EFG International reports first-half 2010 results

Zurich, 28 July 2010 **- EFG International today reported core net profit* of CHF 88.4 million for the first half of 2010, up 17% on the same period in 2009. Net new assets from private clients were CHF 6.3 billion for the first half of 2010, representing 16% growth on an annualised basis. Clients' Assets under Management were CHF 87.5 billion as at 30 June 2010, up from CHF 86.2 billion as at end-2009, and up 9% year-on-year. The number of Client Relationship Officers (CROs) stood at 665, up from 650 as at end-2009. However, EFG International has taken an impairment charge of CHF 859.5 million in relation to specialist product businesses MBAM, CMA, and DSAM. This conservative step has no effect on cashflow or regulatory capital. EFG International remains well capitalised, with a BIS capital ratio of 13.0%. Going forward, its strategic focus will be on private banking, which has consistently delivered strong results since the creation of the business in 1995 and where the capacity for growth is intact as evidenced by net new assets.**

The early part of the year was characterised by a gradual improvement, with strong business activity at the end of the first quarter. However, the situation fell back significantly during the second quarter, on account of concerns over sovereign debt and the euro, and general uncertainty about world economic prospects. The strong Swiss franc, low interest rates, clients' preference for cash, and lower activity levels, as well as a much lower profit contribution from specialist product businesses Marble Bar Asset Management (MBAM), C.M. Advisors (CMA), and DSAM all had an impact on revenue generation.

Overview of key results (unaudited)	2010	Change vs. H1 09
Core operating income	**CHF 407.1 m**	down 1%
Core operating expenses	**CHF 321.0 m**	no change
Core net profit*	**CHF 88.4 m**	up 17%
Core cost-income ratio	**81.5%**	up from 80.6%
Impairment charges	**CHF 859.5 m**	na
Net profit attrib to Group shareholders	**CHF -799.2 m**	na
Net profit attrib to ordinary shareholders	**CHF -809.8 m**	na
Revenue-generating AuM	**CHF 87.5 bn**	up 9 %
Net new assets - private clients	**+ CHF 6.3 bn**	up from CHF 4.7bn
Net new assets - total	**+ CHF 5.0 bn**	up from CHF 2.2bn
Core revenue margin (in % of AuM)	**0.92%**	down from 1.07%
BIS capital ratio	**13.0 %**	up from 12.9%
CROs	**665**	down 9

** 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. For a detailed reconciliation to IFRS, see page 8.*

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 above, with core operating income down 1% year-on-year to CHF 407.1 million. The core revenue margin of 0.92% (compared with 1.07% for the first half of 2009) was disappointing. This was caused by a substantially lower net interest margin (accounting for a reduction of 8bps) and a much lower contribution from specialist product businesses MBAM, CMA and DSAM (accounting for a reduction of 7bps). 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 its strong clients' Assets under Management development, EFG International believes that its 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 EFG International's 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. It is expected 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 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.

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.

Outlook - positive about medium-term prospects

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, it has 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.

Lonnie Howell, Chief Executive Officer, EFG International:

- "The business environment in 2010 has so far been more difficult than we 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 our private banking businesses. Disappointingly, a number of specialist product businesses have continued to under-perform, and we have adopted the conservative approach of writing down the goodwill associated with them. EFG International remains confident as to its medium-term prospects, based on its consistent record of double digit net new asset growth in private banking, which it has maintained notwithstanding economic and market challenges."

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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 press release 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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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 over 50 locations in 30 countries, with circa 2,400 employees. EFG International's registered shares (EFGN) are listed on the SIX Swiss Exchange. EFG International is a member of EFG Group.

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Practitioners of the craft of private banking

Financials

Key figures as at 30 June 2010 (unaudited)

(in CHF million unless otherwise stated)	**30 June 2010**	31 December 2009	30 June 2009	Change vs. 30 June 2009	Change vs. 31 December 2009
Clients Assets under management (AUM)	**88,765**	87,680	81,493	9%	1%
AUM excluding shares of EFG International	**87,546**	86,234	80,356	9%	2%
Assets under administration	**9,388**	9,424	8,768	7%	0%
Number of Client Relationship Officers	**665**	650	674	-1%	2%
Number of Employees	**2,409**	2,394	2,431	-1%	1%

Consolidated Income Statement as at 30 June 2010 (unaudited)

(in CHF millions)	**Half-year ended 30 June 2010**	Half-year ended 31 December 2009	Half-year ended 30 June 2009	Change vs. 1H09	Change vs. 2H09
Net interest income	**127.0**	109.5	153.8	-17%	16%
Net banking fee and commission income	**249.3**	293.3	204.3	22%	-15%
Net other (loss) / income	**(468.6)**	44.2	54.0	NM	NM
Operating (loss) / income	**(92.3)**	447.0	412.1	NM	NM
Impairment on loans and advances to customers	**4.4**	(1.3)	(4.1)	NM	NM
Impairment of intangible assets	**(378.7)**				
Operating expenses	**(349.1)**	(368.2)	(375.9)	-7%	-5%
Loss on disposal of subsidiary	**(23.5)**				
(Loss) / profit before tax	**(839.2)**	77.5	32.1	NM	NM
Income tax	**(8.7)**	1.2	(6.6)	32%	NM
Net (loss) / profit for the period	**(847.9)**	78.7	25.5	NM	NM
Net (loss) / profit attributable to non-controlling interests	**(48.7)**	(2.4)	5.5	NM	NM
Net (loss) / profit attributable to equity holders of the Group	**(799.2)**	81.1	20.0	NM	NM

Financials (cont.)

Consolidated Balance Sheet as at 30 June 2010 (unaudited)

(in CHF millions)	**30 June 2010**	31 December 2009	Variation
ASSETS			
Cash and balances with central banks	**836.9**	265.4	NM
Treasury bills and other eligible bills	**1,362.4**	770.8	77%
Due from other banks	**2,880.8**	3,519.6	-18%
Loans and advances to customers	**8,937.1**	8,217.5	9%
Derivative financial instruments	**387.6**	285.9	36%
Financial assets designated at fair value :			
- Trading Assets	**544.2**	310.5	75%
- Designated at inception	**767.9**	714.8	7%
Investment securities :			
- Available-for-sale	**4,177.2**	4,299.1	-3%
- Held-to-maturity	**456.2**	510.5	-11%
Intangible assets	**614.9**	1,491.3	-59%
Property, plant and equipment	**50.5**	56.0	-10%
Deferred income tax assets	**31.8**	32.4	-2%
Other assets	**454.7**	176.2	NM
Total assets	**21,502.2**	20,650.0	4%
LIABILITIES			
Due to other banks	**708.8**	447.1	59%
Due to customers	**15,962.3**	15,727.9	1%
Derivative financial instruments	**854.0**	454.0	88%
Financial liabilities designated at fair value	**531.2**	414.1	28%
Other financial liabilities	**1,740.5**	1,002.0	74%
Current income tax liabilities	**1.3**	9.1	-86%
Deferred income tax liabilities	**51.3**	51.5	0%
Other liabilities	**328.1**	306.0	7%
Total liabilities	**20,177.5**	18,411.7	10%
EQUITY			
Share capital	**73.1**	73.2	0%
Share premium	**1,153.6**	1,157.4	0%
Other reserves	**122.3**	160.1	-24%
Retained earnings	**(62.3)**	762.0	NM
Non-controlling interests	**38.0**	85.6	-56%
Total shareholders' equity	**1,324.7**	2,238.3	-41%
Total equity and liabilities	**21,502.2**	20,650.0	4%

Financials (cont.)

Core net profits - 30 June 2010 (unaudited)

(in CHF millions)	IFRS Half year ended 30 June 2010	Impairment adjustments	Core adjustments	Core profit Half year ended 30 June 2010
Net interest income	**127.0**			**127.0**
Net banking fee and commission income	**249.3**			**249.3**
Net other (loss) / income	**(468.6)**	499.4		**30.8**
Operating (loss) / income	**(92.3)**	499.4		**407.1**
Impairment reversal on loans and advances to customers	**4.4**			**4.4**
Impairment of intangible assets	**(378.7)**	378.7		**-**
Operating expenses	**(349.1)**		28.1	**(321.0)**
Loss on disposal of subsidiary	**(23.5)**	23.5		**-**
(Loss) / Profit before tax	**(839.2)**	901.6	28.1	**90.5**
Income tax	**(8.7)**	8.7		**-**
Net (loss) / profit for the period	**(847.9)**	910.3	28.1	**90.5**
Net loss / (profit) attributable to non-controlling interests	**48.7**	(50.8)		**(2.1)**
Net (loss) / profit attributable to equity holders of the Group	**(799.2)**	859.5	28.1	**88.4**

Core net profits - 31 December 2009

(in CHF millions)	Half year ended 31 December 2009	Impairment adjustments	Core adjustments	Core profit Half year ended 31 December 2009	Change in core profits vs. 2H09
Net interest income	109.5			109.5	16%
Net banking fee and commission income	293.3			293.3	-15%
Net other income	44.2			44.2	-30%
Operating income	447.0			447.0	-9%
Impairment charges on loans and advances to customers	(1.3)			(1.3)	NM
Operating expenses	(368.2)		35.0	(333.2)	-4%
Profit before tax	77.5		35.0	112.5	-20%
Income tax	1.2			1.2	-100%
Net profit for the period	78.7		35.0	113.7	-20%
Net loss attributable to non-controlling interests	2.4			2.4	NM
Net profit attributable to equity holders of the Group	81.1		35.0	116.1	-24%

Core net profits - 30 June 2009

(in CHF millions)	IFRS Half year ended 30 June 2009	Impairment adjustments	Core adjustments	Core profit Half year ended 30 June 2009	Change in core profits vs. 1H09
Net interest income	153.8			153.8	-17%
Net banking fee and commission income	204.3			204.3	22%
Net other income	54.0			54.0	-43%
Operating income	412.1			412.1	-1%
Impairment charges on loans and advances to customers	(4.1)			(4.1)	NM
Operating expenses	(375.9)		55.7	(320.2)	0%
Profit before tax	32.1		55.7	87.8	3%
Income tax	(6.6)			(6.6)	NM
Net profit for the period	25.5		55.7	81.2	11%
Net profit attributable to non-controlling interests	(5.5)			(5.5)	-62%
Net profit attributable to equity holders of the Group	20.0		55.7	75.7	17%