EFG International

EFG International reports first-half 2009 results

Zurich, 28 July 2009 **- EFG International today reported net profit of CHF 20.0 million for the first-half 2009, which includes one-off charges of CHF 33.0 million. Clients' Assets under Management were CHF 80.4 billion as at 30 June 2009, up CHF 5.0 billion or 7% since end-2008. Net new assets from private clients amounted to CHF 4.7 billion for the first-half 2009. The number of Client Relationship Officers (CROs) was reduced from year-end 2008 to 674 as at 30 June 2009, including 75 new hires. The cost reduction measures initiated during the first half of 2009 are expected to take full effect during the second half of 2009. EFG International's business is solid and growth prospects are intact. EFG International will continue to focus on disciplined execution of its strategy while keeping costs under control.**

First-half 2009 results

As announced on 29 June 2009, the first four months of 2009 were challenging both in terms of net new assets and profitability, while activity picked up considerably in May and June. For the first-half period, operating income amounted to CHF 412.1 million, down 22% year-on-year and down 2% from second-half 2008. Operating expenses amounted to CHF 375.9 million, up 12% versus the first half of 2008, as a result of strong hiring of CROs in 2008 and other investments in growth initiatives initiated before 2009, and flat versus second-half 2008. The cost-income ratio for the first half of 2009 stood at 80.6%, up from 59.1% a year earlier. Net new asset inflows from private clients for the first-half 2009 were CHF 4.7 billion, while hedge fund-related businesses saw net institutional client outflows of CHF 2.5 billion.

EFG International's first-half 2009 results were impacted by a total CHF 33.0 million of one-off charges. Of this, CHF 18.8 million arose from accelerated intangible amortization principally relating to C.M. Advisors, the funds of hedge funds business acquired in 2006. A further one-off charge of CHF 14.2 million was incurred when, at the end of February 2009, EFG International had to adjust its USD hedge on the reduced year-end 2008 accounting value of its life insurance policy portfolio.

EFG International's net profit attributable to Group shareholders was CHF 20.0 million for the first six months of 2009, compared to CHF 178.7 million a year earlier. After deduction of the pro-forma dividend on Bons de Participation, net profit attributable to ordinary shareholders was CHF 6.9 million for the first half of 2009, versus CHF 163.4 million for the first half of 2008. Earnings per share stood at CHF 0.05, down from CHF 1.13 as at mid-2008.

EFG International remains well capitalised, with a BIS Tier 1 capital ratio of 12.9% as at 30 June 2009, compared to 12.5% post dividend as at 31 December 2008.

OVERVIEW OF KEY RESULTS*	H1 2009	% change vs. H2 08	% change vs. H1 08
Operating income	CHF 412.1 m	down 2%	down 22%
Operating expenses	CHF 375.9 m	0%	up 12%
Cost-income ratio	80.6%	down from 82.5%	up from 59.1%
One-off charges	CHF 33.0 m	CHF 59.0 m	n.a.
Net profit attributable to Group shareholders	CHF 20.0 m	down 54%	down 89%
Net profit attributable to ordinary shareholders	CHF 6.9 m	down 76%	down 96%
Clients' Assets under Management (revenue-generating, excl. EFGI shares)	CHF 80.4 bn	up 7%	down 17%
Net new assets	+ CHF 2.2 bn	up from - CHF 0.8 bn	down from + CHF 14.0 bn
whereof private clients	+CHF 4.7 bn		
whereof institutional hedge-fund clients	-CHF 2.5 bn		
Revenue margin (in % of AuM)	1.07%	up from 0.94%	down from 1.18%
BIS Tier 1 capital ratio	12.9%	up from 12.5%	up from 11.3%
CROs	674	down 7%	up 7%

*unaudited figures

Clients' Assets under Management

Revenue-generating clients' Assets under Management (excluding EFG International shares which do not form part of the current circa 28% free float) amounted to CHF 80.4 billion as at 30 June 2009, up 7% from CHF 75.4 billion at end-2008. The increase reflects positive foreign exchange and performance effects as well as net inflows from private clients of CHF 4.7 billion partially offset by hedge fund-related institutional outflows of CHF 2.5 billion, resulting in overall net new assets of CHF 2.2 billion. Of the total CHF 80.4 billion of clients' Assets under Management as of 30 June 2009, private banking clients' Assets under Management were CHF 76.6 billion and clients' Assets under Management at Marble Bar Asset Management and C.M. Advisors combined were CHF 3.8 billion.

The revenue margin was 1.07% of average clients' Assets under Management for the first half of 2009, compared to 0.94% for the second half of 2008 and 1.18% for the same period a year ago.

CRO development

The number of CROs dropped to 674 as at 30 June 2009, as heightened CRO performance thresholds resulted in 127 CRO departures, partially offset by 75 CRO hires. EFG International continues to hire experienced and talented CROs while maintaining its selective hiring policy.

Asset management businesses

EFG International's asset management businesses – which are now grouped under Jim Lee's leadership – all operated profitably in the first half of 2009. EFG Financial Products, which was established in late 2007, continued to grow thanks to its scalable IT platform and high level of product transparency. Marble Bar Asset Management, the hedge fund group acquired in early 2008, remained a leader in its sector in terms of its long-term track record and low volatility performance, with positive returns both in 2008 and in 2009. C.M. Advisors, the funds of hedge funds business acquired in 2006, continued to deliver above-average performance, but suffered from considerable redemptions earlier in 2009, resulting in the above-mentioned write-down of intangible assets. In this context, EFG International accelerated the original five-year earn-out period with a final settlement payment in May 2009.

EFG International remains convinced of the value of its asset management businesses to its wealth management franchise – especially in the area of ultra-high-net-worth individuals which has been an important growth driver for EFG International over the last few years.

New management structure

After the management changes announced on 29 June 2009, EFG International's Executive Committee now comprises the following members:

- Lawrence D. Howell, Chief Executive Officer.
- Lukas Ruflin, Deputy Chief Executive Officer.
- Rudy van den Steen, Chief Financial Officer and Head of M&A.
- Alain Diriberry, Chief Operating Officer.
- James T.H. Lee, Chief Executive Officer, Asset Management.
- Fred Link, Chief Risk Officer and a.i. General Counsel.

In addition, EFG International has created a Global Executive Committee which includes the above individuals; Keith Gapp (Head of Strategic Marketing and Communications); Gerard Griseti (Head of Southern Europe); Michael Hartweg (Head of Financial Markets) and key regional market heads.

Outlook

Looking ahead, EFG International is optimistic that the second half of the year will see improvement, following better business performance during May and June, with running rate net profits of circa CHF 10 million per month. Net new money inflows on the private client side were concentrated in these two months. Moreover, on the hedge fund side, outflows appear to have bottomed out and a new business pipeline is building up.

EFG International initiated a cost reduction programme during the first half of 2009. Measures were taken both with regard to reduction of overall salary expenses and reduction of other operating expenses. Underperforming CROs have been released and EFG International is in the process of closing seven representative offices. Cost saving measures, when they become fully effective during the second half of 2009, are expected to save around CHF 40 million on an annualised basis.

Part of these savings will be offset by continued selective CRO hiring. EFG International expects to have between 650 and 700 CROs as at end-2009. Based on asset inflows and new business leads developed in May and June, EFG International expects the growth of clients' Assets under Management per CRO to revert to historic levels during the second half of 2009. EFG International is targeting a revenue margin on average clients' Assets under Management of 110 bps for the second half of 2009.

Lonnie Howell, Chief Executive Officer, EFG International: "Various factors have seriously affected performance, and it has been a disappointing six months. However, the fundamentals of EFG International remain strong, and it remains a profitable business. Cost savings are coming on stream, and vital signs – notably client retention and net new money – are holding up well on the private client side. We continue to manage our business prudently and to conserve capital. Our capacity for growth remains intact, and EFG International remains well placed to take advantage of improvement in conditions and sentiment."

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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 currently operates in 55 locations in over 30 countries, with more than 2,400 employees. EFG International's registered shares (EFGN) are listed on the SIX Swiss Exchange. EFG International is a member of the EFG Group headquartered in Geneva, one of the top five banking groups in Switzerland by Tier-1 capital.

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Disclaimer

Financials

Key Figures as at 30 June 2009 (unaudited)

(in CHF million unless otherwise stated)	**30 June 2009**	31 December 2008	30 June 2008	**Change vs. 30 June 2008**	Change vs. 31 December 2008
Clients' Assets under Management (AUM)	**81,493**	77,185	99,430	-18%	6%
AUM, excl. shares of EFG International which do not form part of the current 28% free float of EFG International at the SIX Swiss Exchange	**80,356**	75,386	96,794	-17%	7%
Assets under Administration	**8,768**	8,800	9,821	-11%	0%
Number of Client Relationship Officers	**674**	726	629	7%	-7%
Number of Employees	**2,431**	2,455	2,175	12%	-1%

Consolidated Income Statement as at 30 June 2009 (unaudited)

(in CHF millions)	**Half year ended 30 June 2009**	Half year ended 31 December 2008	Half year ended 30 June 2008	**Change vs. 1H08**	Change vs. 2H08
Net interest income	**153.8**	159.3	127.3	**21%**	-3%
Net banking fee and commission income	**204.3**	265.4	306.3	**-33%**	-23%
Net other income	**54.0**	(6.0)	94.0	**-43%**	nm
Operating income	**412.1**	418.7	527.6	**-22%**	-2%
Impairment charges	**(4.1)**	(15.4)	-	**-**	-73%
Operating expenses	**(375.9)**	(375.2)	(334.3)	**12%**	0%
Profit before tax	**32.1**	28.1	193.3	**-83%**	14%
Income tax expense	**(6.6)**	(10.2)	(15.3)	**-57%**	-35%
Net profit for the period	**25.5**	17.9	178.0	**-86%**	42%
Net loss attributable to non-controlling interests	**(5.5)**	25.3	0.7	**-886%**	-122%
Net profit attributable to equity holders of the Group	**20.0**	43.2	178.7	**-89%**	-54%

Financials (cont.)

Consolidated Balance Sheet as at 30 June 2009 (unaudited)

(in CHF millions)	30 June 2009	31 December 2008	Variation
ASSETS			
Cash and balances with central banks	**183.3**	115.2	59%
Treasury bills and other eligible bills	**375.3**	73.7	409%
Due from other banks	**4,786.3**	3,730.6	28%
Loans and advances to customers	**7,842.6**	7,424.3	6%
Derivative financial instruments	**222.4**	452.8	-51%
Financial assets designated at fair value			
- Trading Assets	**133.8**	720.3	-81%
- Designated at inception	**476.5**	533.4	-11%
Investment securities			
- Available-for-sale	**3,845.8**	3,351.4	15%
- Held-to-maturity	**526.0**	514.1	2%
Intangible assets	**1,713.8**	1,763.0	-3%
Property, plant and equipment	**57.1**	57.1	0%
Current income tax assets	**6.4**	-	nm
Deferred income tax assets	**27.1**	25.8	5%
Other assets	**194.2**	132.6	46%
Total assets	**20,390.6**	18,894.3	8%
LIABILITIES			
Due to other banks	**830.4**	400.9	107%
Due to customers	**15,734.0**	14,213.4	11%
Derivative financial instruments	**280.0**	459.6	-39%
Financial liabilities designated at fair value	**130.2**	263.1	-51%
Other financial liabilities	**653.6**	679.6	-4%
Current income tax liabilities	**31.5**	12.9	144%
Deferred income tax liabilities	**62.3**	66.0	-6%
Other liabilities	**410.1**	541.4	-24%
Total liabilities	**18,132.1**	16,636.9	9%
EQUITY			
Share capital	**72.8**	77.3	-6%
Share premium	**1,141.0**	1,205.3	-5%
Other reserves	**250.7**	160.1	57%
Retained earnings	**692.2**	719.6	-4%
	2,156.7	2,162.3	0%
Non-controlling interests	**101.8**	95.1	7%
Total shareholders' equity	**2,258.5**	2,257.4	
Total equity and liabilities	**20,390.6**	18,894.3	8%