, Daniel Gerber joined on 2 July 2012 as Managing Director and Head of Private Banking. He was formerly CEO of Julius Baer International in London, a position he held since 2008, having previously been its Deputy CEO.

The total number of CROs stood at 503 at end-June 2012, compared with 567 at end-2011. The number of private banking CROs fell from 508 at end-2011 (531 at the time of the business review last October) to 440 as of end June 2012. This reflects a reduction of 87 on account of businesses having been exited and under-performing CROs having been addressed, partially offset by new hires of 19. The number of CROs will fall by a further 11, reflecting businesses in the process of being exited.

Solid progress in relation to investment solutions and EFG Financial Products

The focus of EFG Asset Management is to provide enhanced support to the private banking businesses, and it has continued to generate strong growth in AUM. EFG Financial Products continued to perform strongly, with revenues up 28% compared with a year earlier. The business continues to invest in growth, but is on track to deliver a significant increase in profit in 2012. EFG Financial Products has been earmarked for an IPO (with EFG International reducing its stake from 57% to circa 20%) and the plan remains to undertake this later in 2012, subject to market conditions.

Will continue to improve capital position, and generally strengthen business foundations

EFG International's capital position has been strengthened as a result of the Bons de Participation conversion exercise and the sale of treasury shares. The BIS capital ratio stood at 15.1% as of end-June 2012, and will continue to strengthen as a result of business profits as well as the planned IPO of EFG Financial Products. EFG International will continue to assess opportunities relating to its capital structure and composition, as well as the optimisation of risk-weighted assets. The largest shareholder's purchase of EFG International treasury shares also evidenced its commitment to EFG International and its stated objective to remain a leading independent private bank.

EFG International has received final court approval of the settlement (disclosed in its 2011 annual report), for USD 7.8 million, of the class action claim of USD 130 million relating to clients who had invested in the Madoff-related feeder fund, Fairfield Sentry. EFG International denied all liability in the case, but took the decision to settle in order to avoid further legal costs. Other claims seeking the return of payments allegedly received by certain group entities on behalf of clients will continue to be defended vigorously.

In relation to life settlement policies, EFG International has adopted more conservative estimates regarding future premium payments and the expected yield on the portfolio. Performance during the first half of 2012 was in line with expectations.

Direct exposure to GIIPS has more than halved since the end of 2011, and now stands at just CHF 138.8 million (0.6% of total balance sheet assets). In addition, there is exposure of CHF 66.5 million to non-GIIPS European subsidiaries of Greek banks. EFG International no longer has any direct exposure to Greece, and the salient facts relating to EFG International and Greece are clear – EFG International is a Swiss private banking group, headquartered, listed and regulated in Switzerland; it is not present in Greece; and it is entirely separate from the Greek commercial bank, Eurobank. If the facts are not enough, misconceptions should be allayed, once and for all, by the decision of EFG Group to transfer its shareholding in Eurobank to nine individual members of the next generation of the Latsis family, and to the John S. Latsis Public Benefit Foundation. All EFG Group nominated board members of Eurobank are to resign from the board and all its committees. Eurobank will be deconsolidated from the EFG Group, and will cease using "EFG" in its name.

DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

Remain committed to delivering medium-term targets

With implementation of its business review on track, and the benefits starting to be realised, EFG International is positive about it future. It is clearly again a focused private bank; it is less reliant than peers on traditional cross-border business; and it derives significant benefits from diversity. While others are investing heavily in growth markets, EFG International already has well established businesses in both Latin America and Asia, both of which are profitable and growing.

With a new equilibrium in place, the focus is now on optimising and growing the business. EFG International will keep things relatively simple, building up through a combination of business development and cost discipline, with business growth flowing through with minimal dilution to productivity and profits.

EFG International remains committed to its medium-term objectives:

– Net new assets in the range 5–10% per annum.

– A reduced cost-income ratio – to below 75% by 2014.

– Gross margin to remain broadly at the level prevailing at the time of the business review (circa 94 bps).

– As a result, delivering strong double-digit growth in profit and a double-digit return on shareholders' equity.

However, in terms of general risks and uncertainties facing the business:

- EFG International's performance, in common with the private banking industry as whole, continues to be affected by challenging conditions. Economic, market and business conditions will continue to have a significant bearing on the rate of progress.

- For the past ten months, EFG International's focus has been on resetting its business and repositioning it to deliver disciplined, profitable growth. Good progress has been made in this regard, and the benefits are becoming evident. However, future performance is dependent on EFG International AG's continued ability to reset its business as announced on 18 October 2011, including the implementation of its cost saving programme.

- EFG International will also seek to continue to attract top talent. For continuing businesses, the process of resetting and addressing under-performing CROs is now at an end, and all remaining locations will be redoubling their efforts to hire proven individuals and teams.

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 EFGI 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. In the case of foreign exchange, EFG Bank maintains proprietary positions in linear foreign exchange measured against overnight and Value at Risk (VaR) limits. Adherence to all limits is monitored independently by the Global Risk Management Division, under the direct supervision of the Chief Risk Officer.

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 over three 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.

e) Operational & Reputation Risk: EFGI acknowledges that carrying out business in the banking and financial services industry entails risks, including operational and reputation risks. In this respect, the EFGI Group aims at mitigating significant operational and reputation risks it may inherently run to a level it considers appropriate and commensurate with its size, structure, and nature of complexity of its service/product offerings, thus adequately protecting its assets and its shareholders' interest while optimizing its risk/reward ratio. While the primary responsibility for managing operational/reputation risks lies with the EFGI business entities, the development, implementation and oversight of an integrated 'Operational Risk Management Framework' as well as a 'Reputation Risk Policy Framework' form part of the EFGI Group objectives to manage, oversee and mitigate these risks.

The global macroeconomic environment in the first half of 2012 continues to be 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 2012 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

EFG International has made good progress in implementing its business review, and it is on track to deliver the anticipated financial benefits. The business is now leaner, less complex and more profitable - and is very much a focused private bank. There is a strong platform to build on; the capacity of its private banking business to deliver growth is intact; and, most importantly, it benefits from loyal clients and employees. With the resetting phase almost complete, EFG International is now intent on delivering on its potential. It is firmly committed to being a leading independent private bank, combining a relationship-driven approach with a full range of services.

FORWARD LOOKING STATEMENTS

This report contains specific forward-looking statements, e.g. statements which include terms like "believe", "assume", "expect" or similar expressions. Such forward-looking statements represent EFG International AG's judgements and expectations and are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company 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) EFG International AG's ability to implement its cost savings program (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, (5) EFG International AG's ability to reset its business as announced on 18 October 2011, including the implementation of its cost saving programme and (6) other risks and uncertainties inherent in our business. EFG International AG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

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