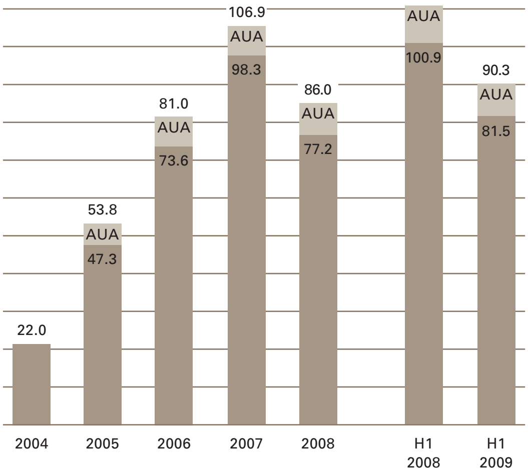
EFG International

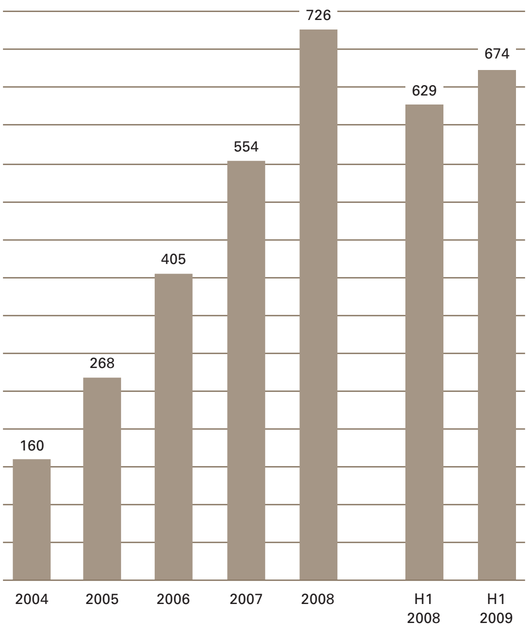
# HALF YEAR REPORT 2009

**AUM and AUA**

in CHF billions

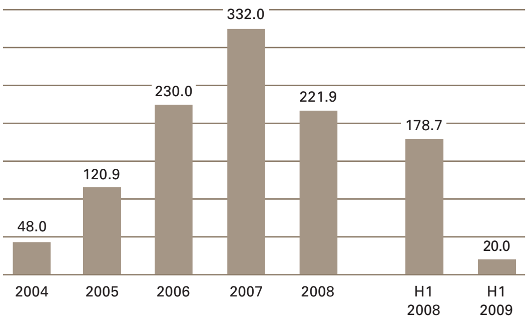



**Client Relationship Officers (CROs)**




**Net Profit attributable to Group shareholders**

in CHF millions




## EFG INTERNATIONAL CONSOLIDATED FINANCIAL HIGHLIGHTS

| in CHF millions | | 30 June 2009 |
|---|---|---|
| **Income** | | |
| Operating Income | | 412.1 |
| Profit before Tax | | 32.1 |
| Net Profit attributable to equity holders of the Group | | 20.0 |
| Net Profit attributable to ordinary shareholders | | 6.9 |
| Cost/Income Ratio | | 80.6% |
| **Balance Sheet** | | |
| Total Assets | | 20,390.6 |
| Shareholders' Equity | | 2,258.5 |
| **Market Capitalisation** | | |
| Share Price (in CHF) | | 11.75 |
| Market Capitalisation (ordinary shares) | | 1,723 |
| **BIS Capital** | | |
| Total BIS Capital | | 769 |
| Total BIS Capital Ratio | | 12.9% |
| **Ratings** | **long term** | **outlook** |
| Moody's | A2 | Stable |
| Fitch | A | Stable |
| **Personnel** | | |
| Total number of CROs | | 674 |
| Total number of employees | | 2,431 |
| **Listing** | | |
| Listing at the SIX Swiss Exchange, Switzerland; ISIN: CH0022268228 | | |
| **Ticker Symbols** | | |
| Reuters | | EFGN.S |
| Bloomberg | | EFGN SW |

International practitioners
of the craft of private banking

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# SHAREHOLDER'S LETTER

Jean Pierre Cuoni, Chairman of the Board
Lawrence D. Howell, Chief Executive Officer

Dear shareholders, dear clients,

Business conditions have improved in the past couple of months, but 2009 started very slowly for EFG International, and clients (although now showing more interest in investment opportunities) remain cautious. Combined with lower clients' Assets under Management carried forward as at the start of the year and investments made last year in growing the business, this has constrained business performance.

## FINANCIAL SUMMARY

For the first six months of 2009 (H1 2009):

### Net profit

- Net profit attributable to Group shareholders was CHF 20.0 million (H1 2008: CHF 178.7 million), which includes one-off charges of CHF 33.0 million. Net profit attributable to ordinary shareholders was CHF 6.9 million (H1 2008: 163.4 million).

- 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.

- Earnings per share stood at CHF 0.05, down from CHF 1.13 as at mid-2008.

### Operating income & expenses

- Operating income was CHF 412.1 million (H1 2008: CHF 527.6 million).

- Operating expenses increased to CHF 375.9 million (H1 2008: CHF 334.3 million).

- The cost-income ratio for the first half of 2009 stood at 80.6%, up from 59.1% a year earlier.

- The revenue margin was 1.07% of average clients' Assets under Management, compared to 0.94% for H2 2008 and 1.18% for the same period a year ago.

### Equity base

- 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.

**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) were 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.

- Net inflows from private clients amounted to CHF 4.7 billion. For the first half of 2009, hedge fund-related businesses saw net institutional client outflows of CHF 2.5 billion.

- Of the total CHF 80.4 billion of clients' Assets under Management as of 30 June 2009, private client Assets under Management were CHF 76.9 billion and clients' Assets under Management at Marble Bar Asset Management and C.M. Advisors combined were CHF 4.6 billion.

## CLIENT RELATIONSHIP OFFICERS

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.

As evidenced by new hiring, we continue to see many high quality recruitment opportunities. We continue to hire experienced and talented CROs, while maintaining our selective hiring policy.

## ASSET MANAGEMENT

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.

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

## GOVERNANCE

To strengthen governance, we have put in place a two tier Executive Committee structure. 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, we have 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 and business heads.

## OUTLOOK & SUMMARY

Looking ahead, we are optimistic that the second half of the year will see further 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 we are 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. We expect to have between 650 and 700 CROs by the end of 2009. Based on asset inflows and new business leads developed in May and June, we expect the growth of clients' Assets under Management per CRO to revert to historic levels during the second half of 2009. We are targeting a revenue margin on average clients' Assets under Management of 110 bps for the second half of 2009.

Various factors have seriously affected performance, and it has been a disappointing six months. However, the fundamentals of our business remain strong, and EFG International 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, and to reduce costs in a balanced way. Our capacity for growth remains intact, and EFG International remains well placed to take advantage of a possible improvement in conditions and sentiment.

Jean Pierre Cuoni,
Chairman of the Board

Lawrence D. Howell,
Chief Executive Officer

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Note | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|---|
| Interest and discount income | | 238.0 | 463.1 | 398.7 |
| Interest expense | | (84.2) | (303.8) | (271.4) |
| **Net interest income** | 4 | **153.8** | 159.3 | 127.3 |
| Banking fee and commission income | | 255.7 | 309.8 | 361.7 |
| Banking fee and commission expense | | (51.4) | (44.4) | (55.4) |
| **Net banking fee and commission income** | 5 | **204.3** | 265.4 | 306.3 |
| Dividend income | 6 | 3.0 | 3.0 | 0.2 |
| Net trading income | 7 | 37.9 | 57.5 | 30.8 |
| Net gain/(loss) from financial instruments designated at fair value | 8 | 6.1 | (127.5) | 0.3 |
| Gains less losses from investment securities | 9 | 6.6 | 53.5 | 54.1 |
| Other operating income | | 0.4 | 7.5 | 8.6 |
| **Net other income** | | **54.0** | (6.0) | 94.0 |
| **Operating income** | | **412.1** | 418.7 | 527.6 |
| Impairment charges | 10 | (4.1) | (15.4) | |
| Operating expenses | 11 | (375.9) | (375.2) | (334.3) |
| **Profit before tax** | | **32.1** | 28.1 | 193.3 |
| Income tax expense | 12 | (6.6) | (10.2) | (15.3) |
| **Net profit for the period** | | **25.5** | 17.9 | 178.0 |
| **Net profit for the period attributable to:** | | | | |
| Profit attributable to equity holders of the Group | | 20.0 | 43.2 | 178.7 |
| Net profit attributable to non-controlling interests | | 5.5 | | |
| Net loss attributable to non-controlling interests | | | (25.3) | (0.7) |
| | | **25.5** | 17.9 | 178.0 |

| | Note | CHF | CHF | CHF |
|---|---|---|---|---|
| **Earnings per ordinary share** | | | | |
| **Basic** | 18 | **0.05** | 0.20 | 1.13 |
| **Diluted** | 18 | **0.05** | 0.19 | 1.13 |

*The notes on pages 15 to 24 form an integral part of these consolidated financial statements*

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| **Net profit for the period** | **25.5** | 17.9 | 178.0 |
| **Other comprehensive income** | | | |
| Fair value (losses)/gains on available-for-sale financial assets, net of tax | (20.6) | (78.0) | 32.6 |
| Currency translation differences | 95.2 | (174.1) | (123.5) |
| **Other comprehensive income for the period, net of tax** | **74.6** | (252.1) | (90.9) |
| **Total comprehensive income for the period** | **100.1** | (234.2) | 87.1 |
| **Total comprehensive income for the period attributable to:** | | | |
| Equity holders of the Group | 93.1 | (207.8) | 88.3 |
| Non-controlling interests | 7.0 | (26.4) | (1.2) |
| | **100.1** | (234.2) | 87.1 |

*The notes on pages 15 to 24 form an integral part of these consolidated financial statements*

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2009

| | Note | 30 June 2009 CHF millions | 31 December 2008 CHF millions |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | | **183.3** | 115.2 |
| Treasury bills and other eligible bills | | **375.3** | 73.7 |
| Due from other banks | | **4,786.3** | 3,730.6 |
| Loans and advances to customers | | **7,842.6** | 7,424.3 |
| Derivative financial instruments | | **222.4** | 452.8 |
| Financial assets designated at fair value: | | | |
| Trading Assets | | **133.8** | 720.3 |
| Designated at inception | | **476.5** | 533.4 |
| Investment securities: | | | |
| Available-for-sale | | **3,845.8** | 3,351.4 |
| Held-to-maturity | | **526.0** | 514.1 |
| Intangible assets | 13 | **1,713.8** | 1,763.0 |
| Property, plant and equipment | | **57.1** | 57.1 |
| Current income tax assets | | **6.4** | |
| Deferred income tax assets | | **27.1** | 25.8 |
| Other assets | | **194.2** | 132.6 |
| **Total assets** | | **20,390.6** | 18,894.3 |
| **Liabilities** | | | |
| Due to other banks | | **830.4** | 400.9 |
| Due to customers | | **15,734.0** | 14,213.4 |
| Derivative financial instruments | | **280.0** | 459.6 |
| Financial liabilities designated at fair value | | **130.2** | 263.1 |
| Other financial liabilities | | **653.6** | 679.6 |
| Current income tax liabilities | | **31.5** | 12.9 |
| Deferred income tax liabilities | | **62.3** | 66.0 |
| Other liabilities | | **410.1** | 541.4 |
| **Total liabilities** | | **18,132.1** | 16,636.9 |
| **Equity** | | | |
| Share capital | | **72.8** | 77.3 |
| Share premium | | **1,141.0** | 1,205.3 |
| Other reserves | | **250.7** | 160.1 |
| Retained earnings | | **692.2** | 719.6 |
| | | **2,156.7** | 2,162.3 |
| Non-controlling interests | | **101.8** | 95.1 |
| **Total shareholders' equity** | | **2,258.5** | 2,257.4 |
| **Total equity and liabilities** | | **20,390.6** | 18,894.3 |

*The notes on pages 15 to 24 form an integral part of these consolidated financial statements*

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Attributable to equity holders of the Group | | | | | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|
| | **Share capital** CHF millions | **Share premium** CHF millions | **Other reserves** CHF millions | **Retained earnings** CHF millions | **Total** CHF millions | CHF millions | CHF millions |
| **Balance at 1 January 2008** | 78.4 | 1,263.1 | 517.1 | 578.3 | 2,436.9 | 2.2 | 2,439.1 |
| Total comprehensive income for the period recognised in equity | | | (90.4) | 178.7 | 88.3 | (1.2) | 87.1 |
| Dividend paid on ordinary shares | | | | (50.2) | (50.2) | | (50.2) |
| Dividend paid on preference shares | | | | (15.6) | (15.6) | | (15.6) |
| Ordinary shares repurchased | (0.7) | (45.5) | | | (46.2) | | (46.2) |
| Shares issued to non-controlling interests | | | | | - | 15.6 | 15.6 |
| Distributions to non-controlling interests | | | | | - | 1.0 | 1.0 |
| Minority put option | | | (36.0) | | (36.0) | | (36.0) |
| Employee stock option plan | | | 9.1 | | 9.1 | | 9.1 |
| **Balance at 30 June 2008** | 77.7 | 1,217.6 | 399.8 | 691.2 | 2,386.3 | 17.6 | 2,403.9 |
| Total comprehensive income for the period recognised in equity | | | (251.0) | 43.2 | (207.8) | (26.4) | (234.2) |
| Dividend paid on preference shares | | | | (14.8) | (14.8) | | (14.8) |
| Ordinary shares repurchased | (0.4) | (18.2) | | | (18.6) | | (18.6) |
| Shares issued to non-controlling interests | | | | | - | 115.8 | 115.8 |
| Distributions to non-controlling interests | | | | | - | (11.9) | (11.9) |
| Employee stock option plan | | | 11.3 | | 11.3 | | 11.3 |
| Stock-options sold | | 5.9 | | | 5.9 | | 5.9 |
| **Balance at 31 December 2008** | 77.3 | 1,205.3 | 160.1 | 719.6 | 2,162.3 | 95.1 | 2,257.4 |
| Total comprehensive income for the period recognised in equity | | | 73.1 | 20.0 | 93.1 | 7.0 | 100.1 |
| Dividend paid on ordinary shares | | | | (33.3) | (33.3) | | (33.3) |
| Dividend paid on preference shares | | | | (14.1) | (14.1) | | (14.1) |
| Ordinary shares repurchased* | (4.5) | (64.3) | | | (68.8) | | (68.8) |
| Shares issued to non-controlling interests | | | | | - | 1.0 | 1.0 |
| Distributions to non-controlling interests | | | | | - | (1.3) | (1.3) |
| Employee stock option plan | | | 11.9 | | 11.9 | | 11.9 |
| Bons de participations sold | | | 2.0 | | 2.0 | | 2.0 |
| Other | | | 3.6 | | 3.6 | | 3.6 |
| **Balance at 30 June 2009** | **72.8** | **1,141.0** | **250.7** | **692.2** | **2,156.7** | **101.8** | **2,258.5** |

** During the first half of 2009, the Group has repurchased a net 9,016,049 shares.*

*The notes on pages 15 to 24 form an integral part of these consolidated financial statements*

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Half year ended 30 June 2009 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|
| Net cash flows from operating activities | 1,316.2 | 1,241.5 |
| Net cash flows used in investing activities | (194.8) | (1,056.5) |
| Net cash flows used in financing activities | (117.1) | (96.5) |
| **Net change in cash and cash equivalents** | **1,004.3** | 88.5 |
| | | |
| Cash and cash equivalents at beginning of period | 3,844.2 | 4,370.4 |
| Net change in cash and cash equivalents | 1,004.3 | 88.5 |
| **Cash and cash equivalents** | **4,848.5** | 4,458.9 |

### Cash and cash equivalents

Cash and cash equivalents comprise the following balances with less than 90 days maturity:

| | 30 June 2009 CHF millions | 30 June 2008 CHF millions |
|---|---|---|
| Cash and balances with central banks | 183.3 | 78.1 |
| Treasury bills and other eligible bills | 342.6 | 1,861.2 |
| Due from other banks | 4,322.6 | 2,519.6 |
| **Cash and cash equivalents** | **4,848.5** | 4,458.9 |

*The notes on pages 15 to 24 form an integral part of these consolidated financial statements*

## 1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "the Group") are a leading global private banking group, offering private banking and asset management services. The Group's parent company is EFG International AG, which is a limited liability company and is incorporated and domiciled in Switzerland and listed on the SIX Swiss Exchange.

This condensed consolidated interim financial information was approved for issue on 27 July 2009.

## 2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

EFG International's consolidated financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).

These financial statements are presented in accordance with IAS 34 Interim Financial Reporting.
In preparing the interim financial statements, the same accounting principles and methods of computation are applied as in the financial statements on 31 December 2008 and for the year then ended, except for the changes set out below.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in EFG International's annual report for 2008.

The revised standards considered in the preparation of these condensed consolidated interim financial statements include:
– *IAS 1 (revised) Presentation of Financial Statements*
Effective as of 1 January 2009, the revised International Accounting Standard (IAS) 1 affects the presentation of owner changes in equity and of comprehensive income. The revised IAS 1 guidance does not change the recognition and measurement of assets and liabilities.

– *IFRS 8 Operating Segments*
Effective from 1 January 2009 onwards, this standard replaces IAS 14 Segment Reporting.
It requires the Group's external segment reporting to be based on its internal reporting used for making decisions on the allocation of resources and for assessing the performance of the reportable segments.

Pursuant to the adoption of IFRS 8, the Group's segmental reporting is based on how internal management review the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, and Asset Management.

## 3. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

| | 30 June 2009 CHF millions | 31 December 2008 CHF millions | 30 June 2008 CHF millions |
|---|---|---|---|
| **Character of client assets** | | | |
| Third party funds | 16,134 | 15,069 | 19,260 |
| Equities | 10,390 | 10,487 | 19,332 |
| Deposits | 16,805 | 15,487 | 15,515 |
| Bonds | 11,384 | 8,990 | 7,270 |
| Loans | 8,268 | 7,766 | 8,510 |
| Fiduciary deposits | 4,194 | 5,434 | 7,557 |
| Structured notes | 5,003 | 5,026 | 8,202 |
| EFG International locked-up shares | 1,137 | 1,799 | 2,636 |
| EFG funds | 7,089 | 6,661 | 10,204 |
| Other | 1,089 | 466 | 944 |
| **Total Assets under Management** | **81,493** | 77,185 | 99,430 |
| **Total Assets under Administration** | **8,768** | 8,800 | 9,821 |
| **Total** | **90,261** | 85,985 | 109,251 |

Assets under Administration are trust assets administered by the Group.

## 4. NET INTEREST INCOME

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| **Interest and discount income** | | | |
| Banks and customers | 141.6 | 370.3 | 238.4 |
| Treasury bills and other eligible bills | 10.0 | 15.3 | 22.0 |
| Trading securities | 1.0 | 0.3 | |
| Financial Asset designated at fair value | 15.5 | 18.0 | |
| Available-for-sale securities | 61.9 | 48.4 | 129.5 |
| Held-to-maturity | 8.0 | 10.8 | 8.8 |
| **Total interest and discount income** | **238.0** | 463.1 | 398.7 |
| **Interest expense** | | | |
| Banks and customers | (84.2) | (299.8) | (266.3) |
| Debt securities in issue | | (4.0) | (5.1) |
| **Total interest expense** | **(84.2)** | (303.8) | (271.4) |
| **Net interest income** | **153.8** | 159.3 | 127.3 |

## 5. NET BANKING FEE AND COMMISSION INCOME

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| **Banking fee and commission income** | | | |
| Securities and investment activities commission | 213.8 | 254.0 | 322.3 |
| Other services commission | 41.9 | 55.8 | 39.4 |
| **Total fee and commission income** | **255.7** | 309.8 | 361.7 |
| Commission expenses | (51.4) | (44.4) | (55.4) |
| **Net banking fee and commission income** | **204.3** | 265.4 | 306.3 |

## 6. DIVIDEND INCOME

| | | | |
|---|---|---|---|
| Trading securities | 1.8 | 2.1 | 0.2 |
| Available-for-sale securities | 1.2 | 0.9 | |
| **Total** | **3.0** | 3.0 | 0.2 |

## 7. NET TRADING INCOME

| | | | |
|---|---|---|---|
| Foreign exchange* | 11.9 | 56.0 | 30.8 |
| Interest rate instruments | 0.8 | (1.4) | |
| Equity securities | 25.2 | 2.9 | |
| **Net trading income** | **37.9** | 57.5 | 30.8 |

** Includes CHF (14.2) million loss on closing out an open US Dollar position arising from reduction in carrying value at 31 December 2008 of life settlement policies.*

## 8. NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

| | | | |
|---|---|---|---|
| Equity securities | 2.4 | (14.0) | 1.0 |
| Debt securities | (0.2) | 0.7 | (0.7) |
| Interest Rate Instruments | (1.4) | (9.1) | |
| Life insurance securities | 5.3 | (105.1) | |
| **Net gain/(loss) from financial instruments designated at fair value** | **6.1** | (127.5) | 0.3 |

## 9. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

| | | | |
|---|---|---|---|
| Gain on disposal of Available-for-sale securities – Transfer from Equity | | | |
| – Equity securities | | 25.1 | |
| – Debt securities | 6.6 | 28.4 | 5.2 |
| – Life insurance securities | | | 48.9 |
| **Gains less losses from investment securities** | **6.6** | 53.5 | 54.1 |

## 10. IMPAIRMENT CHARGES

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| Impairments on amounts due from customers | 4.1 | 13.3 | |
| Impairments of other assets | | 2.1 | |
| **Total** | **4.1** | 15.4 | - |

## 11. OPERATING EXPENSES

| | | | |
|---|---|---|---|
| Staff costs | (232.2) | (229.6) | (217.8) |
| Professional services | (14.3) | (24.8) | (4.2) |
| Advertising and marketing | (4.1) | (6.5) | (4.7) |
| Administrative expenses | (52.4) | (53.3) | (63.3) |
| Operating lease rentals | (18.3) | (20.8) | (13.4) |
| Depreciation of property, plant and equipment | (7.6) | (7.8) | (6.1) |
| Amortisation of intangible assets | | | |
| Computer software and licences | (3.2) | (2.6) | (2.6) |
| Other intangible assets* | (43.8) | (29.8) | (22.2) |
| **Operating expenses** | **(375.9)** | (375.2) | (334.3) |

** Includes accelerated amortisation of intangibles for C.M. Advisors (CHF 17.0 million) and on other cash generating units of CHF 1.8 million.*

## 12. INCOME TAX EXPENSE

| | | | |
|---|---|---|---|
| Current tax | (11.5) | (21.1) | (14.7) |
| Deferred tax benefit/(charge) | 4.9 | 10.9 | (0.6) |
| **Total income tax expense** | **(6.6)** | (10.2) | (15.3) |

## 13. INTANGIBLE ASSETS

| | 30 June 2009 CHF millions | 31 December 2008 CHF millions |
|---|---|---|
| Computer software and licences | 16.2 | 17.4 |
| Other intangible assets | 446.8 | 475.4 |
| Goodwill | 1,250.8 | 1,270.2 |
| **Total Intangible assets** | **1,713.8** | 1,763.0 |

## 14. SEGMENTAL REPORTING

Pursuant to the adoption of IFRS 8, the Group's segmental reporting is based on how internal management review the performance of the Group's operations. The primary split is between Private Banking and Wealth Management, and Asset Management.

The Private Banking and Wealth Management business is managed on a regional basis and is thus split into Switzerland, Asia, America's, United Kingdom and Rest of Europe. The Switzerland segment includes Switzerland and Liechtenstein (as well as the corporate costs of running the Group). The Asian region includes Hong Kong, Singapore, Taiwan and India. The America's region includes United States of America, Canada, Bahamas and Cayman. The Rest of Europe includes private banking operations in France, Gibraltar, Luxembourg, Monaco, Spain and Sweden.

The Asset Management segment includes Marble Bar Asset Management, C. M. Advisors, Derivatives Structured Asset Management, EFG Financial Products and the asset management divisions of the UK and Swiss banks. These are reported as a single segment as they are considered to have similar economic characteristics and provide similar products and services (though provide these products and services to different markets and customer groups).

| | Private Banking and Wealth Management | | | | | Asset Management | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Swiss CHF millions | Asia CHF millions | Americas CHF millions | United Kingdom CHF millions | Rest of Europe CHF millions | CHF millions | CHF millions | CHF millions |
| **Half year ended 30 June 2009** | | | | | | | | |
| Segment revenue from external customers | 134.8 | 42.2 | 30.8 | 73.6 | 49.1 | 81.6 | | **412.1** |
| Tangible assets and software depreciation | (4.5) | (0.9) | (0.9) | (0.8) | (1.5) | (2.2) | | **(10.8)** |
| Cost to acquire intangible assets | (1.1) | (0.2) | (1.5) | (3.1) | (3.9) | (34.0) | | **(43.8)** |
| Segment expenses | (102.8) | (30.7) | (31.7) | (45.2) | (57.7) | (53.2) | | **(321.3)** |
| Impairment charges | (2.0) | (2.1) | | | | | | **(4.1)** |
| Segment profit before tax | 24.4 | 8.3 | (3.3) | 24.5 | (14.0) | (7.8) | | **32.1** |
| Income tax expense | (4.9) | (1.4) | 0.6 | (3.7) | 2.7 | 0.1 | | **(6.6)** |
| Net profit for the period | 19.5 | 6.9 | (2.7) | 20.8 | (11.3) | (7.7) | | **25.5** |
| Net loss/(profit) attributable to non-controlling interests | (2.3) | 0.2 | | | 0.5 | (3.9) | | **(5.5)** |
| **Net profit attributable to Group shareholders** | **17.2** | **7.1** | **(2.7)** | **20.8** | **(10.8)** | **(11.6)** | | **20.0** |
| Segment assets | 14,654.7 | 5,316.4 | 1,903.7 | 4,983.2 | 2,785.6 | 2,847.2 | (12,100.2) | **20,390.6** |
| Segment liabilities | 13,984.8 | 5,302.1 | 1,854.7 | 4,675.8 | 2,796.0 | 1,618.9 | (12,100.2) | **18,132.1** |
| Employees | 864 | 412 | 249 | 374 | 309 | 223 | | **2,431** |

| | Private Banking and Wealth Management | | | | | Asset Management | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Swiss CHF millions | Asia CHF millions | Americas CHF millions | United Kingdom CHF millions | Rest of Europe CHF millions | CHF millions | CHF millions | CHF millions |
| **Half year ended 31 December 2008** | | | | | | | | |
| Segment revenue from external customers | 99.1 | 49.4 | 34.9 | 75.5 | 55.6 | 104.2 | | 418.7 |
| Tangible assets and software depreciation | (3.9) | (0.7) | (0.8) | (0.9) | (1.7) | (2.4) | | (10.4) |
| Cost to acquire intangible assets | (2.0) | (0.2) | (1.9) | (1.4) | (4.5) | (19.8) | | (29.8) |
| Segment expenses | (108.0) | (33.9) | (29.3) | (48.1) | (64.2) | (51.5) | | (335.0) |
| Impairment charges | (8.2) | | | (5.1) | | (2.1) | | (15.4) |
| Segment profit before tax | (23.0) | 14.6 | 2.9 | 20.0 | (14.8) | 28.4 | | 28.1 |
| Income tax expense | (12.7) | (2.4) | (0.4) | (3.4) | 8.8 | (0.1) | | (10.2) |
| Net profit for the period | (35.7) | 12.2 | 2.5 | 16.6 | (6.0) | 28.3 | | 17.9 |
| Net loss/(profit) attributable to non-controlling interests | 28.2 | 0.1 | | | 0.5 | (3.5) | | 25.3 |
| **Net profit attributable to Group shareholders** | (7.5) | 12.3 | 2.5 | 16.6 | (5.5) | 24.8 | | 43.2 |
| Segment assets | 12,483.8 | 4,906.2 | 878.0 | 5,056.4 | 2,937.7 | 2,871.4 | (10,239.2) | 18,894.3 |
| Segment liabilities | 11,822.3 | 4,874.7 | 825.0 | 4,777.8 | 2,952.1 | 1,624.2 | (10,239.2) | 16,636.9 |
| Employees | 882 | 405 | 248 | 387 | 312 | 221 | | 2,455 |

| | Private Banking and Wealth Management | | | | | Asset Management | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | Swiss CHF millions | Asia CHF millions | Americas CHF millions | United Kingdom CHF millions | Rest of Europe CHF millions | CHF millions | CHF millions | CHF millions |
| **Half year ended 30 June 2008** | | | | | | | | |
| Segment revenue from external customers | 177.1 | 46.3 | 37.8 | 68.5 | 51.2 | 146.7 | | 527.6 |
| Tangible assets and software depreciation | (4.3) | (0.5) | (0.7) | (0.9) | (0.9) | (1.4) | | (8.7) |
| Cost to acquire intangible assets | (0.7) | | (1.7) | (1.6) | (1.8) | (16.4) | | (22.2) |
| Segment expenses | (94.3) | (29.6) | (26.6) | (50.4) | (47.5) | (55.0) | | (303.4) |
| Impairment charges | | | | | | | | - |
| Segment profit before tax | 77.8 | 16.2 | 8.8 | 15.6 | 1.0 | 73.9 | | 193.3 |
| Income tax expense | (14.3) | (1.9) | (1.4) | (1.8) | 3.7 | 0.4 | | (15.3) |
| Net profit for the period | 63.5 | 14.3 | 7.4 | 13.8 | 4.7 | 74.3 | | 178.0 |
| Net loss/(profit) attributable to non-controlling interests | | | | | 0.1 | 0.6 | | 0.7 |
| **Net profit attributable to Group shareholders** | 63.5 | 14.3 | 7.4 | 13.8 | 4.8 | 74.9 | | 178.7 |
| Segment assets | 12,935.1 | 4,797.0 | 486.2 | 5,279.0 | 2,857.0 | 2,691.9 | (8,779.9) | 20,266.3 |
| Segment liabilities | 12,095.8 | 4,785.3 | 443.5 | 4,961.2 | 2,826.0 | 1,530.5 | (8,779.9) | 17,862.4 |
| Employees | 819 | 326 | 215 | 377 | 264 | 195 | | 2,196 |

## 15. CONTINGENT LIABILITIES AND COMMITMENTS

| | 30 June 2009 CHF millions | 31 December 2008 CHF millions |
|---|---|---|
| Guarantees issued in favour of third parties | 292.9 | 311.2 |
| Irrevocable commitments | 281.0 | 235.4 |
| **Total** | **573.9** | 546.6 |

## 16. LEGAL PROCEEDINGS

The Group is involved in various legal proceedings in the course of normal business operations. The Group establishes provisions for current and threatened pending legal proceedings if management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reasonably estimated.

## 17. DIVIDEND PER SHARE

At the Annual General Meeting on 29 April 2009, a dividend in respect of 2008 of CHF 0.25 per share was approved.

## 18. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| **Basic Earnings Per Ordinary Share** | | | |
| Profit attributable to equity holders of the Group | 20.0 | 43.2 | 178.7 |
| Estimated, pro-forma accrued preference dividend | (13.1) | (15.0) | (15.3) |
| Profit attributable to ordinary shareholders | 6.9 | 28.2 | 163.4 |
| Weighted average number of ordinary shares | | | |
| *– 000's of shares* | 136,711 | 143,661 | 143,989 |
| | CHF | CHF | CHF |
| Basic earnings per ordinary share | 0.05 | 0.20 | 1.13 |

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group. For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma preference dividend. The latter has been computed by assuming a dividend rate from 1st January 2009 until 30 April 2009 of 4.716% and a rate of 3.698% from 30 April 2009 until 30 June 2009. The average number of shares excludes the average number of EFG Fiduciary Certificates owned by the Group.

| | Half year ended 30 June 2009 CHF millions | Half year ended 31 December 2008 CHF millions | Half year ended 30 June 2008 CHF millions |
|---|---|---|---|
| **Diluted Earnings Per Ordinary Share** | | | |
| Profit attributable to equity holders of the Group | 20.0 | 43.2 | 178.7 |
| Estimated, pro-forma accrued preference dividend | (13.1) | (15.0) | (15.3) |
| Profit attributable to ordinary shareholders | 6.9 | 28.2 | 163.4 |
| Diluted-weighted average number of ordinary shares | | | |
| *– 000's of shares* | 139,528 | 144,664 | 145,200 |
| | CHF | CHF | CHF |
| Diluted earnings per ordinary share | 0.05 | 0.19 | 1.13 |

Pursuant to its employee stock option plan, EFG International has granted options to employees to purchase shares of EFG International. These options have the effect to increase the diluted-weighted average number of ordinary shares of EFG International by 2,817,430.

## 19. STOCK OPTION PLAN

EFG International granted 3,563,181 options on 17 March 2009. There are three classes of options having an exercise price of CHF 5.00 (“In-the-money Options”), CHF 0 with 3 year lock-up (“Zero strike options with 3 year lock-up”) and CHF 0 with 5 year lock-up (“Zero strike options with 5 year lock-up”) respectively. All three classes have a vesting period of three years and an exercise period beginning five years from the grant date and ending seven years from the grant date, with the exception of the Zero strike options with 3 year lock-up, which can be exercised after 3 years.

Total expense related to the Employee Stock Option Plan in the income statement for the period ended 30 June 2009 was CHF 11.9 million (30 June 2008: CHF 9.1 million).

## 20. POST BALANCE SHEET EVENTS

There were no post balance sheet events to disclose.

## 21. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

| | |
|---|---|
| Jean Pierre Cuoni | Chairman |
| Emmanuel L. Bussetil | |
| Erwin Richard Caduff | Appointed on the 29th April 2009 |
| Spiro J. Latsis | |
| Hugh Napier Matthews | |
| Hans Niederer | |
| Périclès Petalas | |
| Apostolos Tamvakakis | Appointed on the 29th April 2009 |

## FORWARD LOOKING STATEMENTS

This Half-Year Report contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Half-Year Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industries in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on these forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity, and the development of the industries in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Half-Year Report. These factors include (1) general market, macro-economic, governmental and regulatory trends, (2) EFG International AG's ability to implement its cost savings program, (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, (5) our ability to continue to recruit CROs, (6) our ability to implement our acquisition strategy, (7) our ability to manage our economic growth and (8) other risks and uncertainties inherent in our business. EFG International AG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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