EFG International reports first-half 2015 results

Zurich, 29 July 2015* – IFRS net profit was CHF 48.0 million, compared with CHF (6.0) million for the same period last year. Underlying net profit was CHF 51.0 million, compared with CHF 57.7 million a year earlier, as a result of exiting certain non-strategic lending business and a weak end to the second quarter due to external factors. Operating income was CHF 353.0 million, up 3% from a year earlier. The revenue margin was 87 bps in the first half, compared with 88 bps in the first half of last year. Operating expenses increased 7% year-on-year to CHF 296.0 million, reflecting investments in growth. The cost-income ratio was 83.3% in the first half of 2015 (80.2% in the first half of 2014). Revenue-generating Assets under Management were CHF 80.2 billion, down from CHF 84.2 billion at end-2014, due to a combination of lower lending and the strong Swiss franc. Net new assets were CHF (0.3) billion, compared with CHF 2.7 billion a year earlier. The number of Client Relationship Officers (CROs) stood at 444 at end-June 2015, up from 440 at end-2014 - 36 new CROs were added and a further 24 CROs are contracted to join in the second half. The CRO pipeline remains strong. The Basel III BIS-EU Capital Ratio stood at 17.8% on account of higher risk-weighted assets due to regulatory changes. Various measures will be implemented to reduce costs, with the aim of realising EFG International's target cost-income ratio of 75%. There is no shortage of growth initiatives, with a heightened focus on implementation. To ensure a more collective and performance-orientated approach, a new Management Board will be formed, including all regional business heads. EFG International remains committed to its stated medium-term objectives.

Joachim H. Straehle, Chief Executive Officer, EFG International:

- "Being CEO of EFG International is an exciting challenge. As I said when I was appointed, it is a well-placed business that should be capable of delivering strong double-digit growth over the long term. I am keen to get to CHF 100 billion in AuM as quickly as possible. However, strengths are only meaningful if they are converted into results, and this was not the case during the first half. I am confident this is not an accurate reflection of what the underlying business is capable of – portfolio adjustments on the lending side, external factors, and inevitable distractions conspired to depress performance. The underlying business has to do significantly better. I have made organisational changes to ensure that people are focusing on the right things; the business needs to be more rigorous on the cost side; performance management needs to be more robust; and we must walk the talk in delivering growth. Make no mistake: I am absolutely committed to delivering strong, profitable growth and ensuring that EFG International delivers on its full potential. For me, the latter means EFG International being among the leading private banks when it comes to growth in both AuM and profits."

Overview of key results	H1 2015	Change vs. H1 2014	Change vs. H2 2014
Underlying net profit	CHF 51.0 m	down 12%	down 30%
IFRS net profit	CHF 48.0 m	na	down 29%
Operating income	CHF 353.0 m	up 3%	down 6%
Operating expenses	CHF 296.0 m	up 7%	down 1%
Cost-income ratio	83.3%	up from 80.2%	up from 79.3%
Revenue-generating AuM	CHF 80.2 bn	flat	down 5%
Net new assets	CHF (0.3) bn	down from CHF 2.7bn	down from CHF 1.7 bn
Revenue margin (% of AuM)	87 bps	down from 88 bps	down from 90 bps
BIS capital ratio (Basel III)*	17.8%	down from 18.7%	down from 18.7%
CET 1 capital ratio (Basel III)	13.9%	down from 14.1%	down from 14.2%
Client Relationship Officers (CROs)	444	down from 456	up from 440
Total headcount	2,136	up from 2,058	up from 2,059

** BIS-EU*

Performance below expectations during first half - constrained by a number of factors

During the first half of 2015, EFG International did not build on the strong progress achieved in 2014 (particularly during the second half) as it had anticipated. This reflects a number of factors. The policy decision to exit certain non-strategic lending business was extended, addressing situations where lending was not sufficiently part of an overall private banking relationship and / or pricing was inadequate. In addition, pronounced economic and market uncertainty in the Eurozone, Brazil and China had an impact on client activity levels, particularly in the latter part of the period: consequently, the second quarter was weaker than the first.

EFG International's operating income was CHF 353.0 million during the first half of 2015, up 3% on a year earlier. The revenue margin was 87 bps, down from 90 bps during the second half of 2014 and from 88 bps a year earlier. However, it remains comfortably above EFG International’s minimum of 84 bps.

IFRS net profit was CHF 48.0 million, compared with CHF (6.0) million during the first half of 2014. Underlying net profit was CHF 51.0 million, down from CHF 57.7 million a year earlier, after excluding exceptional legal and professional charges of CHF 4.0 million. Operating expenses were CHF 296.0 million, up 7% on a year earlier (up 6% excluding exceptional legal and professional charges), reflecting investments in growth, but down 1% compared with the second half of 2014. The cost-income ratio stood at 83.3%, up from 80.2% for the same period last year.

Revenue-generating Assets under Management were CHF 80.2 billion, down from CHF 84.2 billion at the end of 2014 but flat compared with a year earlier. This reflects FX and market effects of CHF (3.7) billion and net new assets of CHF (0.3) billion.

On a Basel III (fully applied) basis, EFG International’s BIS-EU Capital Ratio stood at 17.8%, reflecting higher risk-weighted assets due to regulatory changes. The Common Equity Ratio (CET1) stood at 13.9%, versus 14.2% at the end of last year. EFG International maintains a strong and liquid balance sheet, with a liquidity coverage ratio of 325% and a loan/deposit ratio of 56%.

Net new assets below target range

Net new assets were CHF (0.3) billion in the first half of 2015, down from CHF 2.7 billion a year earlier. Both the UK and Continental Europe generated net new assets within EFG International’s target range; in Switzerland, net new assets were neutral, an encouraging improvement on previous quarters; however, Asia and the Americas disappointed. This partly reflects EFG International’s decision, announced when reporting its annual results, to adopt a more selective approach in relation to lending. This was designed to ensure that loans were aligned with EFG International’s lending strategy, both in terms of pricing covering liquidity and capital costs and the overall composition of a client's business with EFG International. This process is now largely complete, enabling EFG International’s focus to return to generating new business. A number of growth initiatives have taken longer than expected to come on stream, but should do so during the second half of this year. A marked improvement in net new assets is therefore anticipated for the second half, and EFG International remains fully committed to delivering net new asset growth within its target range of 5-10%.

Improvement in CRO hiring and set to strengthen further

The number of CROs stood at 444 at end-June 2015, up from 440 at end-2014, with 36 hires during the period. Furthermore these headline numbers do not convey the strength of net hiring. There was a reduction of 10 CROs in Luxembourg, who decided to start their own business, working closely with EFG Bank (Luxembourg) S.A. In addition, there were a further 24 CROs contracted to join during the second half, and the pipeline remains strong. A number of recent senior hires should help to ensure this positive trend continues.

A change of leadership – strategic continuity, and drawing a line under outstanding issues

Effective 24 April 2015, Joachim H. Straehle took over from John Williamson as Chief Executive Officer of EFG International. John Williamson became Vice Chairman and will be proposed as Chairman at next year’s Annual General Meeting. Niccolò H. Burki was appointed as Chairman for the coming year. The rationale was to introduce a fresh perspective, while preserving an important element of continuity.

EFG International’s broad strategy of being a leading independent pure-play private bank remains unchanged. Over the past four years, significant progress has been made in terms of resetting the business. There remain just a few outstanding issues to be addressed, to enable everyone’s energies to be channelled towards delivering controlled, profitable growth:

- EFG International expects to reach a settlement in relation to the US Tax Programme in the near future. It believes the provisions already made are adequate.

- Regarding life insurance, a re-underwriting project is underway and will be completed by year-end. EFG International cannot exclude an extension of life expectation estimates, which might have a negative P&L or valuation impact.

- EFG International intends to continue with a proactive approach to capital management, and to continually adjust its capital composition to evolving regulatory frameworks. Its intention is to convert as much as possible of its existing Tier 2 capital into Additional Tier 1 as soon as market conditions are conducive.

Costs must be reduced and rigorous cost and performance management applied

EFG International is committed to getting its cost-income ratio down to below 75%, and to delivering operating leverage on an ongoing basis. The need to reduce costs, and to further tighten cost management, has been highlighted by performance in the first half.

EFG International is undertaking a review of marginally profitable offices, booking centres and operating processes – and indeed the scope of this has been extended in light of recent performance. The following steps are to be taken:

- Decisions will be taken shortly regarding marginally profitable offices, as well as a number of booking centres, with a view to reducing costs and, just as important, complexity.

- Functional heads have been made responsible for their functions (including IT, operations, compliance and risk management) on a global basis, to ensure both quality and cost efficiency. This should also help to ensure that regional business heads have more time to focus on developing business and driving performance.

- Improving the efficiency of administrative support delivered to CROs.

- All parts of the business have been tasked to take a comprehensive look at their cost base, and to deliver savings across the board.

As a result of these measures, combined with rigorous ongoing cost control (and with costs to be managed proactively in relation to profitability), EFG International is looking to attain a cost-income ratio of no more than 75% as a business priority.

Growth must be delivered

EFG International remains committed to delivering growth from existing businesses and new growth initiatives. There is no shortage of the latter, and a key focus of leadership will be on executing these. Key areas include:

- Existing CROs have a crucial role to play in terms of growing the business, and EFG International needs to return to a situation where all CROs made a meaningful contribution to net new asset generation. The organisational changes being implemented are designed to ensure more practical support and more effective performance management.

- New CRO hires bode well for the second half and future years, with the quality of individuals consistent with EFG International's focus on high calibre individuals and particularly teams. The pipeline remains strong and, as mentioned earlier, a number of recent senior hires should help to ensure this trend continues.

- Significant scope exists to broaden and deepen relations with clients. There will be a major focus on capitalising on the investments already made in developing a comprehensive integrated solutions platform, encompassing wealth structuring, wealth solutions and credit. Capabilities in relation to UHNWIs continue to be upgraded. Following one-off adjustments to the lending portfolio, EFG International will now continue lending as a balanced (and sufficiently remunerative) part of an all-round private banking relationship.

- CEE capabilities continue to be upgraded (for example, a team of three CROs serving Polish clients joined EFG International in May). The same applies to the Eastern Mediterranean, including Israel. The new representative office in Athens, opened in August 2014, is performing in line with expectations. The new operation in Cyprus has just become operational.

- Plans to establish an onshore business in Chile are progressing, and the business should be operational during the second half of the year. Good progress has also been made in relation to hiring in both Uruguay and Colombia.

As the new CEO, Joachim H. Straehle is committed to ensuring that new growth initiatives are well executed and deliver in line with expectations, as well as generally looking to accelerate growth from existing businesses and CROs. There will also be a particular emphasis on regions where there is felt to be significant upside potential for EFG International, including Asia and the Middle East.

Reorganising executive governance to ensure a stronger client and performance focus

EFG International's existing two tier structure, comprising an Executive Committee and Global Business Committee, will be combined into a Management Board, with effect from August 2015. It will include regional business heads who were not formerly members of the Executive Committee. This is designed to ensure a more collective and performance-orientated approach, with a stronger focus on performance management. The composition of the new Management Board is detailed in the appendix.

Committed to delivering medium-term targets; need to step up performance

EFG International is a pure-play private bank, operating in an attractive market, with a distinctive business model and a number of strengths that should provide competitive differentiation. However, the acid test is superior performance, which EFG International did not deliver in the first half of 2015. Too much should not be read into just a few months' performance, but EFG International recognises that it is imperative to return to the path of controlled, profitable growth.

As its new CEO, Joachim H. Straehle is committed to restoring strong forward momentum, and ensuring that 2015 represents just a transitional pause in terms of underlying business progress. Steps are being taken to enhance executive governance; to strengthen performance management of both existing businesses and new initiatives; to simplify the business; to reset the cost base; to ensure the utmost vigilance in controlling costs going forward; and, crucially, to deliver on existing growth initiatives while supplementing them with new ones in a few key markets. Overall, leadership is committed to ensuring that these combine to deliver a significant up-lift in business performance.

Joachim H. Straehle is confident that EFG International should be able to significantly increase profit over the medium term and is looking to accelerate development to get to CHF 100 billion in Assets under Management as quickly as possible. EFG International remains committed to its stated medium-term objectives:

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

- A cost-income ratio of no more than 75%.

- Maintain capital strength, with an objective of high teens for the Basel III BIS Capital Ratio and low teens for the Common Equity Ratio (CET 1).

- Revenue margin to be a minimum of 84bps.

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

EFG International will provide an update on business performance in early November 2015.

Half Year Report 2015

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 2015 can be downloaded here:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/financial_reporting/2015_HY/EFGI_2015_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 first-half 2015 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 2015 results will be presented by:
- Joachim H. Straehle, Chief Executive Officer (CEO)
- Giorgio Pradelli, Deputy CEO & 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 2015 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 29, 2015 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 12920 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 2015 (unaudited)

(in CHF million unless otherwise stated)	30 June 2015	31 December 2014	30 June 2014	Change vs. 30 June 2014	Change vs. 31 December 2014
Clients Assets under management (AUM)	**81,237**	85,108	80,960	0%	-5%
AUM excluding shares of EFG International	**80,196**	84,196	80,146	0%	-5%
Assets under administration	**8,726**	8,368	7,761	12%	4%
Number of Client Relationship Officers	**444**	440	456	-3%	1%
Number of Employees	**2,136**	2,059	2,058	4%	4%

Consolidated Income Statement as at 30 June 2015 (unaudited)

(in CHF millions)	Half-year ended 30 June 2015	Half-year ended 31 December 2014	Half-year ended 30 June 2014	Change vs. 1H14	Change vs. 2H14
Interest and discount income	203.3	235.7	222.6	-9%	-14%
Interest expense	(103.1)	(114.5)	(96.6)	7%	-10%
Net interest income	**100.2**	**121.2**	**126.0**	-20%	-17%
Banking fee and commission income	238.9	248.7	229.0	4%	-4%
Banking fee and commission expense	(48.4)	(49.7)	(46.7)	4%	-3%
Net banking fee and commission income	**190.5**	**199.0**	**182.3**	4%	-4%
Dividend income	1.8	-	1.1	64%	100%
Net trading income	46.9	39.0	30.8	52%	20%
Net loss from financial instruments measured at fair value	(1.4)	(0.1)	(2.9)	-52%	1300%
Gains less losses on disposal of available-for-sale investment securities	14.0	13.9	4.3	226%	1%
Other operating income	1.0	0.7	1.3	-23%	43%
Net other income	**62.3**	**53.5**	**34.6**	80%	16%
Operating income	**353.0**	**373.7**	**342.9**	**3%**	**-6%**
Operating expenses	(296.0)	(298.3)	(276.7)	7%	-1%
Other provisions	1.5	(0.4)	(63.7)	-102%	-475%
Reversal of impairment / (impairment) on loans and advances to customers	0.1	0.5	(0.2)	-150%	-80%
Reversal of impairment on financial assets held-to-maturity		2.5			-100%
Profit before tax	58.6	78.0	2.3	nm	-25%
Income tax expense	(9.1)	(10.5)	(7.2)	26%	-13%
Net profit / (loss) for the period	**49.5**	**67.5**	**(4.9)**	**nm**	**-27%**
Net profit / (loss) for the period attributable to:					
Net profit / (loss) attributable to equity holders of the Group	48.0	67.4	(6.0)		
Net profit attributable to non-controlling interests	1.5	0.1	1.1		
	49.5	**67.5**	**(4.9)**		

Financials (cont.)

Consolidated Balance Sheet as at 30 June 2015

(in CHF millions)	**30 June 2015**	**31 December 2014**	**Variation**
ASSETS			
Cash and balances with central banks	3,273.1	2,855.3	15%
Treasury bills and other eligible bills	685.2	626.0	9%
Due from other banks	2,449.8	2,108.8	16%
Loans and advances to customers	11,909.2	13,031.1	-9%
Derivative financial instruments	460.9	569.5	-19%
Financial assets at fair value :			
- Trading assets	61.1	105.6	-42%
- Designated at inception	300.8	329.7	-9%
Investment securities :			
- Available-for-sale	3,963.1	4,093.5	-3%
- Held-to-maturity	1,101.2	1,159.1	-5%
Intangible assets	260.7	274.9	-5%
Property, plant and equipment	19.2	21.1	-9%
Deferred income tax assets	29.9	32.8	-9%
Other assets	185.5	136.7	36%
	24,699.7	**25,344.1**	**-3%**
LIABILITIES			
Due to other banks	579.1	466.0	24%
Due to customers	18,222.9	18,564.5	-2%
Subordinated loans	232.2	246.3	-6%
Derivative financial instruments	502.3	661.1	-24%
Financial liabilities designated at fair value	335.0	369.2	-9%
Other financial liabilities	2,987.1	3,030.7	-1%
Debt issued	389.8	411.1	-5%
Current income tax liabilities	4.5	6.0	-25%
Deferred income tax liabilities	34.7	35.4	-2%
Provisions	26.3	38.0	-31%
Other liabilities	253.7	340.7	-26%
	23,567.6	**24,169.0**	**-2%**
EQUITY			
Share capital	76.0	75.5	1%
Share premium	1,245.7	1,243.8	0%
Other reserves	(127.1)	(72.5)	75%
Retained earnings	(80.3)	(90.5)	-11%
	1,114.3	1,156.3	-4%
Non-controlling interests	17.8	18.8	-5%
Total shareholders' equity	**1,132.1**	**1,175.1**	-4%

Appendix – Management Board