EFG International reports first-half 2013 results

Zurich, 24 July 2013 – EFG International made an IFRS net profit attributable to ordinary shareholders of CHF 83.8 million in the first half of 2013, up 71% compared with a year earlier, boosted by the sale of its remaining stake in EFG Financial Products. Revenue-generating Assets under Management were CHF 76.0 billion, compared with CHF 78.7 billion at end-2012, but up 4% after adjusting for exited businesses and reclassifications. Net new assets from continuing businesses were CHF 1.9 billion (annualised growth of 5%), up from CHF 1.2 billion a year earlier - and CHF 2.5 billion (annualised growth of 7%) after allowing for the outflow of a low yielding single stock position. Operating income (excluding EFG Financial Products) was CHF 330.3 million, down from CHF 346.9 million a year earlier - reflecting lower asset and liability management revenues and a reduction in structuring transactions relating to large clients (together equivalent to circa 9 bps of revenue margin). After allowing for these factors, mainstream private banking revenues from continuing businesses were circa 10% higher compared with the first half of 2012. Underlying net profit attributable to ordinary shareholders was CHF 60.3 million, compared with CHF 63.9 million a year earlier, but mainstream private banking activities delivered very strong double-digit growth in profits. The number of Client Relationship Officers (excluding EFG Financial Products) stood at 416, up from 414 at end 2012. The Basel III BIS Capital Ratio stood at 18.0% at end-June, up from 15.9% at end-2012. The focus is on optimising and growing the business, and EFG International remains committed to achieving its medium-term objectives.

Overview of key results (unaudited)	H1 2013	Change vs. H1 2012	Change vs. H2 2012
Operating income	**CHF 381.8 m**	Down 7%	Down 8%
Operating income (ex EFG FP)	**CHF 330.3 m**	Down 5%	Down 6%
Operating expenses	**CHF 301.4 m**	Down 8%	Down 9%
IFRS net profit attributable to ordinary shareholders	**CHF 83.8 m**	Up 71%	Up 55%
Underlying IFRS net profit attributable to ordinary shareholders*	**CHF 60.3 m**	Down 6%	Unchanged
Cost-income ratio	**78.3%**	Down from 79.5%	Down from 78.9%
Cost-income ratio (ex EFG FP)	**79.8%**	Up from 79.2%	Up from 78.5%
Revenue-generating AuM	**CHF 76.0 bn**	Down 1%	Down 4%
Net new assets (continuing)	**CHF 1.9 / 2.5** bn**	Up from CHF 1.2 bn	Up from CHF 1.8 bn
Net new assets (total)	**CHF 1.8 bn**	Up from CHF (1.1) bn	Up from CHF 1.3 bn
Revenue margin (% of AuM)	**0.97%**	Down from 1.04%	Down from 1.05%
Revenue margin (% of AuM, ex EFG FP)	**0.87%**	Down from 0.92%	Down from 0.93%
BIS Capital Ratio (Basel III, fully phased in)	**18.0%**	Up from 15.1%****	Up from 15.9%
Client Relationship Officers (CROs) ***	**416**	Down from 440	Up from 414
Total headcount ***	**1,977**	Down from 2,099	Down from 1,994

** Excluding impact of non-recurring items ** Excluding low-yielding single stock position *** Excluding EFG Financial Products **** Basel II*

A strong rise in first half profits, largely reflecting sale of stake in EFG Financial Products

During the first half of 2013, EFG International made an IFRS net profit attributable to ordinary shareholders of CHF 83.8 million, up 71% compared with the first half of 2012. This includes CHF 34.2 million from the sale of EFG International's remaining stake of 20.25% in EFG Financial Products (since renamed Leonteq), completed in April.

Operating income was CHF 381.8 million in the first half of 2013 compared with CHF 409.1 million a year earlier – excluding EFG Financial Products, down from CHF 346.9 million to CHF 330.3 million - due to lower asset and liability management revenues and a reduction in specialist structuring transactions relating to large clients. After allowing for these factors, mainstream private banking revenues from continuing businesses were circa 10% higher compared with the first half of 2012. These factors also constrained the revenue margin, which stood at 97 bps versus 104 bps a year earlier (87 bps versus 92 bps, excluding EFG Financial Products, against a target of 84 bps). Operating expenses were CHF 301.4 million, down 8%. The cost-income ratio stood at 78.3%, compared with 79.5% for the same period last year.

Revenue-generating Assets under Management were CHF 76.0 billion, compared with CHF 78.7 billion at end-2012. This reflects a reduction of CHF 4.6 billion relating mainly to EFG Financial Products, plus the redesignation of CHF 1.0 billion as Assets under Administration, offset by FX and market effects of CHF 1.0 billion and net new assets from continuing businesses of CHF 1.9 billion. Excluding exited businesses and reclassifications, revenue-generating Assets under Management were up 4%.

Underlying profit constrained by market conditions, but quality of earnings continued to improve

Underlying net profit attributable to ordinary shareholders was CHF 60.3 million, down 6% on a year earlier (and unchanged on the second half of last year), after excluding the following non-recurring items:

- CHF 36.8 million (CHF 34.2 million capital gain plus CHF 2.6 million profit contribution prior to closing) relating to EFG Financial Products. EFG International's remaining stake of 20.25% was sold to Notenstein Private Bank on 23 April 2013.

- CHF 3.7 million relating to completion of the business review. The formal process of closing operations in France and Sweden has taken longer than originally envisaged, meaning some residual expenses, but should be completed by the end of this year. The delayed sale of EFG International's Canadian business is also envisaged to complete during the second half of 2013.

- CHF 9.6 million, representing a provision relating to EFG International's share of the advance payment made by Swiss banks relating to the UK tax agreement. With less tax transferred to the UK than anticipated, there is doubt as to how much of their advance payments banks will eventually recover.

- CHF 0.7 million relating to the Bons de Participation dividend.

Operating expenses were down in the first half of 2013, reflecting the flow through of savings achieved as a result of the business review. However, underlying profit development was constrained by lower profits from EFG International's asset and liability management – due to the current low yield environment and the reduction in high-yielding GIIPS assets – and the absence of specialist structuring transactions relating to large clients (together equivalent to a circa 9 bps reduction in the gross margin). The latter was a notable feature in 2012, but is unpredictable and has been less of a factor during 2013 to date. By contrast, private banking activities (excluding EFG Financial Products, asset and liability management, and structuring transactions for large clients) delivered very strong double-digit growth in profits, evidencing earnings quality and forward momentum.

Capital position continued to strengthen

EFG International significantly improved both the level and composition of its capital during 2012, and this process continued in the first half of 2013. On a Basel III (fully phased in) basis, EFG International's BIS Capital Ratio stood at 18.0%, up from 15.9% at end-2012, compared with a business review target range of 14-16%. The Common Equity Ratio (CET 1) stood at 13.5%, up from 11.7%.

Net new assets for continuing businesses within target range, with an improving trend

Net new assets relating to continuing businesses were CHF 1.9 billion (annualised growth of 5%), compared with CHF 1.2 billion in the first half of 2012. Excluding the outflow of a low-yielding CHF 0.6 billion single stock position, net new assets were CHF 2.5 billion, representing annualised growth of 7%. The Continental European business delivered annualised growth of 14%; Asia and the UK delivered 7% and 8% growth respectively; the Americas business was flat, in part reflecting the impact of geo-political factors on certain areas of business; while the Swiss private banking business delivered 4%, representing an encouraging turnaround from last year.

Regional businesses performing strongly

The UK, Asia and Continental Europe businesses all delivered double-digit growth in operating income and pre-tax contribution. Indeed, each grew their pre-tax contribution by more than 20% compared with a year earlier, with Continental Europe approaching growth of 100%. While the Switzerland business was, as expected, down on a year earlier, after a challenging 2012, there have been distinct signs of improvement, with a return to net new asset generation, and operating income and pre-tax contribution both running ahead of budget. The one area of relative challenge was the Americas, which has not managed to sustain the strong performance seen in 2012, as a result of geo-political factors together with outflows due to the cessation of a number of significant structuring transactions relating to large clients, albeit offset by inflows in other areas of the business.

Business back in net CRO hiring mode

The total number of CROs (excluding EFG Financial Products) stood at 416 at the end of June 2013, up from 414 at end-2012. The emphasis is on quality hiring, with the UK (up four), Americas (up three) and Switzerland (up five) all making solid progress during the first half, and Continental Europe remaining stable. Asia had a net reduction of six CROs, as a result of a further tranche of underperforming CROs being let go during the first quarter; however, as a better indicator of progress, it added net six CROs during the second quarter.

Focus on delivering controlled, profitable growth

EFG International is fully focused on the challenge of delivering controlled, profitable growth. As stated at the time of its full-year 2012 results, it is seeking to derive revenue and profit upside across a number of business drivers:

- CRO recruitment. There has been a return to CRO hiring mode and the focus remains on high quality individuals and, in particular, teams. The pipeline continues to improve and, during the second half of the year, EFG International will be announcing senior appointments in both Switzerland and Hong Kong. These involve experienced individuals who will add momentum to CRO hiring in their respective markets.

- Adoption of market strategies. Regional business sponsors have been appointed for a number of high-growth markets and segments: Central and Eastern Europe, the Middle East, China, Latin America and Global Indians. Each is responsible for optimising the market opportunity, encompassing recruitment, the competitiveness of EFG International's offering, and business development.

- Broadening and deepening client relationships. EFG Asset Management is now firmly established internally as the provider of the organisation’s open architecture investment solutions platform, and continued to make strong progress during the first half of 2013, with revenue-generating AUM up by roughly a third on a year earlier. The same approach has now been extended to both wealth structuring - with EFG International’s trust and company administration businesses having recently been combined to form EFG Wealth Solutions - and credit, in the process forming a comprehensive and integrated solutions platform to support CROs.

- An upgraded approach to UHNWIs. As an extension of work being done in relation to its solutions platform, EFG International remains committed to increasing the support it offers CROs in relation to ultra-high net worth individuals, from enhancing its offering to hiring additional bankers with a strong UHNWI focus.

At the same time, EFG International is committed to maintaining strong cost discipline. Aside from the hiring of high quality CROs, the hiring freeze remains in place, other than to meet industry-wide regulatory and risk management requirements.

Strong commitment to regulatory compliance

EFG International is in no doubt that regulatory compliance is a pre-requisite to growth, and has recently completed an external assessment of its approach. This has identified a number of areas for improvement, based on best practices, while confirming that EFG International's approach is fit for purpose and in keeping with leading peers. The business will be making further investments in related systems, processes and resources over the next 6-12 months.

A focus on organic growth, but open to making acquisitions

The short- to medium-term focus will be on organic growth, recognising that delivering on latent potential offers the most significant short-term upside to shareholder value. However, EFG International is open to making acquisitions where there is a shared appreciation of private banking and complementary cultures and capabilities.

Relocating Zurich head office

In the final quarter of this year, EFG International will be moving its Zurich head office from Bahnhofstrasse to a prime property at Bleicherweg 8, very close to Paradeplatz and in the heart of Zurich's financial district. While the cost of the new premises will be broadly comparable to the old, they will provide considerably more space, reflecting EFG International's ambition to grow the business significantly.

Remains committed to delivering medium-term targets

The completion of the sale of its remaining interest in EFG Financial Products means that EFG International's business has been further simplified and de-risked. While market conditions continue to act as a brake on profitability, notably in relation to asset and liability management, this also points to significant profit upside as and when interest rates start to rise.

As a specialist private bank, EFG International is committed to delivering controlled, profitable growth, and the aim remains to keep things relatively simple, with business growth flowing through with minimal dilution to productivity and profits. In this respect, although structuring transactions relating to large clients have been much less of a factor in 2013, EFG International is encouraged by the good progress made by its mainstream private banking activities, and believes this evidences an improvement in earnings quality. Both CRO hiring and net new assets are on an improving trend, and by delivering net new asset growth within its target range and progressively broadening and deepening client relationships, EFG International has the potential to deliver strong double-digit growth in profits for the foreseeable future.

From a shareholder return standpoint, EFG International's improved profitability and capital strength will enable it to adopt a more progressive dividend policy going forward.

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.

- Continue to strengthen capital. The business review target of 14-16% for the BIS Capital Ratio has been exceeded, and replaced by an objective of high teens for the Basel III BIS Capital Ratio and low teens for the Common Equity Ratio (CET 1).

- Gross margin to remain broadly at the level prevailing at the time of the business review (84bps, excluding EFG Financial Products).

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

- Subject to market conditions, achieving an IFRS net profit of CHF 200 million in 2015.

John Williamson, Chief Executive Officer, EFG International:

- "EFG International has reported a strong increase in first half profits, largely reflecting the sale of its remaining stake in EFG Financial Products. However, I am most encouraged by the strong double-digit growth delivered by our mainstream private banking activities. The business has been simplified and derisked, and the quality of earnings has improved. Net new assets and CRO hiring are both on an upward trend, and EFG International has the potential to deliver double-digit growth in profits for the foreseeable future."

Half Year Report 2013

This release, plus results presentation and half year report can be found at EFG International's website, www.efginternational.com

A copy of the Half Year Report 2013 can be downloaded here:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/financial_reporting/2013_HY/EFGI_2013_Half_Year_Report_EN.pdf

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About EFG International

EFG International is a global private banking group offering private banking and asset management services, headquartered in Zurich. EFG International's group of private banking businesses operates in around 30 locations worldwide, with circa 2,000 employees. EFG International's registered shares (EFGN) are listed on the SIX Swiss Exchange.

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Practitioners of the craft of private banking

Presentation of half-year 2013 results

At 9.30 am CET, management of EFG International will present and discuss the results at a meeting for analysts, investors and media representatives.

EFG International's half-year 2013 results will be presented by:

- John Williamson, Chief Executive Officer (CEO).
- Giorgio Pradelli, Chief Financial Officer (CFO).

You will be able to join us for the presentation at **SIX Swiss Exchange ConventionPoint, Selnaustrasse 30, Zurich,** via **telephone conference** or by **webcast** via the internet.

Telephone conference

Dial-in numbers:

- Switzerland: + 41 58 310 50 00
- UK: + 44 203 059 58 62

Please call before the start of the presentation and ask for "EFG International half-year 2013 Results".

Webcast

A results webcast will be available at www.efginternational.com from 9.30 am (CET).

Presentation slides and press release

The presentation slides and press release will be available from 7.00 am (CET) on Wednesday, July 24, 2013 at www.efginternational.com (Investor Relations / Investor Presentations).

Playback of telephone conference

A digital playback of the telephone conference will be available one hour after the conference call for 48 hours under the following numbers:

- Switzerland: + 41 91 612 4330
- UK: + 44 207 108 6233

Please enter conference ID 10379 followed by the # sign.

Playback of results webcast

A playback of the results webcast will be available around three hours after the event at www.efginternational.com.

Financials

Key figures as at 30 June 2013 (unaudited)

(in CHF millions unless otherwise stated)	**30 June 2013**	31 December 2012	30 June 2012	Change vs. 30 June 2012	Change vs. 31 December 2012
Clients Assets under management (AUM)	**76,868**	79,469	76,964	0%	-3%
AUM excluding shares of EFG International	**75,964**	78,687	76,499	-1%	-3%
Assets under administration	**9,157**	8,295	8,592	7%	10%
Number of Client Relationship Officers	**416**	477	503	-17%	-13%
Number of Employees	**1,977**	2,260	2,357	-16%	-13%

Consolidated Income Statement as at 30 June 2013 (unaudited)

(in CHF millions)	**Half-year ended 30 June 2013**	Restated Half-year ended 31 December 2012	Restated Half-year ended 30 June 2012	Change vs. 1H12	Change vs. 2H12
Net interest income	**99.5**	108.1	116.8	-15%	-8%
Net banking fee and commission income	**216.8**	255.0	236.7	-8%	-15%
Net other income	**65.5**	52.4	55.6	18%	25%
Operating income	**381.8**	415.5	409.1	-7%	-8%
Operating expenses	**(301.4)**	(329.9)	(328.2)	-8%	-9%
Gain / (loss) on disposal of subsidiaries	**34.2**	(4.6)	2.9	1079%	-843%
Currency translation loss transferred from the Statement of Other Comprehensive Income		(0.4)	(2.9)	-100%	-100%
Other provisions	**(10.0)**			100%	100%
Provision for restructuring costs		(5.4)	(6.3)	-100%	-100%
Impairment on loans and advances to customers	**(0.2)**	(4.0)	(0.4)	-50%	-95%
Impairment of intangible assets and goodwill		(0.7)	(0.7)	-100%	-100%
Profit before tax	**104.4**	70.5	73.5	42%	48%
Income tax expense	**(9.5)**	(5.0)	(15.1)	-37%	90%
Net profit for the period	**94.9**	65.5	58.4	62%	45%
Net profit attributable to non-controlling interests	**10.4**	7.5	5.2	100%	39%
Net profit attributable to equity holders of the Group	**84.5**	58.0	53.2	59%	46%

Financials (cont.)

Consolidated Balance Sheet as at 30 June 2013 (unaudited)

(in CHF millions)	**30 June 2013**	Restated 31 December 2012	Variation
ASSETS			
Cash and balances with central banks	**1,419.5**	1,364.4	4%
Treasury bills and other eligible bills	**1,371.7**	816.8	68%
Due from other banks	**2,873.1**	3,393.3	-15%
Loans and advances to customers	**11,049.6**	10,434.1	6%
Derivative financial instruments	**464.9**	563.2	-17%
Financial assets at fair value :			
- Trading Assets	**123.1**	1,340.0	-91%
- Designated at inception	**406.6**	381.4	7%
Investment securities :			
- Available-for-sale	**2,773.6**	3,297.8	-16%
- Held-to-maturity	**1,144.7**	1,093.6	5%
Intangible assets	**273.0**	294.6	-7%
Property, plant and equipment	**22.7**	33.0	-31%
Deferred income tax assets	**35.5**	32.1	11%
Other assets	**184.0**	560.7	-67%
Total assets	**22,142.0**	23,605.0	-6%
LIABILITIES			
Due to other banks	**300.6**	885.3	-66%
Due to customers	**16,719.6**	16,084.0	4%
Subordinated loans	**237.1**	57.0	316%
Derivative financial instruments	**497.3**	728.6	-32%
Financial liabilities designated at fair value	**379.5**	1,131.3	-66%
Other financial liabilities	**2,653.9**	2,938.1	-10%
Current income tax liabilities	**3.0**	2.1	43%
Deferred income tax liabilities	**34.4**	35.0	-2%
Provisions	**16.4**	11.5	43%
Other liabilities	**232.6**	455.8	-49%
Total liabilities	**21,074.4**	22,328.7	-6%
EQUITY			
Share capital	**73.8**	77.2	-4%
Share premium	**1,237.8**	1,239.0	0%
Other reserves	**(62.0)**	119.9	-152%
Retained earnings	**(188.7)**	(260.1)	-27%
Non-controlling interests	**6.7**	100.3	-93%
Total shareholders' equity	**1,067.6**	1,276.3	-16%
Total equity and liabilities	**22,142.0**	23,605.0	-6%