EFG International reports first-half 2014 results

***Zurich, 23 July 2014* – EFG International made an IFRS net loss attributable to shareholders of CHF 6.0 million in the first half of 2014, as a result of non-recurring legal charges and provisions. Excluding non-recurring charges (legal, regulatory and other expenses), underlying net profit attributable to ordinary shareholders was CHF 57.6 million versus CHF 60.3 million a year earlier. Legal charges and provisions included CHF 30.0 million in relation to the US Tax Programme, where EFG is in advanced discussions, made up of additional legal and professional expenses of CHF 8.6 million* and CHF 21.4 million representing EFG International's best estimate of the cost of the final penalty. Operating income was CHF 342.9 million, up 4% from a year earlier, partially offset by a 4% increase in operating expenses, principally reflecting the cost of growth initiatives. There was a further improvement in core private banking performance, with operating income up 5% and profit contribution up 26% year-on-year. Revenue-generating Assets under Management were CHF 80.1 billion, up from CHF 75.9 billion at end-2013. There was strong improvement in relation to key forward indicators. Net new assets were CHF 2.7 billion (annual growth of 7%), compared with CHF 1.9 billion a year earlier - the UK, Asia, and Continental Europe businesses all delivered double-digit growth. The number of Client Relationship Officers stood at 456 at mid-2014, up from 416 a year earlier; and the pipeline is strong. The Basel III BIS Capital Ratio stood at 18.7% at end June 2014, up from 18.0% at end-2013; the CET 1 Ratio increased from 13.5% to 14.1%. EFG International is committed to delivering growth and a step-change in performance. This continues to be evidenced by the number, range and quickening pace of growth-related initiatives.**

Overview of key results	**H1 2014**	**Change vs. H1 2013**	**Change vs. H2 2013**
IFRS net loss attributable to shareholders	**CHF 6.0 m**	na	na
Underlying IFRS net profit attributable to ordinary shareholders**	**CHF 57.6 m**	Down 4%	Up 13%
Operating income	**CHF 342.9 m**	Up 4%	Up 2%
Operating expenses	**CHF 276.7 m**	Up 4%	Down 2%
Cost-income ratio	**80.2%**	Up from 79.8%	Down from 83.1%
Revenue-generating AuM	**CHF 80.1 bn**	Up 5%	Up 6%
Net new assets (annualised growth)	**CHF 2.7 bn (7%)**	Up from CHF 1.9bn (5%)	Up from CHF 0.6bn (2%)
Revenue margin (% of AuM)	**88 bps**	Up from 87 bps	Unchanged from 88 bps
BIS capital ratio (Basel III)	**18.7%**	Up from 18.0%	Up from 18.0%
CET 1 capital ratio (Basel III)	**14.1%**	Up from 13.5%	Up from 13.5%
Client Relationship Officers (CROs)	**456**	Up from 416	Up from 435
Total headcount	**2,058**	Up from 1,977	Up from 1,989

** In addition to CHF 9.3 million of legal and professional expenses, expensed and provided for in 2013.*
*** Excluding impact of non-recurring items.*

Operating income and revenue margin resilient notwithstanding challenging conditions; reported profit significantly impacted by legal charges and provisions

Although there have been some encouraging signs in terms of economic growth and market performance, confidence remains fragile on account of market and geo-political uncertainty. This has acted as a brake on revenues and profits, as has the prevailing low interest rate environment. Notwithstanding this, operating income was up 4% at CHF 342.9 million compared with a year earlier.

The revenue margin is proving resilient, and stood at 88 bps during the first half of 2014 - in line with the second half of last year, and up from 87 bps year-on-year - comfortably above EFG International's target of 84 bps.

Reported profit in the first half was adversely affected by exceptional legal charges and provisions, resulting in a net IFRS loss of CHF 6.0 million attributable to shareholders. Underlying net profit attributable to ordinary shareholders was CHF 57.6 million after excluding the following non-recurring items:

- CHF 33.7 million in litigation related charges and provisions, including CHF 26.3 million relating to the outcome of a longstanding legal action in Switzerland as announced in April. After two unexpected legal decisions in the past year, EFG International has reassessed its litigation strategy, based on second opinions from external law firms. Based on their findings, it was deemed prudent to set aside a further CHF 7.4 million in relation to ongoing litigation.

- CHF 30.0 million in relation to the US Tax Programme, made up of CHF 8.6 million in legal and professional expenses and CHF 21.4 million as a provision in respect of the cost of the final penalty that may be payable. EFG International is in advanced discussions and the provision represents its best estimate of the likely outcome.

- CHF 0.1 million relating to the Bons de Participation dividend.

This compares with an underlying net profit attributable to ordinary shareholders of CHF 60.3 million in the first half of 2013, principally reflecting the cost of growth-related initiatives. Operating expenses were CHF 276.7 million, up 4% from CHF 265.9 million in the first half of 2013, with the increase mostly accounted for by CRO hiring and further investment in the investment and wealth solutions platform. The cost-income ratio stood at 80.2%, compared with 79.8% for the same period last year (but down from 83.1% in the second half of 2013).

Revenue-generating Assets under Management were CHF 80.1 billion, compared with CHF 75.9 billion at end-2013. This reflects FX and market effects of CHF 1.6 billion and net new assets of CHF 2.7 billion.

On a Basel III (fully applied) basis, EFG International's BIS Capital Ratio stood at 18.7%, compared with 18.0% at end-2013. The Common Equity Ratio (CET 1) stood at 14.1%, up from 13.5%.

Further improvement in core business profitability and therefore earnings quality; most regional private banking businesses making good progress

Core private banking operating revenues increased by 5% during the first half of 2014 compared with a year earlier, and profit contribution increased by 26%.

Continental Europe delivered a particularly strong performance during the first half of 2014, with operating income up 29% and profit contribution up 44% year-on-year. In the UK, operating income and profit contribution rose 9% and 19% respectively. Operating income rose 4% in the Americas, although profit contribution was down slightly. However, excluding the Caribbean, the rest of the Americas delivered strong double-digit growth in both operating income and profit contribution. The Switzerland business continued to be impacted by challenging conditions, with operating income up 2%. Notwithstanding a good performance in terms of net new assets, Asia made a weak start to the year in terms of operating income and profit contribution, a reflection of client caution, and the resulting lower levels of activity, as well as the weaker US dollar. However, while the first quarter was particularly slow, activity improved strongly during the second quarter, and the expectation is that business performance will be significantly better in the second half of 2014.

Good progress in relation to net new assets - well within target range

Net new assets were CHF 2.7 billion in the first half of 2014, compared with CHF 1.9 billion a year earlier, and well up on the CHF 0.6 billion attained in the second-half of 2013. This represents annualised growth of 7%, well within EFG International's target range of 5-10%.

Apart from Switzerland, which experienced an outflow (2.9% annualised), the UK, Asia, and Continental Europe businesses all delivered double-digit growth. Furthermore, the Latin America business generated net new asset growth at an annualised rate of 8%, albeit the Americas overall was slightly negative due to the partial anticipated liquidation of a single large account in the Cayman Islands.

CRO hiring continues to strengthen

The hiring of CROs remains strong, continuing the improvement seen in the second half of 2013. The total number of CROs stood at 456 at the end of June 2014, up from 416 a year earlier and from 435 at end-2013.

Hiring was particularly strong in Asia (up 11) and Continental Europe (up 12). Switzerland was up three, the UK was flat, and the Americas was down seven as a result of four CROs in the Caribbean becoming independent (although continuing to custodise with EFG International) and a number of CROs retiring and not being replaced. The pipeline is strong, with 13 new CROs already contracted to join.

A wide range of initiatives reflecting an overriding focus on growth

EFG International is steadfastly committed to delivering growth, supported by a wide range of initiatives:

- CRO recruitment. The CRO pipeline remains strong, with a clear focus on high quality individuals and teams. There is a clear performance management focus on both existing and new CROs. As part of this, the performance criteria applied to CROs are being reinforced to ensure that CROs remain incentivised to grow, particularly at relatively low levels of contribution.

- In June 2014, EFG International appointed Adrian Kyriazi as Regional Business Head for Continental Europe and Switzerland. A proven business leader, formerly at Credit Suisse and HSBC, he is well equipped to develop EFG International's Continental European and Swiss businesses in a coordinated fashion. In Switzerland, he is working closely with the two new Heads of Private Banking in Zurich and Geneva to attract new CROs and drive domestic and international growth.

- In Asia, Alvin Ma joined EFG International on 21 February 2014 as Head of Emerging Wealth, based in Hong Kong. Already he has recruited three senior CROs, with a further two in the pipeline.

- In January 2014, EFG International and Falcon Private Bank agreed on a referral of the latter's clients in Hong Kong. This process has been slightly slower than anticipated, with four CROs only moving across in June. The transfer of client relationships will now occur during the second half of 2014, with assets under management expected to be circa CHF 500 million.

- In Singapore, EFG International commenced operations as a wholesale bank during March 2014.

- To further enhance and coordinate its activities in the Global South Asian Diaspora, EFG International appointed Amrit Uppal as Managing Director, Head of Global South Asian Diaspora, effective June 2014. He has been joined by two senior CROs and further hires are in the pipeline.

- In Spain, AyG obtained a license in June to create a new bank, A&G Banca Privada, allowing it to broaden its core investment management and advisory offering to include a range of banking services. The group's security brokerage business will be merged with EFG's banking branch in Spain, with all services being provided under the A&G brand.

- Coverage of the Greek market was enhanced in March by the hiring of a team head in Luxembourg, with additional hires across a number of centres. EFG International has decided to establish a representative office in Athens, which will be opened during the second half of this year.

- EFG International is planning to establish a presence in Cyprus during the second half of 2014.

- In Colombia, EFG International hired, effective April 2014, Andres Gonzalez, formerly Head of Private Banking at Bancolombia, to help to drive growth, including the hiring of CROs.

- EFG International is planning to establish an onshore business in Chile, based on a team of proven individuals, as part of ambitious plans to grow in the Andean region.

- Capabilities relating to ultra high-net worth individuals (UHNWIs) continue to be upgraded. A dedicated UHNWI team has been recruited in Geneva and has made strong progress, as well as enhancing the range of specialist services available to this segment.

- EFG International continues to invest in its integrated solutions platform, encompassing wealth structuring, investment solutions and credit. In particular, it has increased the number of Investment Counsellors, providing direct support to CROs. Strong progress continues to be made in relation to investment solutions, with clients' assets under direct management standing at CHF 10.8 billion at end-June 2014, up 33% on a year earlier.

- The focus remains on organic growth but EFG International continues to look at acquisition opportunities where there is a shared appreciation of private banking, complementary cultures and capabilities, and scope for meaningful synergies.

Realigning the cost base in relation to revenues

EFG International remains committed to getting its cost-income ratio down to below 75%. A cornerstone of its strategy is the notion of delivering business growth, flowing through with minimal dilution to productivity and profits. While the focus will continue to be on growth, it is clear that costs need to be managed in a way that facilitates the operating leverage inherent in EFG International's strategy of controlled, profitable growth. This essentially means core operating costs will be reduced in order to finance growth initiatives, such as hiring CROs or entering new markets, where it is satisfied there is a compelling business case. This steadfast approach to costs will continue until such time as underlying business profitability is significantly higher than it is at present.

Committed to delivering medium-term targets

The private banking opportunity is a significant and growing one, and EFG International is well placed to capitalise on this, even though external factors continue to constrain profitability: low interest rates on asset and liability management; fragile client sentiment causing activity levels to be subdued; and the impact of regulatory developments, which has been a significant time and resource commitment for both management and CROs. Reaching a settlement in relation to the US programme, which will hopefully be formalised shortly, will remove a major distraction and source of uncertainty.

EFG International's focus remains resolutely on growth, and encouraging progress was made during the first half of 2014 in relation to key forward indicators, namely CRO hiring and net new asset generation, now comfortably back within the target range. This bodes well for the future, as does a robust revenue margin. Taken together with the number, range and quickening pace of growth-related initiatives, EFG International is convinced that it is firmly on track to deliver strong double-digit growth for the foreseeable future. Core private banking profitability continues to improve, and EFG International is committed to controlling operating expenses so as to deliver a strong improvement in business performance while still financing growth-related initiatives.

Delivering an IFRS net profit of CHF 200 million in 2015 is no longer realistic - following the resetting phase, it has taken longer than anticipated to get the business moving forward again, and assistance from improved market conditions and rising interest rates has not been forthcoming. However, EFG International is now firmly back in a growth mode, and the next few years will be all about delivering a step-change in business performance.

EFG International reaffirms its other medium-term objectives:

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

- A reduced cost-income ratio - to below 75%.

- Continue to strengthen capital, 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 remain broadly at the level (84bps) prevailing at the time of the business review.

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

John Williamson, Chief Executive Officer, EFG International:

- “Our first half results were adversely impacted by exceptional legal and regulatory expenses. However, I remain optimistic about the future, with the prospect of fewer distractions and a major source of uncertainty being alleviated. We are redoubling our efforts to control operating expenses, while still financing growth initiatives - essential so that growth can flow through to the bottom-line. I am confident we can deliver strong double-digit profit growth from this point on. Our key forward indicators bode well - our revenue margin is robust, CRO hiring is strong, and net new asset generation in the first half was within our target range. And our commitment to growth is clear, evidenced by the number, range and quickening pace of growth-related initiatives."

Half Year Report 2014

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 2014 can be downloaded here:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/financial_reporting/2014_HY/EFGI_2014_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 2014 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 2014 results will be presented by:

- John Williamson, 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 2014 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 23, 2014 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 11915 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 2014 (unaudited)

(in CHF million unless otherwise stated)	30 June 2014	31 December 2013	30 June 2013	Change vs. 30 June 2013	Change vs. 31 December 2013
Clients Assets under management (AUM)	**80,960**	76,854	76,868	5%	5%
AUM excluding shares of EFG International	**80,146**	75,852	75,964	6%	6%
Assets under administration	**7,761**	8,074	9,157	-15%	-4%
Number of Client Relationship Officers	**456**	435	416	10%	5%
Number of Employees	**2,058**	1,989	1,977	4%	3%

Consolidated Income Statement as at 30 June 2014 (unaudited)

(in CHF millions)	Half-year ended 30 June 2014	Half-year ended 31 December 2013	Restated Half-year ended 30 June 2013	Change vs. 1H13	Change vs. 2H13
Interest and discount income	222.6	213.1	204.1	9%	4%
Interest expense	(96.6)	(100.2)	(103.8)	-7%	-4%
Net interest income	**126.0**	**112.9**	**100.3**	26%	12%
Banking fee and commission income	229.0	216.3	213.0	8%	6%
Banking fee and commission expense	(46.7)	(36.1)	(49.9)	-6%	29%
Net banking fee and commission income	**182.3**	**180.2**	**163.1**	12%	1%
Dividend income	1.1	-	3.5	-69%	100%
Net trading income	30.8	36.5	38.0	-19%	-16%
Net (loss) /gain from financial instruments measured at fair value	(2.9)	2.5	5.3	-155%	-216%
Gains less losses from available-for-sale investment securities	4.3	2.5	8.1	-47%	72%
Other operating income	1.3	1.3	11.8	-89%	0%
Net other income	**34.6**	**42.8**	**66.7**	-48%	-19%
Operating income	**342.9**	**335.9**	**330.1**	**4%**	**2%**
Operating expenses	(276.7)	(281.3)	(265.9)	4%	-2%
Impairment on loans and advances to customers	(0.2)	(1.2)	(0.2)	0%	-83%
Other provisions	(63.7)	(23.7)	(10.0)	537%	169%
Gain on disposal of subsidiaries	-	0.5	-		-100%
Profit before tax	2.3	30.2	54.0	-96%	-92%
Income tax expense	(7.2)	(2.0)	(6.2)	16%	260%
Net (loss) / profit for the period from continuing operations	(4.9)	28.2	47.8	-110%	-117%
Discontinued operations					
Profit for the period from discontinued operations	-	(0.4)	47.1	-100%	-100%
Net (loss) / profit for the period	**(4.9)**	**27.8**	**94.9**	**-105%**	**-118%**
Net (loss) / profit for the year attributable to:					
Net (loss) / profit attributable to owners of the Group	(6.0)	27.3	84.5		
Net profit attributable to non-controlling interests	1.1	0.5	0.1		
Net (loss) / profit attributable to non-controlling interests from discontinued operations	-	-	10.3		
	(4.9)	**27.8**	**94.9**		

Financials (cont.)

Consolidated Balance Sheet as at 30 June 2014

(in CHF millions)	**30 June 2014**	**31 December 2013**	**Variation**
ASSETS			
Cash and balances with central banks	1,092.4	848.9	29%
Treasury bills and other eligible bills	503.6	631.2	-20%
Due from other banks	2,118.0	2,200.2	-4%
Loans and advances to customers	12,758.8	11,561.8	10%
Derivative financial instruments	388.1	560.4	-31%
Financial assets at fair value :			
- Trading assets	104.5	113.3	-8%
- Designated at inception	336.8	349.8	-4%
Investment securities :			
- Available-for-sale	3,605.3	3,844.5	-6%
- Held-to-maturity	1,094.1	1,107.1	-1%
Intangible assets	267.2	266.9	0%
Property, plant and equipment	22.2	22.5	-1%
Deferred income tax assets	35.4	36.3	-2%
Other assets	306.8	155.7	97%
	22,633.2	**21,698.6**	**4%**
LIABILITIES			
Due to other banks	357.6	290.1	23%
Due to customers	16,591.4	16,443.8	1%
Derivative financial instruments	453.0	544.9	-17%
Financial liabilities designated at fair value	331.2	310.7	7%
Other financial liabilities	2,791.4	2,421.5	15%
Debt issued	403.9	-	
Subordinated loans	238.1	245.1	-3%
Current income tax liabilities	4.6	5.0	-8%
Deferred income tax liabilities	34.7	34.6	0%
Provisions	78.5	26.8	193%
Other liabilities	234.3	269.6	-13%
	21,518.7	**20,592.1**	**4%**
EQUITY			
Share capital	75.2	74.0	2%
Share premium	1,242.7	1,238.4	0%
Other reserves	(24.5)	(49.1)	-50%
Retained earnings	(197.5)	(161.6)	22%
	1,095.9	1,101.7	-1%
Non-controlling interests	18.6	4.8	288%
Total shareholders' equity	**1,114.5**	**1,106.5**	1%