



Half-year results presentation 2014

Zurich, 23 July 2014

Practitioners of the craft of private banking

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Introduction

Financial performance

Current status, outlook

John Williamson, CEO

		vs. 1H 13	vs. 2H 13
IFRS net loss	CHF (6.0 m)	NM	NM
Operating profit	CHF 66.2 m	3%	21%
Underlying recurring net profit to ordinary shareholders*	CHF 57.6 m	- 4%	13%
Operating income	CHF 342.9 m	4%	2%
Revenue margin	88 bps	from 87 bps	unchanged
Net new assets	CHF 2.7 bn	from CHF 1.9 bn	from CHF 0.6 bn
Net new asset growth (annualized)	7%	from 5%	from 2%
Revenue-generating AUM	CHF 80.1 bn	5%	6%
Operating expenses	CHF 276.7 m	4%	- 2%
Cost-income ratio	80.2%	flat	from 83.1%
CROs	456	from 416	from 435
Total headcount	2,058	4%	4%
BIS total capital ratio (Basel III)	18.7%	from 18.0%	from 18.0%
CET 1 capital ratio (Basel III)	14.1%	from 13.5%	from 13.5%
Return on shareholders' equity (annualized)	-1.1%	from 8.5%	from 11.6%

* Excl. impact of non-recurring items

- Good progress in relation to net new assets - well within target range.
- CRO hiring continues to strengthen.
- Operating income and revenue margin resilient notwithstanding challenging conditions.
- Reported profit significantly impacted by non-recurring legal and professional charges and provisions – including CHF 30.0 m re US Tax Programme; legal and professional expenses of CHF 8.6 m and CHF 21.4 m re best estimate of the cost of the final penalty.
- Underlying profit still constrained by low interest rates on asset and liability management; fragile client sentiment & subdued activity levels; and impact of regulatory developments.
- Need to manage costs in way that facilitates the operating leverage inherent in the strategy of controlled, profitable growth.
- Improvement in core business profitability/earnings quality. Core private banking revenues up 5% y-o-y; profit contribution up 26%.
- Most regional private banking businesses making good progress.
- Wide range of initiatives reflecting overriding focus on growth.
- Focus firmly on delivering controlled, profitable growth.

Introduction

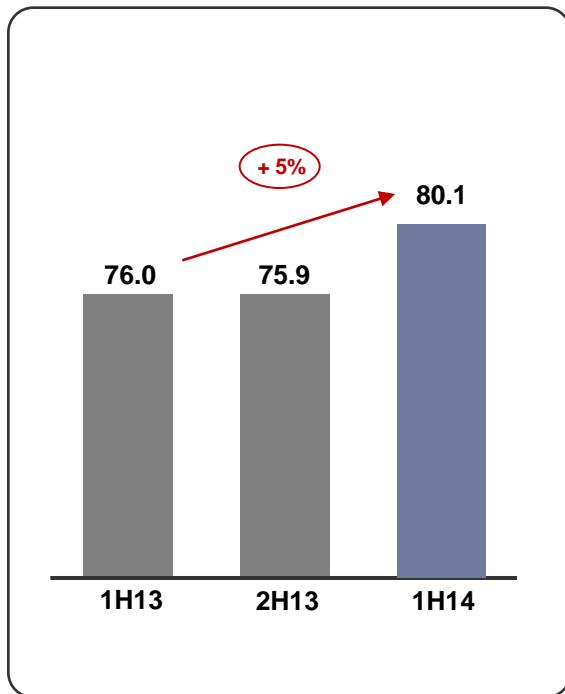
Financial performance

Current status, outlook

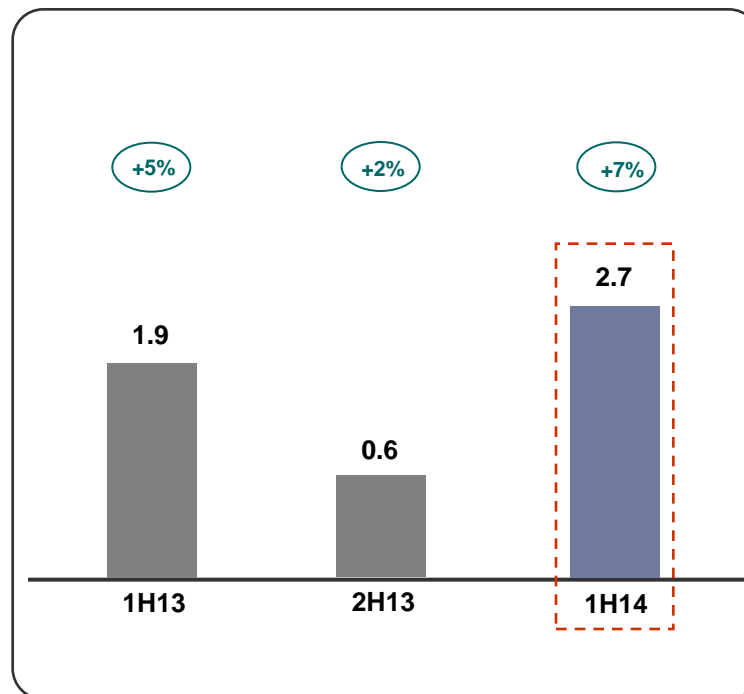
Giorgio Pradelli, Deputy CEO & CFO

Net new assets well within target range. Revenue-generating AuM up 5% year-on-year; RoAuM resilient at 88 bps, above target range

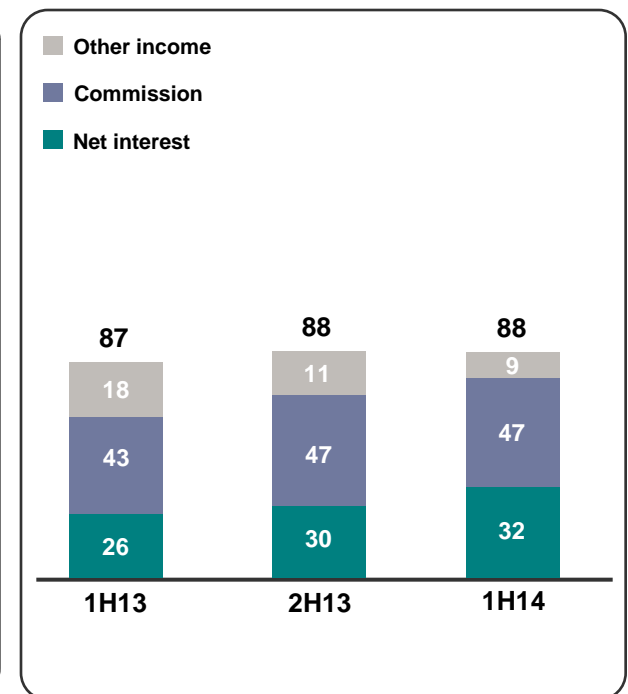
Revenue-generating AuM
(in CHF bn)



Net new assets*
(in CHF bn)



RoAuM
(in bps)

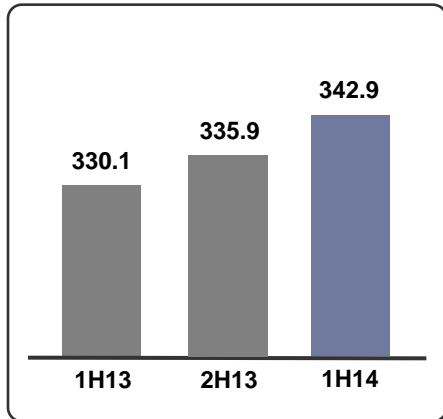


Annualized growth rate

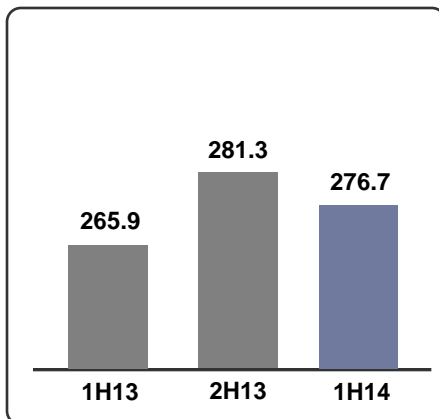
* From continuing businesses only

Growing operating profit

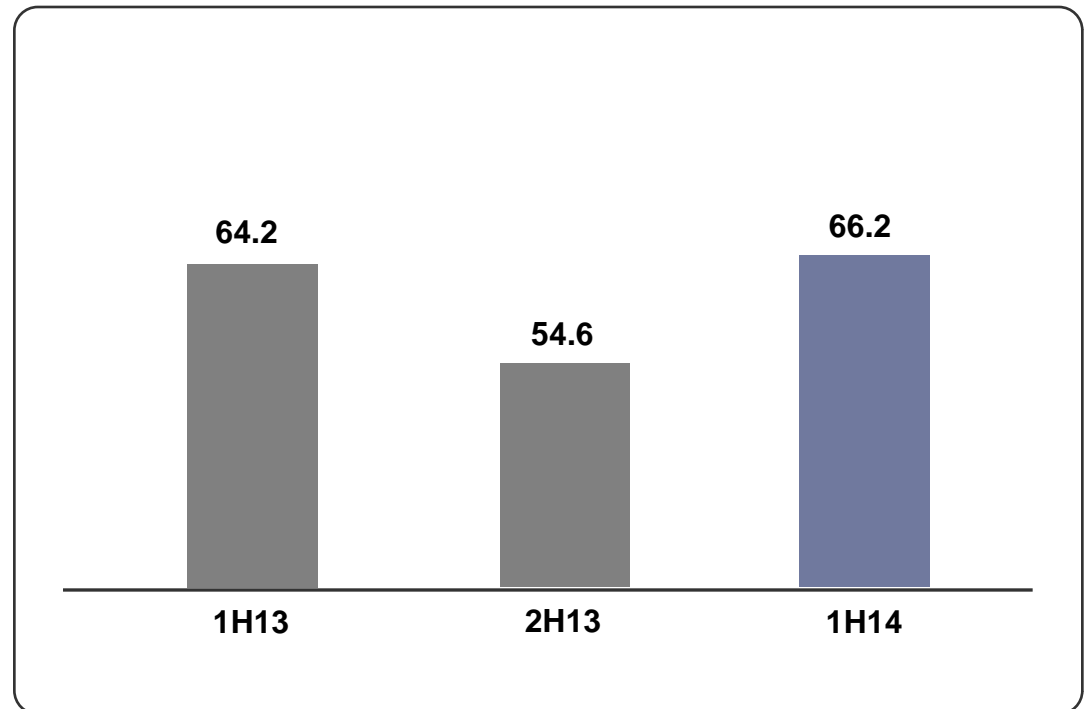
Operating income
(in CHF m)



Operating expenses
(in CHF m)



Operating profit
(in CHF m)

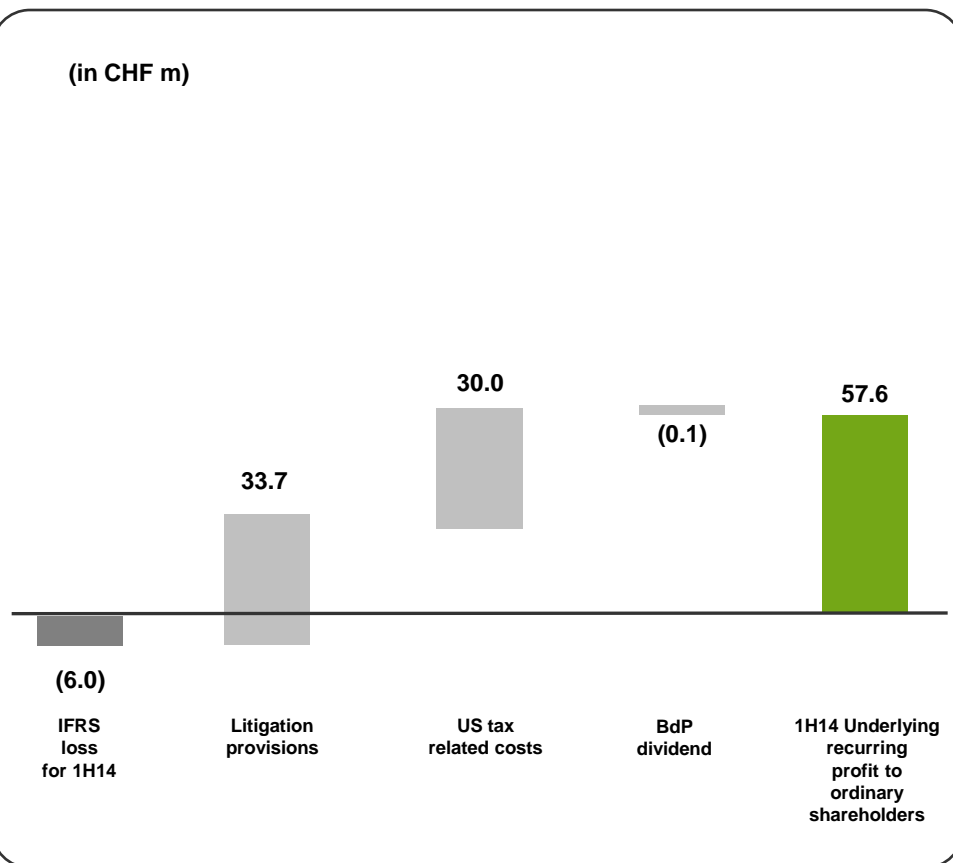


Underlying recurring net profit vs reported IFRS profit (I)

1H 2014 underlying recurring net profit reflects cost of growth-related initiatives. IFRS result impacted by US tax programme costs and litigation provisions

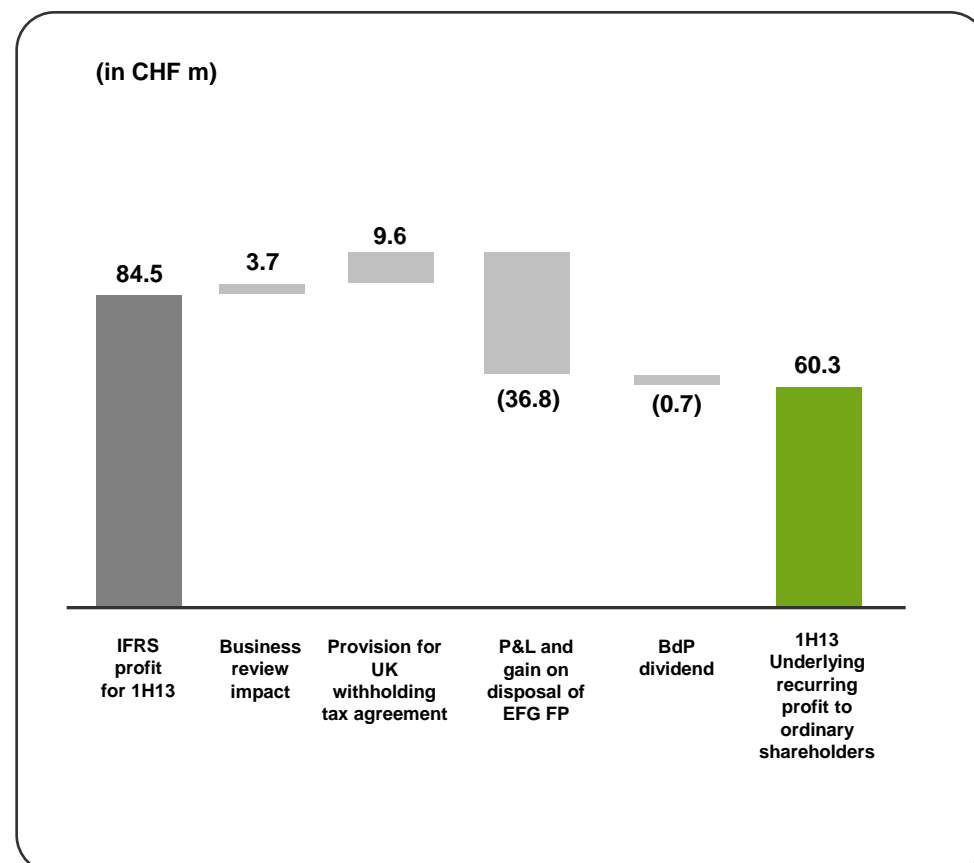
1H14

(in CHF m)



1H13

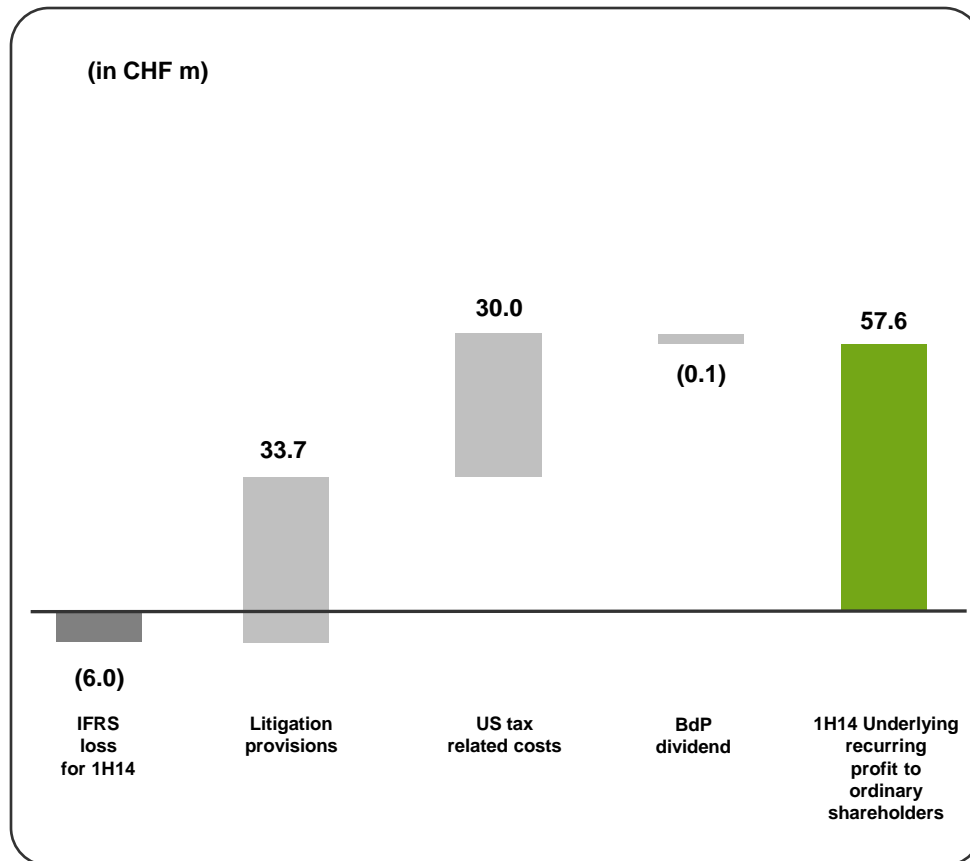
(in CHF m)



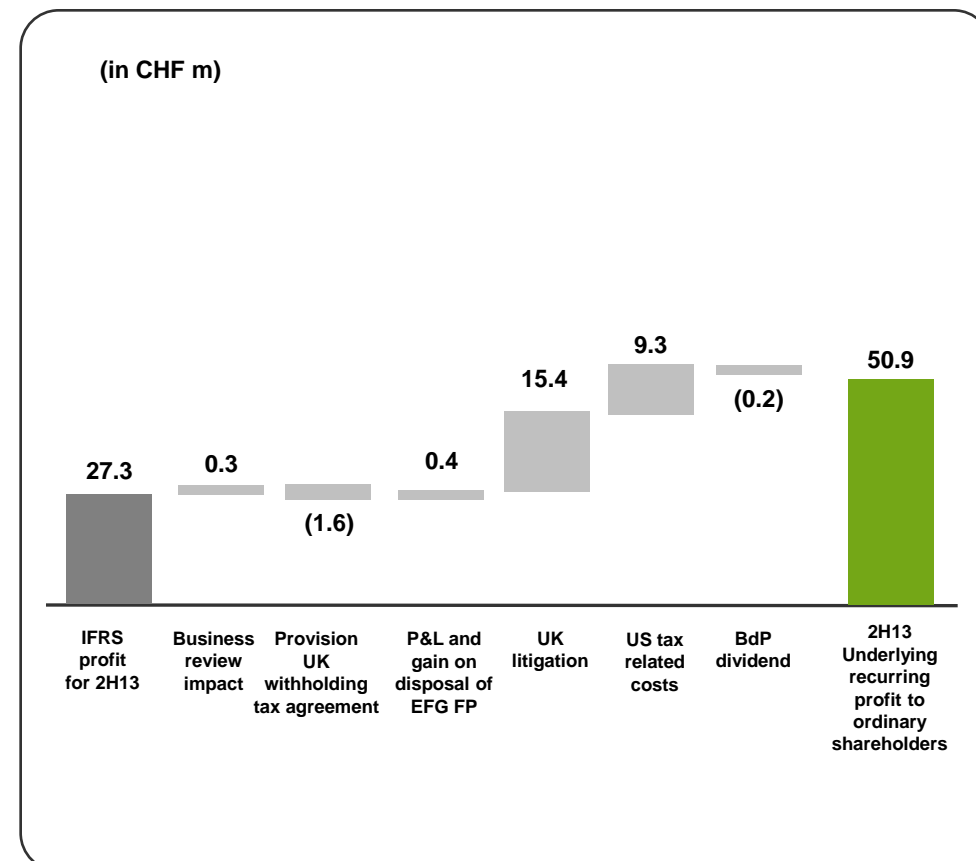
Underlying recurring net profit vs reported IFRS profit (II)

Underlying recurring net profit increased by 13% versus 2H 2013

1H14

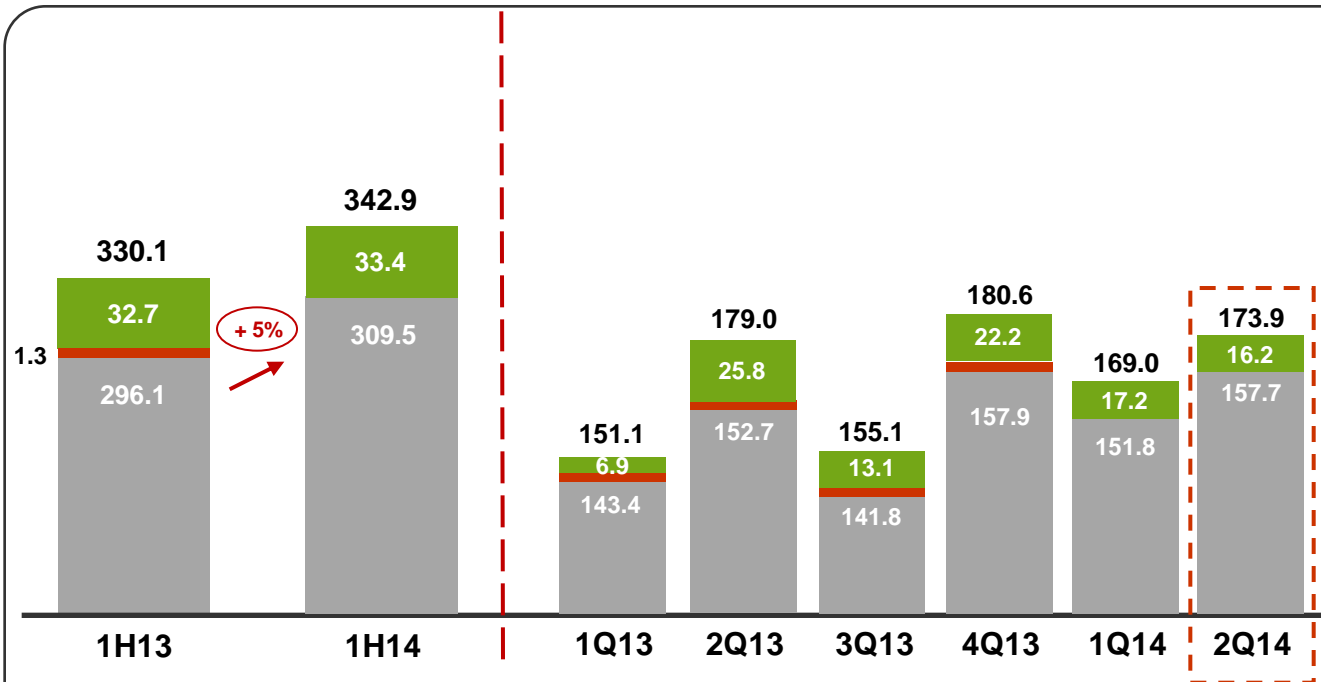


2H13



Growing private banking and asset management contribution

Operating income components
(in CHF m)

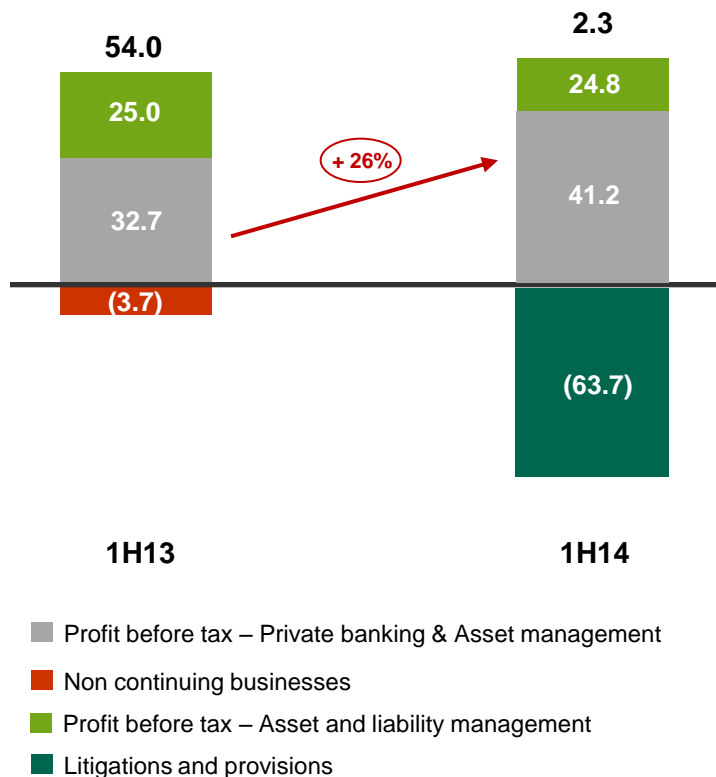


- Operating income – Private banking & Asset management
- Operating income – Non continuing businesses
- Operating income – Asset and liability management

- Operating income from private banking & asset management at highest level since business review and in line with 4Q13
- ALM revenues up 2% vs 1H13, reflecting improved treasury contribution more than offsetting approx. CHF 9 m lower contribution from life insurance portfolio

Profit contribution from Core Private Banking increased by 26% year-on-year

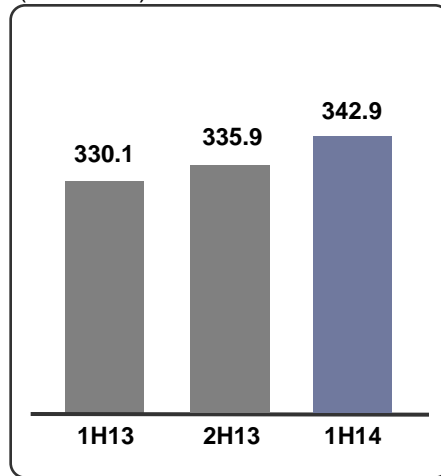
Profit before tax components (in CHF m)



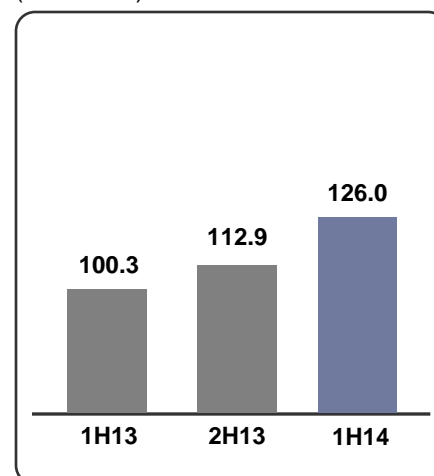
- Contribution of ALM related profit before tax was essentially flat year-on-year; reflects improved treasury contribution more than offsetting lower contribution from life insurance portfolio
- Composition of CHF 63.7 m exceptional provision charge:
 - CHF 26.3 m: outcome of a longstanding legal action in Switzerland (as announced in April 2014)
 - CHF 7.4 m: re-assessment of legal risks based on second opinions from external law firms
 - CHF 30.0 m: US Tax Programme – CHF 8.6 m for additional legal and professional expenses and CHF 21.4 m 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

Operating income up 4% year-on-year

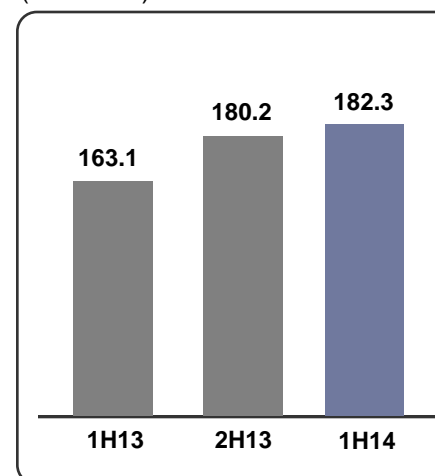
Operating income
(in CHF m)



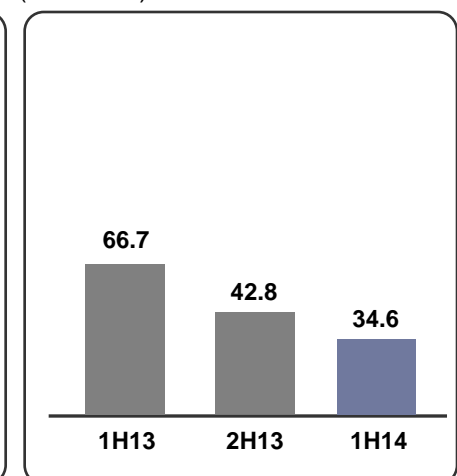
Net interest income
(in CHF m)



Net commissions
(in CHF m)



Net other income
(in CHF m)



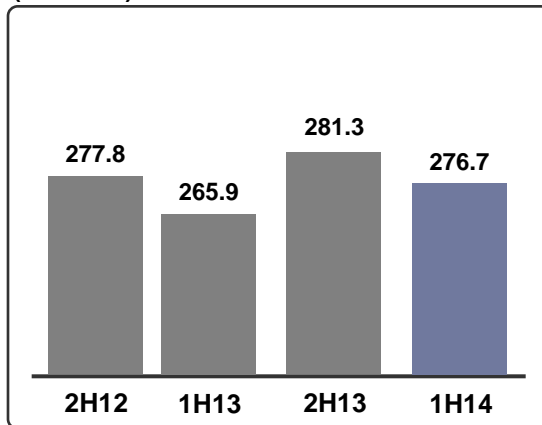
- CHF 18 m increase as average loan balances up 14% from CHF 10.7 bn in 1H13 to CHF 12.2 bn in 1H14
- Lower rates resulted in approx. CHF 4 m lower interest costs on client deposits
- Reduced outstanding structured products issuances have reduced interest costs by approx. CHF 4 m

- Up marginally from 2H13 on increased average AuM
- Increase from 1H13 mainly due to structured products issued under white-labelling agreement, which was previously included in "Net other income"

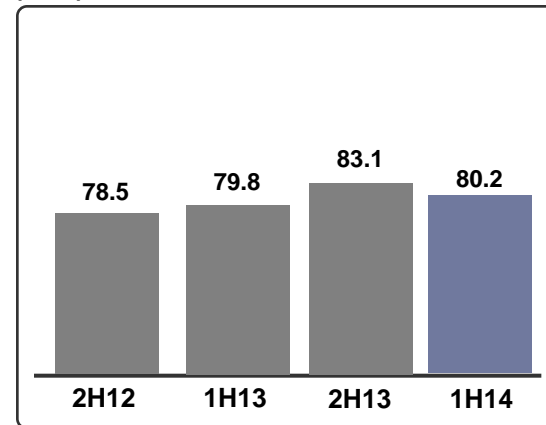
- For variance versus 1H13 see offset in the increase in "Net commissions"
- Reduction of income related to client FX transactions

Operating expenses up 4%, reflecting cost of new CRO recruitment, investments in asset management and regulatory infrastructure / initiatives

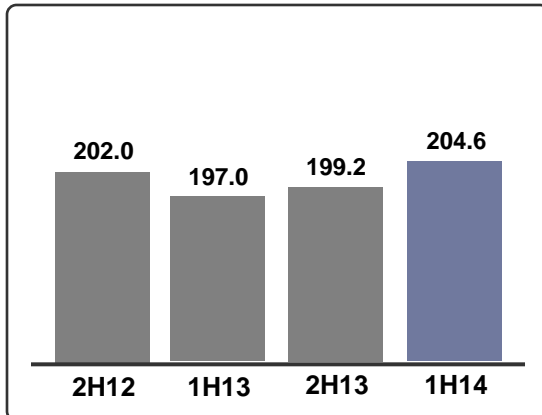
Operating expenses
(in CHF m)



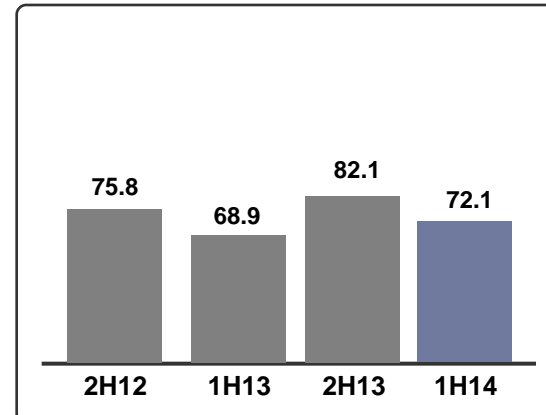
Cost-income ratio*
(in %)



Personnel expenses
(in CHF m)



Other operating expenses
(in CHF m)

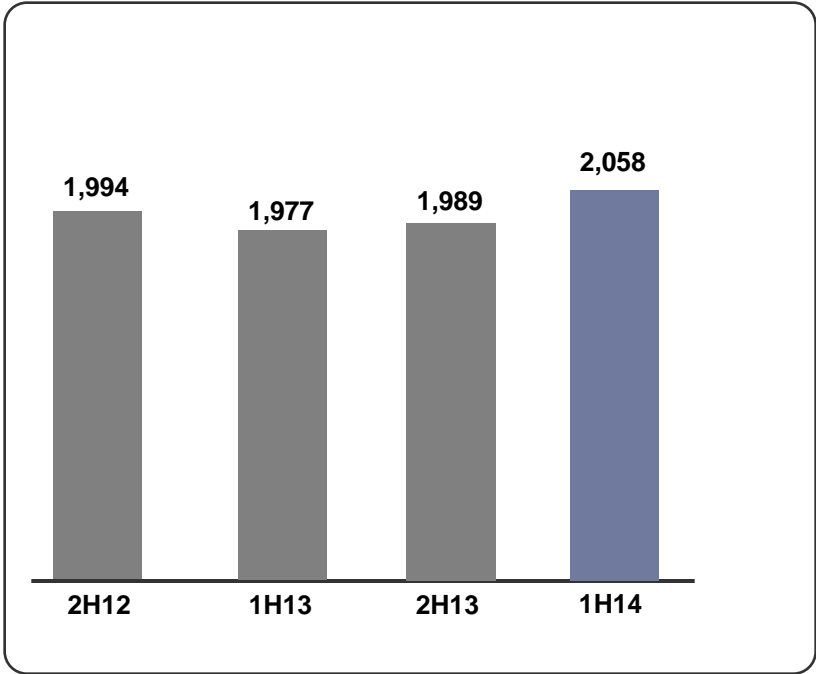


- Operating expenses exclude US DoJ direct costs (i.e. provision for US tax related costs of CHF 30 m)
- Investment in new CROs created incremental costs of approx. CHF 4 m and investment in investment advisors / asset management approx. CHF 4 m
- Investment in global regulatory and compliance infrastructure created additional incremental costs of approx. CHF 2-3 m (Spanish bank set-up and global compliance)

* CIR = Ratio of IFRS operating expenses before amortisation of acquisition related intangibles

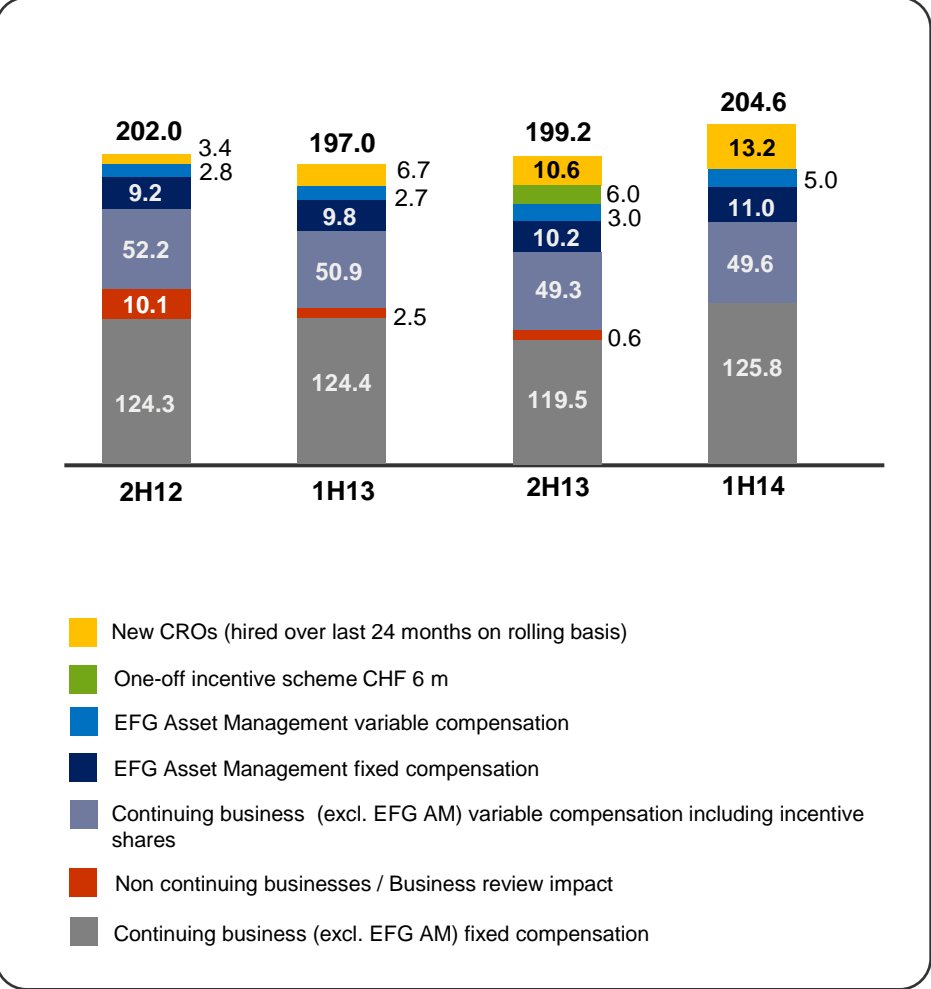
Front office and compliance headcount increases

Headcount



- Headcount increase of 69 in the period relates to 32 new front office roles (CROs, investment advisors and CSOs), approx. 17 additional compliance staff and 20 support staff

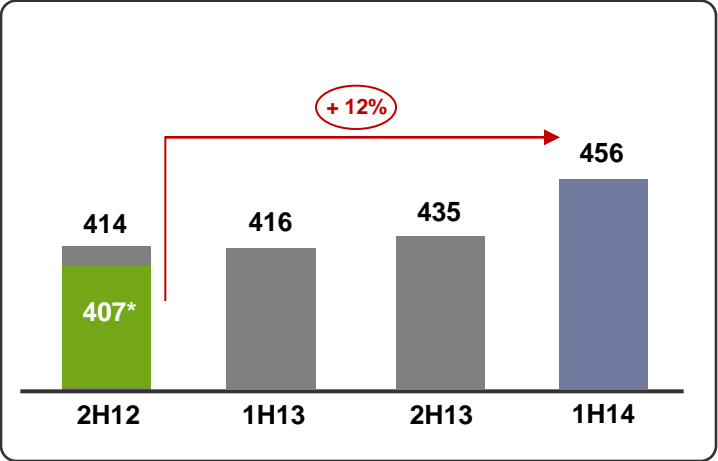
Breakdown personnel expenses (in CHF m)



- New CROs (hired over last 24 months on rolling basis)
- One-off incentive scheme CHF 6 m
- EFG Asset Management variable compensation
- EFG Asset Management fixed compensation
- Continuing business (excl. EFG AM) variable compensation including incentive shares
- Non continuing businesses / Business review impact
- Continuing business (excl. EFG AM) fixed compensation

Positive continued trends in CRO hiring and AuM per CRO

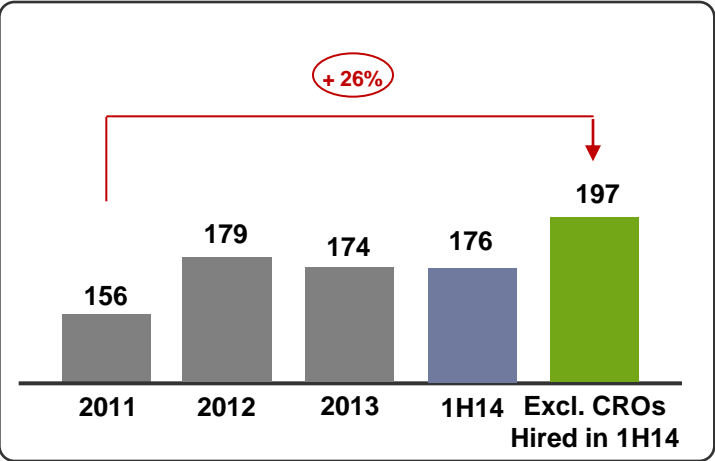
Number of CROs



* CROs continuing businesses only

- CROs increased by 12% since end of 2012

AuM per CRO (in CHF m)

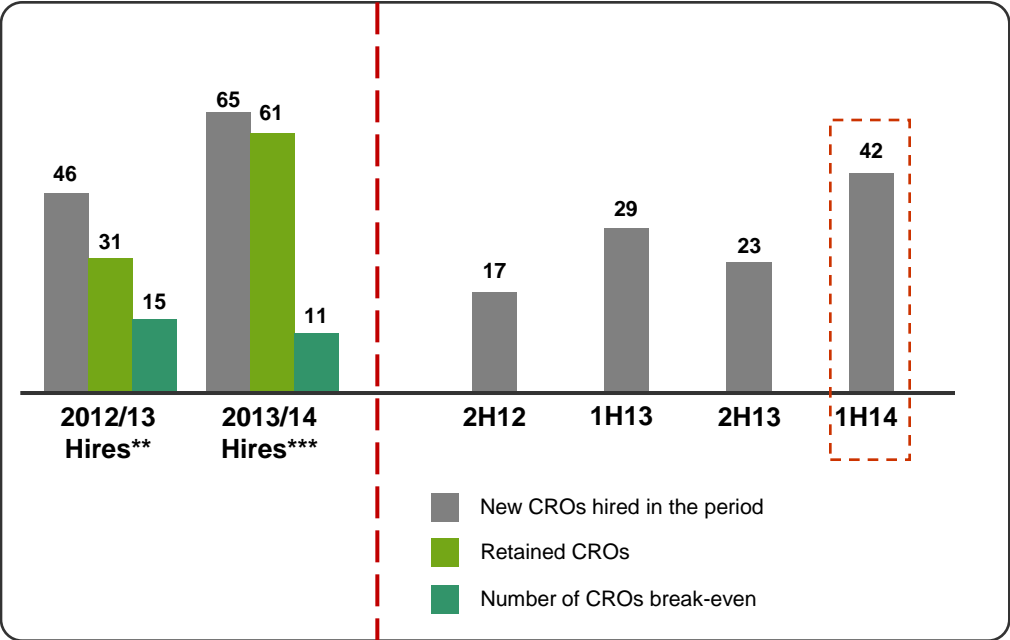


Note: continuing businesses only

- AuM per CRO increased by 13% since end of 2011
- Excluding newly hired CROs during 1H 2014 AuM per CRO stood at CHF 197 m, up 26% since end of 2011

High proportion of newly recruited and retained CROs meeting short-term profitability targets notwithstanding challenging market conditions

Number of New CROs*



- Approx. 50% of CROs hired in 2012/13 and retained to date are already profitable
- Approx. 20% of CROs hired in 2013/14 and retained to date have passed break-even point
- Increased focus on performance measurement of both existing and new CROs
- CRO performance criteria being revised to ensure CROs incentivised to grow, particularly at low levels of contribution

* Excludes CROs recruited in Spanish business (different structure)

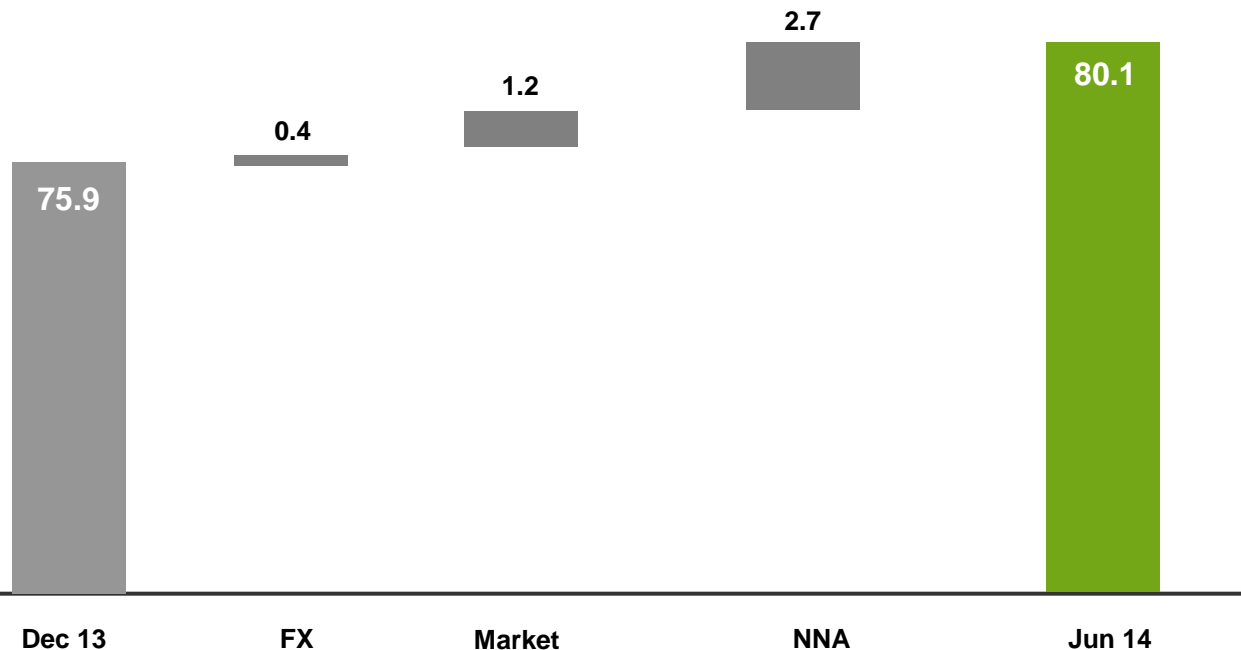
** From 1 July 2012 to 30 June 2013

*** From 1 July 2013 to 30 June 2014

Revenue-generating AuM development

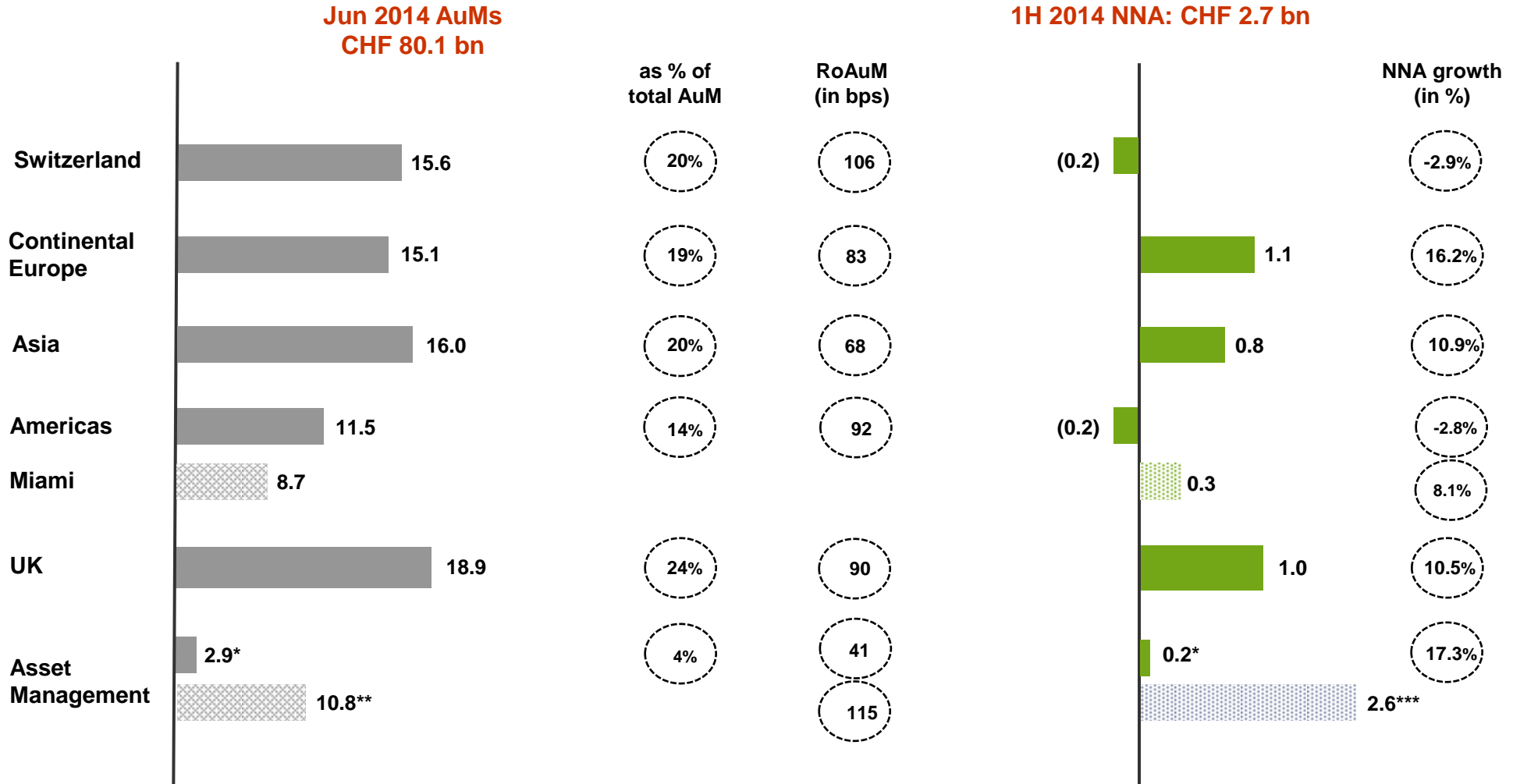
Annualized growth in net new assets of 7%, well within target range

(CHF bn)



- CHF 2.7 bn NNA, annualized growth rate of 7%
- Revenue-generating AuM up 5.5% since year-end 2013
- Increase in revenue-generating AuM through market performance was annualized growth rate of 3.2% in 1H 2014

AuM and NNA by business region



Note: Breakdown excludes CHF 0.1 bn included in Corporate Center

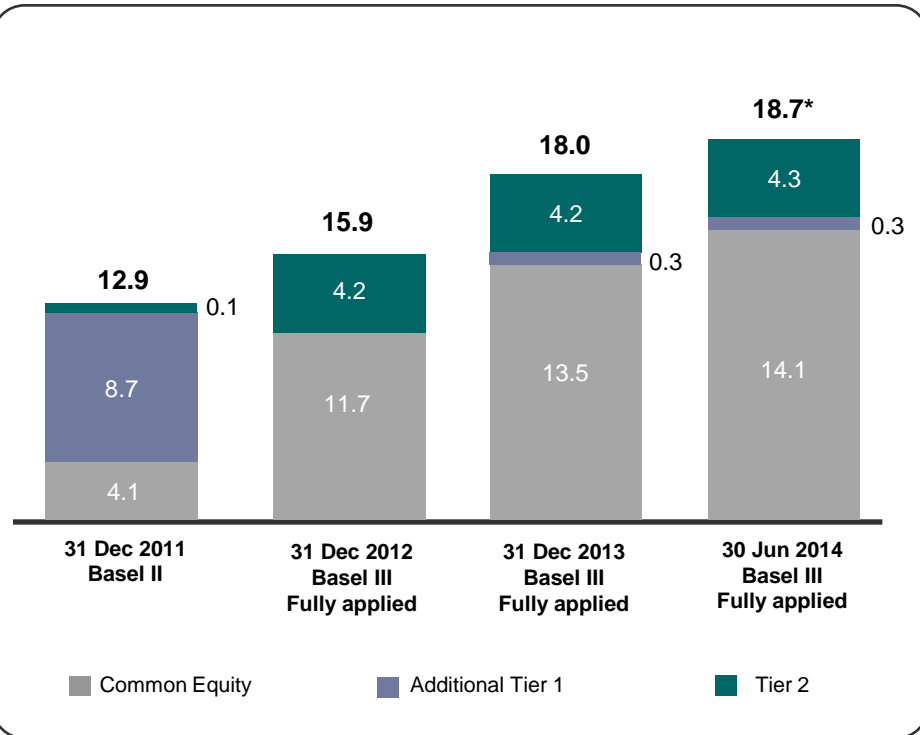
* External business only

** Total AuM partly included in business regions

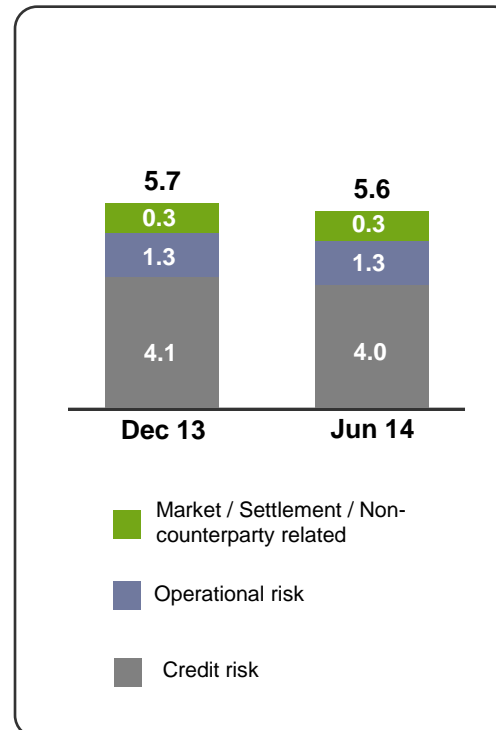
*** Change in total Asset Management related AuM

Continued strong capital position – Basel III fully applied CET1 ratio at 14.1% and BIS total capital ratio at 18.7%

BIS total capital ratio
(in %)



Breakdown of RWAs
(in CHF bn)

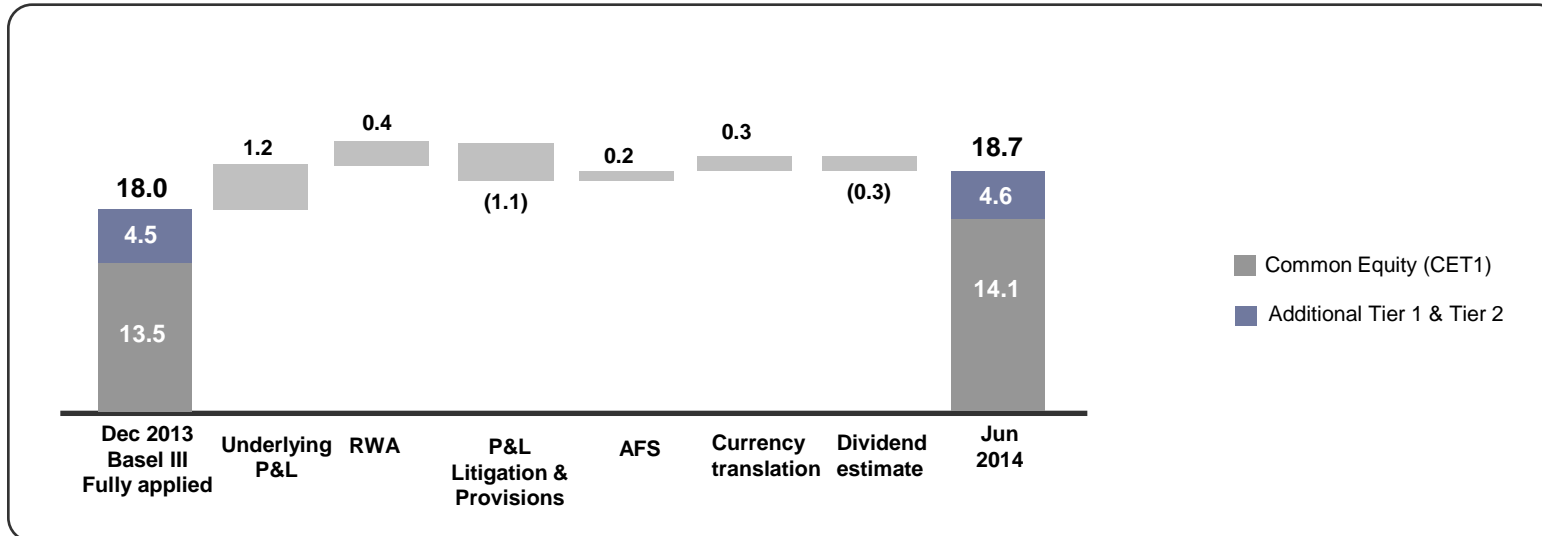


- Capital ratios in line with target range of BIS Capital Ratio in “high teens” and Common equity ratio in “low teens”
- Capital ratios increase mainly driven by RWA reduction, fair value gain on AFS investment securities and positive currency translation effects

* Assuming prorata dividend based on 2013 level (CHF 0.20 per share)

Organic capital generation added 120 bps to capital ratio

Evolution of BIS capital ratio (in %)



- Underlying P&L partly offset by charges for litigation and other provisions
- Positive evolution in risk weighted assets during 1H 2014

Solid and liquid balance sheet

Total assets: CHF 22.6 bn

Cash & banks	3.2
Treasury bills	0.5
Derivatives	0.4
Financial instruments	5.1
Loans	12.8
Goodwill & intangibles	0.3
Other	0.3



Available for sale	3.6
Designated at inception	0.3
Trading assets	0.1
Held to maturity	1.1
- CHF 9.5 bn secured by financial assets	
- CHF 3.3 bn secured real estate financing	

Total liabilities & equity: CHF 22.6 bn

Due to banks	0.4
Deposits	16.6
Derivatives	0.5
Other financial liabilities	2.8
Other	1.0
Subordinated loans	0.2
Total Equity	1.1

- Loan increase driven by continued increase in lombard lending
- “Other” includes CHF 0.4 bn related to Chestnut secured mortgage debt issuance in May 2014

Impact of life insurance portfolio on current financials

- **Portfolio “Held to Maturity”***

- Carrying value CHF 680.1 million (acquisition cost, premium paid, accrued interest); with actual yield of 3.4%

- **Net revenues in 1H 2014 on life portfolios of CHF 10.9 million (1H 2013: CHF 18.0 million and 2H 2013: CHF 10.8 million)**

- **9 maturities in 1H 2014 (vs 4 in 1H 2013) and USD 56.7 m in total death benefits (vs USD 36.5 m in 1H 2013)**

- **Portfolio details**

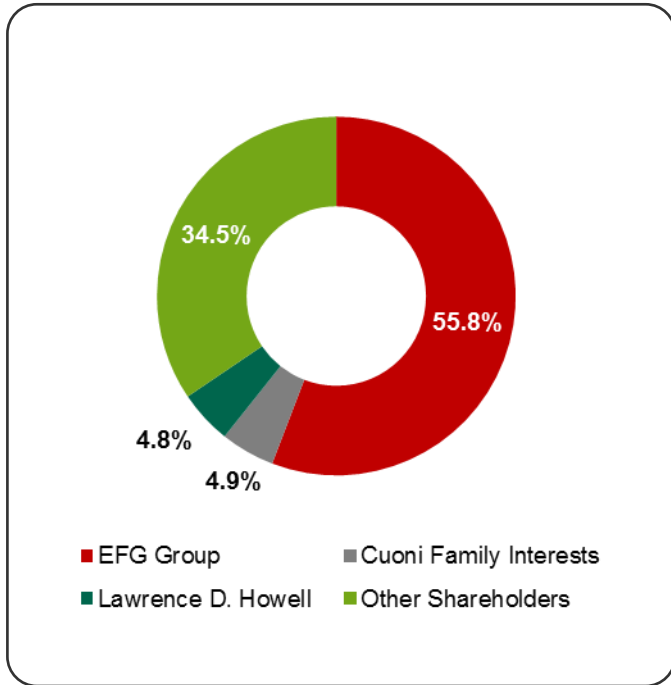
- Diversified portfolio of 234 life insurance policies issued by US life insurance companies; booked in HTM**
 - 68% males and 32% females
 - Average age of lives insured: 85.6 years
 - Average life expectancy: 4.5 years°, i.e. 90 years
 - Total remaining death benefits ~USD 1,599 m ***

Year	Number of matured policies	Death benefits received (in USD m)
2011	3	11.5
2012	8	62.5
2013	10	78.5
2014 YTD	9	56.7

* Data as of 30 June 2014; In addition to Held to Maturity portfolio, EFGI owns a 10.7% stake in a life insurance fund which it fully consolidates and has some physical life insurance exposure which it has synthetically hedged (whereby the residual exposure is estimated to be non material); ° implied life expectancy is 6.8 years; ** 230 policies booked in HTM; 4 policies booked in designated at fair value; *** 9 maturities in 1H 2014, total death benefits USD 56.7 m

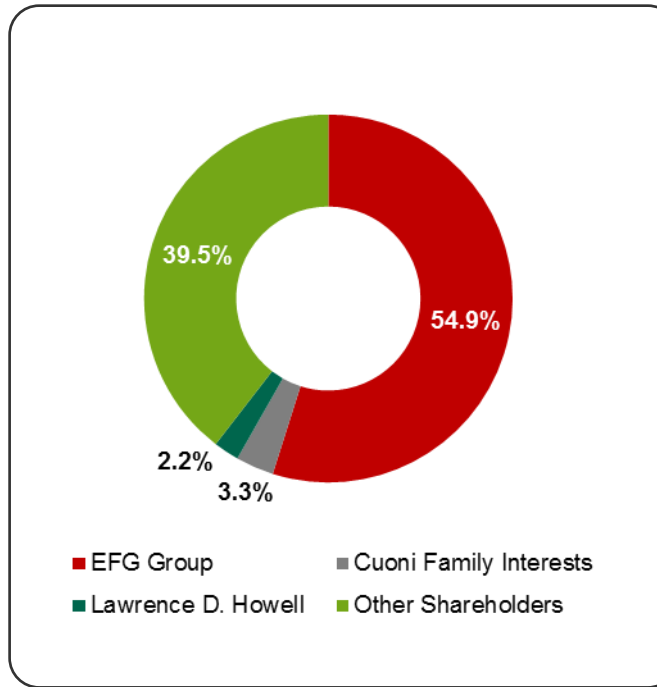
Free float in EFGN shares has increased to close to 40%

EFGN shareholder structure as of 31 Dec 2013



Based on total shares outstanding of 147.9 m

Current EFGN shareholder structure



Based on total shares outstanding of 150.4 m

Note: Lawrence D. Howell shareholding as of 18 June 2014 (SIX notification)

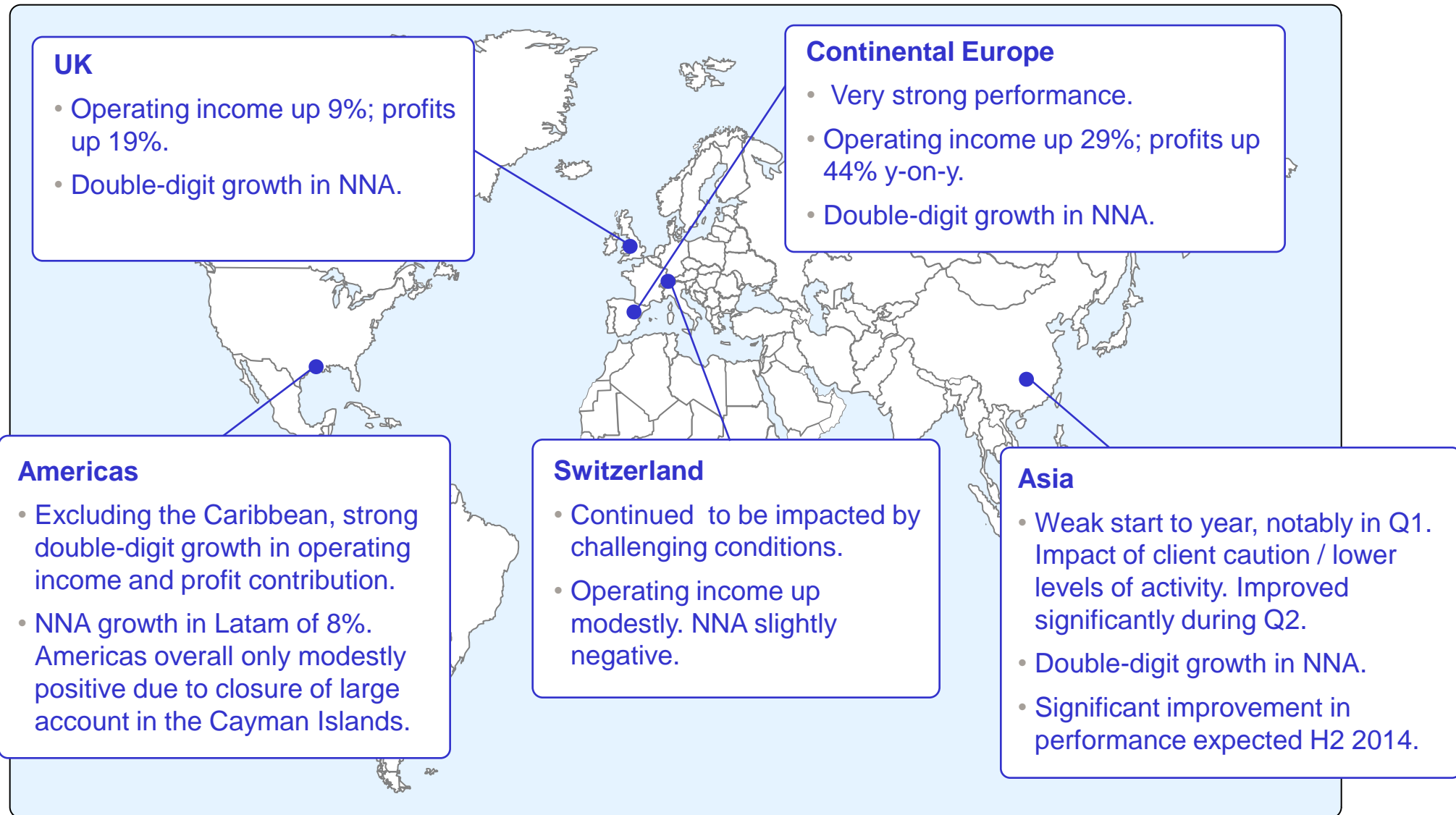
- Two ABBs in February and June 2014 for 6.8 m shares
- EFGN's last 30-days average trading volume on primary exchange-only (160,440 shares) was up 69% compared to last 6-months average trading volume (94,673 shares) (source: Bloomberg, as of 22 July 2014)

Introduction

Financial performance

Current status, outlook

John Williamson, CEO



- CRO hiring remains strong, continuing improvement seen in H2 2013.
- Satisfactory success rate for new CROs in meeting short-term profitability objectives, given challenging conditions.
- Total number of CROs: 456 end-June 2014, up from 416 a year earlier and from 435 at end-2013.
- Hiring particularly strong in Asia (up 11) and Continental Europe (up 12). Switzerland up 3; UK flat.
- Americas down 7 as a result of 4 CROs in the Caribbean becoming independent plus number of retiring CROs not replaced.
- Pipeline strong, with 13 new CROs already contracted to join.
- Performance management focus for both existing and new CROs. CRO performance criteria also being reinforced to ensure CROs incentivised to grow, particularly at low levels of contribution.

Switzerland

- New Regional Business Head for Continental Europe and Switzerland.
- Strengthening UHNWI capabilities.

Continental Europe

- In Spain, AyG granted banking license. Significant CRO hiring.
- Building on new Greece team head in Luxembourg, planning to establish representative office in Athens in H2 2014.
- Looking to establish presence in Cyprus during H2 2014.

CEE

- CEE remains a focal point for CRO hiring. Building on very strong regional growth in 2013.

Asia

- New Head of Emerging Wealth (with a focus on China) in Hong Kong, joined Feb 2014. Recruited 3 senior CROs, with 2 in pipeline.
- In Singapore, commenced operations as wholesale bank in March. Significant CRO hiring.
- Transfer of Falcon Private Bank's clients in Hong Kong announced Jan 2014. Four CROs moved across, but only in June. Therefore transfer to occur H2 2014 - expected AUM c. CHF 500m.

Global South Asian Diaspora

- New Head of Global South Asian Diaspora based in Singapore. Responsible for optimising the Global South Asian opportunity. Joined by 2 senior CROs, with further hires in pipeline.

Latin America

- In Colombia, recruited former head of private banking at Bancolombia to drive growth including recruitment of CROs.
- Looking to establish onshore business in Chile with team of proven individuals. Part of ambitious plans to grow in Andean region.

UHNWIs

- Continue to upgrade UHNWI capabilities .
- Dedicated UHNWI team recruited in Geneva.
- Solid progress re clients. Also enhancing range of specialist services available to this segment.

Investment & Wealth Solutions

- Continue to enhance solutions platform – wealth structuring, investments, credit.
- Ongoing investment in Investment Counsellors, directly supporting CROs.
- Continued strong progress re investment solutions. Assets under direct management of CHF 10.8 billion at end-June 2014, up 33% year-on-year.

Focus remains on organic growth, but open to acquisitions

- Focus remains on organic growth.
- Continue to look at acquisition opportunities, s.t. shared appreciation of private banking, and complementary cultures and capabilities.

- Committed to getting cost-income ratio to below 75%.
- Cornerstone of strategy: delivering business growth, flowing through with minimal dilution to productivity and profits.
- Costs will be managed to facilitate the operating leverage inherent in the strategy of controlled, profitable growth.
- Costs will be reduced to finance growth initiatives (e.g. hiring CROs; entering new markets where compelling business case exists).
- Steadfast approach needed until such time as underlying business profitability significantly higher than at present.

- First half results adversely impacted by exceptional legal and regulatory expenses.
- Looking forward, prospect of fewer distractions and major source of uncertainty being alleviated.
- Redoubling efforts to control operating expenses, while financing growth initiatives. Essential for growth to flow through to bottom-line.
- Confident can deliver strong double-digit profit growth from this point on.
- Key forward indicators bode well - revenue margin robust; CRO hiring strong; NNA comfortably back within range.
- Commitment to growth is clear, evidenced by the number, range and quickening pace of growth-related initiatives.

Objective of delivering IFRS net profit of CHF 200m in 2015 no longer realistic

- Post-resetting, longer than anticipated to get business moving forward again.
- Have not seen significantly better market conditions and rising interest rates.

However, EFGI 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.

EFG International

Practitioners of the craft of private banking

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Appendix

Consolidated income statement (IFRS)

(in CHF million)	1H 2013	2H 2013	1H 2014
Net interest income	100.3	112.9	126.0
Net banking fee & commission income	163.1	180.2	182.3
Net other income	66.7	42.8	34.6
Operating income	330.1	335.9	342.9
Personnel expenses	(197.0)	(199.2)	(204.6)
Other operating expenses	(60.7)	(74.7)	(64.9)
Amortisation of tangible fixed assets & software	(5.7)	(5.4)	(5.5)
Amortisation of acquisition related intangibles	(2.5)	(2.0)	(1.7)
Total operating expenses	(265.9)	(281.3)	(276.7)
Gain on disposal of subsidiaries	-	0.5	-
Other provisions	(10.0)	(23.7)	(63.7)
Impairment on loans and advances to customers	(0.2)	(1.2)	(0.2)
Profit before tax	54.0	30.2	2.3
Income tax expense	(6.2)	(2.0)	(7.2)
Net (loss) / profit from continuing operations	47.8	28.2	(4.9)
Profit for the year from discontinued operations	47.1	(0.4)	-
Non-controlling interests	(10.4)	(0.5)	(1.1)
Net (loss) / profit attributable to Group equity holders	84.5	27.3	(6.0)
Expected dividend on Bons de Participation	(0.7)	(0.2)	(0.1)
Net (loss) / profit attributable to ordinary shareholders	83.8	27.1	(6.1)

Consolidated balance sheet (IFRS)

(in CHF million)	Dec 2013	Jun 2014
Cash and balances with central banks	849	1,092
Treasury bills and other eligible bills	631	504
Due from other banks	2,200	2,118
Derivative financial instruments	560	388
Financial instruments	5,415	5,141
Loans and advances to customers	11,562	12,759
Intangible assets	267	267
Property, plant and equipment	23	22
Deferred income tax assets	36	35
Other assets	156	307
Total assets	21,699	22,633
Due to other banks	290	358
Due to customers	16,444	16,591
Subordinated loans	245	238
Derivative financial instruments	545	453
Financial liabilities designated at fair value	311	331
Other financial liabilities	2,421	2,791
Debt issued	-	404
Current income tax liabilities	5	5
Deferred income tax liabilities	35	35
Provisions	27	79
Other liabilities	269	233
Total liabilities	20,592	21,518
Share capital	74	75
Share premium	1,238	1,243
Other reserves and retained earnings	(210)	(222)
Non controlling interests	5	19
Total shareholders' equity	1,107	1,115
Total equity and liabilities	21,699	22,633

Breakdown of Assets under Management

By category	31.12.13	30.06.14	30.06.14 (in CHF bn)
Cash & Deposits	26%	25%	20.0
Bonds	20%	20%	15.8
Equities	26%	26%	20.9
Structured products	3%	3%	2.5
Loans	16%	16%	12.9
Hedge Funds / Funds of HFs	4%	4%	3.4
Other	5%	6%	4.6
Total	100%	100%	80.1

By currency	31.12.13	30.06.14	30.06.14 (in CHF bn)
USD	51%	52%	41.6
EUR	21%	20%	15.9
GBP	17%	17%	13.8
CHF	4%	4%	3.1
Other	7%	7%	5.7
Total	100%	100%	80.1

Segmental analysis – 1H 2014

Performance summary (in CHF m)	Switzerland	Continental Europe	Americas	UK	Asia	Asset Management and Wealth Solutions	Corporate center	Eliminations	Total
Segment revenues	82.9	60.1	52.3	81.0	52.2	63.6	1.4	(50.6)	342.9
Segment expenses	(64.7)	(41.8)	(39.2)	(50.1)	(35.0)	(29.7)	(19.8)	10.6	(269.7)
Profit before tax	(9.1)	17.2	10.6	29.5	16.4	33.8	(56.1)	(40.0)	2.3
AuMs (in CHF bn)	15.6	15.1	11.5	18.9	16.0	10.8	0.9	(7.9)	81.0
NNAs (in CHF bn)	(0.2)	1.1	(0.2)	0.9	0.8	0.2	-	-	2.7
CROs	69	106	77	86	114	6	-	(2)	456
Employees	327	270	282	403	377	222	181	(4)	2,058

Segmental analysis – 1H 2013

Performance summary (in CHF m)	Switzerland	Continental Europe	Americas	UK	Asia	Asset Management and Wealth Solutions	Corporate center	Eliminations	Total
Segment revenues	81.5	46.6	50.2	74.6	58.2	45.6	6.4	(33.0)	330.1
Segment expenses	(61.8)	(33.7)	(37.6)	(46.0)	(39.6)	(23.2)	(23.5)	7.6	(257.7)
Profit before tax	18.2	11.9	11.3	27.6	17.8	22.2	(29.6)	(25.4)	54.0
AuMs (in CHF bn)	16.4	12.7	10.9	17.0	14.9	8.1	2.4	(5.5)	76.9
NNAs (in CHF bn)	(0.3)	0.8	0.0	0.6	0.5	0.3	-	-	1.9
CROs	61	83	83	85	99	3	2	-	416
Employees	310	233	277	375	358	219	207	(2)	1,977

Segmental analysis – 2H 2013

Performance summary (in CHF m)	Switzerland	Continental Europe	Americas	UK	Asia	Asset Management and Wealth Solutions	Corporate center	Eliminations	Total
Segment revenues	79.6	52.3	48.5	73.5	61.9	52.1	4.4	(36.5)	335.8
Segment expenses	(61.8)	(39.6)	(39.2)	(47.2)	(42.4)	(26.2)	(25.1)	7.6	(273.9)
Profit before tax	17.1	10.9	8.1	5.2	18.6	25.7	(26.6)	(28.9)	30.1
AuMs (in CHF bn)	15.6	13.9	11.3	17.8	14.9	8.2	1.1	(6.0)	76.9
NNAs (in CHF bn)	(0.7)	1.6	0.2	1.0	0.5	(0.1)	-	-	2.5
CROs	66	94	84	86	103	4	-	(2)	435
Employees	318	236	291	387	361	210	189	(3)	1,989

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