EFG International

EFG International reports full year 2014 results

***Zurich, 25 February 2015* – Underlying net profit attributable to ordinary shareholders was CHF 130.7 million, up 18% from CHF 111.2 million a year earlier. IFRS net profit attributable to ordinary shareholders was CHF 61.1 million. Operating income was CHF 716.6 million, up 8% from a year earlier, while operating expenses increased 5% year-on-year to CHF 575.0 million, primarily reflecting investments in growth. The cost-income ratio improved to 79.8% in 2014 (81.5% in 2013). The revenue margin improved from 88 bps in 2013 to 89 bps in 2014. Revenue-generating Assets under Management were CHF 84.2 billion, up 11% from CHF 75.9 billion at end-2013. Net new assets were CHF 4.4 billion (annual growth of 6%), compared with CHF 2.5 billion a year earlier. The UK, Asia, Continental Europe and Americas (ex Caribbean) all delivered annual growth in net new assets in the range 9-11%. The number of Client Relationship Officers (CROs) stood at 440 at end 2014, compared to 435 a year earlier – gross hiring improved significantly, but was offset by the tightening of performance criteria for existing CROs. The pipeline is very strong, with a number of senior hires already made or in train. EFG International is redoubling its efforts to control operating expenses, and will continue to reduce Swiss franc-denominated operating expenses as a percentage of the total cost base (down from 40% in 2011 to around 30% in 2014). The Basel III BIS Capital Ratio stood at 18.7% at end-2014, up from 18.0% at end-2013, and EFG International is proposing a dividend of CHF 0.25 per share, an increase of 25% on the dividend paid last year. EFG International remains committed to delivering growth and a step-change in performance, supported by a wide range of growth-related initiatives.**

Jean Pierre Cuoni will step down and Joachim H. Straehle will be proposed as the new Chairman of the Board of EFG International, subject to approval at its AGM on 24 April 2015.

Overview of key results	2014	Change vs. 2013
Underlying IFRS net profit attributable to ordinary shareholders*	**CHF 130.7 m**	Up 18%
IFRS net profit / IFRS net profit attributable to ordinary shareholders	**CHF 61.4 m / CHF 61.1 m**	Down 45%
Operating income	**CHF 716.6 m**	Up 8%
Operating expenses	**CHF 575.0 m**	Up 5%
Cost-income ratio	**79.8%**	Down from 81.5%
Revenue-generating AuM	**CHF 84.2 bn**	Up 11%
Net new assets (annual growth)	**CHF 4.4 bn (6%)**	Up from CHF 2.5bn (4%)
Revenue margin (% of AuM)	**89 bps**	Up from 88 bps
BIS capital ratio (Basel III, fully phased in)	**18.7%**	Up from 18.0%
CET 1 capital ratio (Basel III)	**14.2%**	Up from 13.5%
Client Relationship Officers (CROs)	**440**	Up from 435
Total headcount	**2,059**	Up from 1,989

** Excluding impact of non-recurring items*

Operating income and revenue margin improved; underlying profit up excluding legal charges and provisions

There were some positive signs in terms of economic growth and market performance in 2014, although the external environment remains volatile. During 2014, EFG International's operating income was CHF 716.6 million, up 8% from CHF 666.0 million a year earlier. The revenue margin remained resilient, and improved during the second half of 2014 – 89 bps for 2014, up from 88 bps in 2013 and comfortably above EFG International's target of 84 bps.

Reported profit was adversely affected by exceptional legal and professional charges and provisions, resulting in a net IFRS profit attributable to ordinary shareholders of CHF 61.1 million. Underlying net profit attributable to ordinary shareholders was CHF 130.7 million, up 18% from CHF 111.2 million a year earlier, after excluding the following non-recurring items:

- CHF 33.7 million in litigation-related charges and provisions, as detailed in EFG International's interim report.

- CHF 30.0 million in relation to the US Tax Programme. Good progress was made with account remediation during the third quarter, which will likely reduce the final penalty (now expected to be circa CHF 10.8 million, compared with CHF 21.4 million provided for during the first half of 2014), although legal and professional expenses will be higher as a result of the process taking longer than anticipated.

- CHF 5.9 million in legal and professional fees related to a longstanding loan of circa CHF 200 million for which EFG Bank was granted security over a portfolio of financial collateral by a pledgor whose parent company has been put into receivership and is in the process of being sold. The receiver has raised legal issues as to the validity and enforceability of the security and the loans. EFG International considers that the loans are fully collateralised and thus fully recoverable and has not made a provision. In addition, the bank has the personal covenant of a UHNWI client. It has informed the competent regulatory authorities and is cooperating fully with them in connection with their ongoing review of this matter.

Operating expenses were CHF 575.0 million, up 5% year-on-year (4%, excluding legal and professional fees of CHF 5.9 million referred to above), with the increase reflecting CRO hiring and higher performance-related payments; further investment in the investment and wealth solutions platform; legal and professional fees; and expenses relating to new offices. The cost-income ratio stood at 79.8%, down from 81.5% for the same period last year.

Revenue-generating Assets under Management were CHF 84.2 billion, up 11% from CHF 75.9 billion at end-2013. This reflects FX and market effects of CHF 3.9 billion and net new assets of CHF 4.4 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. Lower interest rates in Switzerland have resulted in net pension liabilities increasing by CHF 30 million, reducing the BIS Capital Ratio by 0.4%. The Common Equity Ratio (CET1) stood at 14.2%, up from 13.5%.

Continued improvement in core business profitability; most regional businesses delivering profitable growth

Core private banking revenues increased by 7% in 2014 and pre-tax profit increased by 22%. All regional private banking businesses, with the exception of Asia, delivered an improvement in pre-provision profit in 2014 - Continental Europe was up 33%; Americas was up 33%; the UK was up 13%; and Switzerland was up 12%. The pre-provision profit contribution from Asia was down 9%, reflecting a particularly slow first quarter on account of low client activity, but performance improved progressively during the remainder of the year, and double-digit net new asset growth for the year (see later) bodes well for the future.

Net new assets within target range

Net new assets were CHF 4.4 billion in 2014, up from CHF 2.5 billion. This represented growth of 6%, within EFG International's target range of 5-10%. Growth would have been materially higher (in excess of 7%, an underlying level obtained by the business consistently throughout last year) had it not been for a policy decision implemented in the fourth quarter to exit certain non-strategic lending business.

The UK, Asia, Continental Europe and Americas (excluding the Caribbean, which was impacted by the partial anticipated liquidation of a single large account) all delivered annual net new asset growth in the range 9-11%. The only regional business to experience an outflow was Switzerland.

CRO hiring continues to strengthen; further steps taken in the second half to upgrade average quality and productivity

The number of CROs stood at 440 at end-2014, compared with 435 a year earlier. Hiring improved significantly in 2014 as evidenced by the half-year position of 456 and a further 25 hires in H2. Asia and Continental Europe were particularly strong, and there was also a notable pick-up in hiring in Switzerland as the year progressed. However, this was offset by the tightening of performance criteria for existing CROs, reflecting EFG International's ongoing commitment to lifting the average quality, and productivity, of CROs. Indeed, average AUM per CRO (excluding those hired in 2014) increased from CHF 174 million to CHF 217 million. Furthermore, the decision to address underperforming CROs in the second half was taken in the knowledge that the pipeline is encouraging, and all the indications are that 2015 will be a particularly strong year for CRO hiring (see later). EFG International believes that its appeal to high quality CROs is now greater than at any time since the financial crisis.

Strong progress in terms of Investment and Wealth Solutions; becoming more selective in relation to lending

EFG International continues to invest in its integrated solutions platform, encompassing wealth structuring, investment solutions and credit. Very strong progress continues to be made in relation to investment solutions, with clients' assets under direct management ending the year at CHF 12.2 billion, up 49% during the year.

In relation to credit, EFG International adopted a more cautious approach during the second half of 2014, in the face of strong and growing client demand for loans. EFG International sees lending as an integral part of private banking, but is firmly of the view that, as a private bank, it should not be lending-led. It has therefore tightened its processes to ensure that the lending it undertakes is appropriate, both in terms of pricing covering liquidity and capital costs and the overall composition of a client's business with EFG International.

Clear focus on growth as evidenced by number, range and quickening pace of growth initiatives

EFG International's focus is on growth, and its commitment to delivering this is backed by manifold growth-related initiatives:

- As previously announced, last year saw a number of senior hires across various important growth markets and segments, including: Adrian Kyriazi as Head of Continental Europe & Switzerland; Alvin Ma as Head of Emerging Wealth, based in Hong Kong, with a strong focus on China; and Amrit Uppal as Head of Global South Asian Diaspora, based in Singapore.

- As indicated earlier, the CRO pipeline remains strong, with a clear focus on high quality individuals and teams. A number of notable additions have already occurred, or will do in the coming months, some of which are mentioned below in relation to specific growth initiatives.

- A team focused on Hungarian clients will join in March, to be based in Zurich. A handful of CROs focused on another CEE market will join EFG International in May.

- Capabilities relating to UHNWIs continue to be upgraded. The dedicated UHNWI team recruited in Geneva delivered a strong performance in its first year, and EFG International has recently added a five-person UHNWI team in Zurich.

- A representative office was established in Athens in August 2014.

- Regulatory approval has been obtained in Luxembourg (and is pending in Switzerland) to establish a presence in Cyprus, which will be a branch of EFG International's Luxembourg business. The aim is for this to be operational in the second quarter of this year, and it will initially comprise 4 CROs operating from offices in Nicosia and Limmasol.

- In November 2014, Konstantinos Karoumpis was appointed as the new CEO of EFG Bank (Luxembourg) S.A., with effect from mid-January. He was formerly Head of Private Banking & Wealth Management at Credit Suisse in Luxembourg. In addition to his responsibilities in Luxembourg, Konstantinos Karoumpis will help to oversee the development of EFG International’s new offices in Athens and Cyprus.

- As previously announced, 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. This is now operational.

- Plans to establish an onshore business in Chile - part of ambitious plans to grow in the Andean region - are progressing well. It is anticipated that this business, which will be run by a team of individuals proven in the local market, will commence operations by mid-year.

- In Bermuda, EFG International recently launched a new business, EFG Wealth Management (Bermuda) Ltd., building on a long-established presence limited to investment research. It is serving a range of sophisticated investors and institutions, and will also have a strong focus on the captive insurance sector.

- In Asia, the Singapore business has been operational as a wholesale bank since March 2014. In Hong Kong, the transfer of client relationships from Falcon Private Bank occurred during the second half of last year, with assets under management broadly in line with expectations of circa CHF 500 million.

New chairman proposed, with extensive experience of private banking

The Board of Directors has proposed the election of Joachim H. Straehle as the new Chairman of the Board of EFG International. He will take over as Chairman, subject to approval at EFG International's AGM on 24 April 2015.

Joachim H. Straehle is extremely well qualified to help oversee EFG International's future development as a leading independent private bank, given the breadth and depth of his experience. He was Chief Executive Officer of Bank Sarasin & Co from 2006 to 2013. Prior to this, he was Head of Private Banking International at Credit Suisse from 2002 to 2006. Other senior roles at Credit Suisse, where he spent more than 20 years in total, included regional private banking head for the Middle East, Asia and Russia, and CEO of Credit Suisse Trust. Born in 1958, he is a Swiss citizen. The CV of Joachim H. Straehle is attached to this release.

He replaces Jean Pierre Cuoni as Chairman, who is stepping down on account of his age (77). As previously announced in June, Jean Pierre Cuoni, one of EFG International's co-founders, will remain a member of the board and an active supporter of the business in an ambassadorial role.

Developments in relation to Swiss franc / euro represent a limited headwind; but strong commitment to delivering operating leverage

EFG International recently commented on the SNB's decision on 15 January 2015 to discontinue the minimum exchange rate of CHF 1.20 per euro. At today's CHF / EUR exchange rate, there would be a single digit percentage impact on EFG International's profit before tax. The impact due to changes of the CHF / GBP is not significant, as costs and revenues are broadly in balance. The CHF / USD exchange rate is the most significant for EFG International, but the US dollar has strengthened in recent weeks and is presently above the average rate for 2014. The impact of the recent strengthening of the Swiss franc on capital ratios is immaterial, and no trading losses have been incurred as a result. At today's exchange rates, revenue-generating Assets under Management would have been CHF 79.5 billion at end-2014.

EFG International remains committed to getting its cost-income ratio down to below 75%, and central to this is delivering the operating leverage inherent in its strategy of controlled, profitable growth - business growth flowing through with minimal dilution to productivity and profits. In response to the strength of the Swiss franc, EFG International will redouble efforts to control core operating costs, while still financing growth. The hiring freeze remains in place, other than to meet industry-wide regulatory and risk management requirements and the hiring of high quality CROs. A review is being undertaken of offices that are only marginally profitable, as well as the number of booking centres. EFG International is also reviewing operational processes and further ways of reorganising its operational platform so that operating costs are more in keeping with the composition of revenues. In this respect, it is committed to continuing the good progress that has been made over the past few years. Swiss franc-denominated operating expenses have come down from over 40% of the total cost base to around 30% in 2014, as a result of the strategic and cost-efficiency measures undertaken as part of the business review, initiated in the first half of 2011.

Committed to delivering medium-term targets

The general business outlook remains subject to significant uncertainty. On the one hand, there were encouraging signs last year in relation to markets, client sentiment, a strengthening dollar and the dynamics of global economic growth. On the other, there are geo-political pressures, interest rates remain low, and exchange rates have recently developed contrary to market expectations.

More positively, the private banking market continues to represent a significant and growing opportunity, and EFG International is convinced that it remains competitively differentiated. The latter is evidenced by its growing attractiveness to high calibre CROs. Most importantly, EFG International believes that it has momentum, as evidenced by improving core business profitability as well as earnings quality; enhanced CRO productivity; an improved business mix, with investment and wealth solutions growing relative to lending; strong underlying net new asset generation; a robust revenue margin; and a wide range of growth initiatives, the impact of which will only start to be felt in 2015.

EFG International will control operating expenses, and the need to deliver in this regard is reinforced by the recent strengthening of the Swiss franc. Overall, EFG International is convinced that it is firmly on track to deliver strong double-digit growth for the foreseeable future, and reiterates its commitment to delivering a step-change in business performance over the next few years.

EFG International reaffirms its medium-term objectives:

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

- A reduced cost-income ratio - to below 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.

John Williamson, Chief Executive Officer, EFG International:

- "Even though last year was impacted by exceptional legal and regulatory expenses, and developments relating to the Swiss franc have highlighted again that we live in uncertain times, it was also a year that saw business momentum continuing to build. Core business profitability, productivity, business mix, revenue margin, and net new assets all improved. There is also a significant amount of activity orientated towards growth, which should start to kick in this year; when combined with measures to control costs, I am confident that EFG is well placed to deliver strong double-digit profit growth going forward. This is what one would expect for a business that celebrates its 20th anniversary this year. From start-up to international private bank with AUM of CHF 84 billion is no small achievement, and the qualities and capabilities that built this success remain in place today. I am convinced that the future of EFG will be an exciting one - as a leading international private bank, delivering shareholder value through sustainable growth, based on entrepreneurial CROs and highly satisfied clients."

Ordinary dividend

The payment of a dividend of CHF 0.25 per share (free of withholding tax) will be proposed to the Annual General Meeting scheduled for 24 April 2015. This is up 25% from the dividend of CHF 0.20 per share paid last year.

Annual Report 2014

This release, plus results presentation and Annual Report can be found at EFG International's website, www.efginternational.com

A copy of the Annual Report 2014 can be downloaded here:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/financial_reporting/2014_FY/EFGI_2014_Full_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 full-year 2014 results

EFG International will release the financial results for the full-year of 2014 on **Wednesday, February 25, 2015** at 7.00 am CET.

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 full-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 full-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, February 25, 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 13188 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 31 December 2014

(in CHF million unless otherwise stated)	**31 December 2014**	**31 December 2013**	Change vs. 31 December 2013
Clients Assets under management (AUM)	**85,108**	**76,854**	11%
AUM excluding shares of EFG International	**84,196**	**75,852**	11%
Assets under administration	**8,368**	**8,074**	4%
Number of Client Relationship Officers	**440**	**435**	1%
Number of Employees	**2,059**	**1,989**	4%

Consolidated Income Statement as at 31 December 2014

(in CHF millions)	**Year ended 31 December 2014**	Year ended 31 December 2013
Interest and discount income	458.3	417.2
Interest expense	(211.1)	(204.0)
Net interest income	**247.2**	**213.2**
Banking fee and commission income	477.7	429.3
Banking fee and commission expense	(96.4)	(86.0)
Net banking fee and commission income	**381.3**	**343.3**
Dividend income	1.1	3.5
Net trading income	69.8	74.5
Net (loss) / gain from financial instruments designated at fair value	(3.0)	7.8
Gains less losses on disposal of available for sale investment securities	18.2	10.6
Other operating income	2.0	13.1
Net other income	**88.1**	**109.5**
Operating income	**716.6**	**666.0**
Operating expenses	(575.0)	(547.2)
Other provisions	(64.1)	(33.7)
Reversal of impairment on financial assets held-to-maturity	2.5	
Reversal of impairment / (impairment) on loans and advances to customers	0.3	(1.4)
Gain on disposal of subsidiaries		0.5
Profit before tax	80.3	84.2
Income tax expense	(17.7)	(8.2)
Net profit for the year from continuing operations	62.6	76.0
Discontinued operations		
Profit for the year from discontinued operations		46.7
Profit for the year	**62.6**	**122.7**
Net profit for the year attributable to:		
Net profit attributable to owners of the Group	61.4	111.8
Net profit attributable to non-controlling interests	1.2	0.6
Net profit attributable to non-controlling interests from discontinued operations		10.3
	62.6	**122.7**

Financials (cont.)

Consolidated Balance Sheet as at 31 December 2014

(in CHF millions)	**31 December 2014**	**31 December 2013**	**Variation**
ASSETS			
Cash and balances with central banks	2,855.3	848.9	236%
Treasury bills and other eligible bills	626.0	631.2	-1%
Due from other banks	2,108.8	2,200.2	-4%
Loans and advances to customers	13,031.1	11,561.8	13%
Derivative financial instruments	569.5	560.4	2%
Financial assets at fair value :			
- Trading assets	105.6	113.3	-7%
- Designated at inception	329.7	349.8	-6%
Investment securities :			
- Available-for-sale	4,093.5	3,844.5	6%
- Held-to-maturity	1,159.1	1,107.1	5%
Intangible assets	274.9	266.9	3%
Property, plant and equipment	21.1	22.5	-6%
Deferred income tax assets	32.8	36.3	-10%
Other assets	136.7	155.7	-12%
	25,344.1	**21,698.6**	**17%**
LIABILITIES			
Due to other banks	466.0	290.1	61%
Due to customers	18,564.5	16,443.8	13%
Subordinated loans	246.3	245.1	0%
Derivative financial instruments	661.1	544.9	21%
Financial liabilities designated at fair value	369.2	310.7	19%
Other financial liabilities	3,030.7	2,421.5	25%
Debt issued	411.1		
Current income tax liabilities	6.0	5.0	20%
Deferred income tax liabilities	35.4	34.6	2%
Provisions	38.0	26.8	42%
Other liabilities	340.7	269.6	26%
	24,169.0	**20,592.1**	**17%**
EQUITY			
Share capital	75.5	74.0	2%
Share premium	1,243.8	1,238.4	0%
Other reserves	(72.5)	(49.1)	48%
Retained earnings	(90.5)	(161.6)	-44%
	1,156.3	1,101.7	5%
Non-controlling interests	18.8	4.8	292%
Total shareholders' equity	**1,175.1**	**1,106.5**	6%

Joachim H. Strähle

Date of birth: 20 November 1958

Married, 3 children

Educational History

1994	Executive Program for Overseas Bankers, Wharton School, University of Pennsylvania, Philadelphia, USA
1982 – 1985	School of Management (FH), Zurich
1975 – 1978	Initial banking training, Zurich

Career History

2006-2014	Chief Executive Officer and Chairman of the Executive Committee of J. Safra-Sarasin & Co. Ltd
2006	Regional Head Asia-Pacific, Middle East and Russia, Member of the Private Banking Management Committee, Credit Suisse, Zurich, Singapore and Hong Kong
2004 – 2006	Member of the Executive Board of Credit Suisse and Head of Private Banking International, Zurich and Singapore
2002 – 2004	Head of Private Banking International Credit Suisse (Asia-Pacific, Middle East, Americas, Eastern/Northern Europe), Zurich
2000 – 2002	Chief Executive Officer of Credit Suisse Trust Group, Zurich
1999 – 2000	Global Head Family Office Member of Operating Committee, Credit Suisse Trust, Zurich
1992 – 1999	Deputy Branch Manager, Bank Julius Baer, New York, USA Member of Management Committee and Head of Credit, Julius Baer Securities, New York, USA
1978 – 1992	Relationship Manager for Swiss multinationals, Credit Suisse, Zurich and New York, USA

23. February 2015