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Media Release

EFG International reports full-year 2017 results

Zurich, 28 February 2018

Solid underlying profitability for full-year 2017 on the back of positive business development trends and the successful completion of the BSI integration process

- **Underlying net profit of CHF 165.0 million and a resilient revenue margin maintained at 87 basis points**
- **IFRS net loss attributable to equity holders of CHF 59.8 million, primarily due to BSI integration costs and actions addressing certain legacy issues**
- **Achieved CHF 108 million in cumulative pre-tax cost synergies, exceeding target of CHF 50 million for 2017; well on track to achieve total cost synergies of approx. CHF 240 million targeted by end-2019; CHF 180 million of cumulative cost synergies expected to be achieved by mid-2018**
- **Positive underlying net new assets of CHF 2.3 billion in 2017; underlying net new assets growth rate of 3.6% for the last three quarters of the year, within the 3-6% target range, versus 1.6% for the full year; in 4Q17 EFG reported overall positive net new assets of CHF 0.6 billion with net inflows more than offsetting AuM attrition**
- **Assets under Management of CHF 142.0 billion at end-2017, reflecting a reclassification of CHF 4.6 billion into Assets under Custody, following a portfolio review, as well as foreign exchange and market impacts, in particular in the last two months of the year**
- **Deceleration of AuM attrition throughout 2017, with total AuM attrition of CHF 8.2 billion in 2017, in line with previous guidance**
- **Continued strong capital and liquidity position, with a Swiss GAAP Common Equity Ratio (CET1) of 17.7%, Total Capital Ratio of 21.5%, Leverage Ratio of 4.5% and Liquidity Coverage Ratio of 209%**
- **Proposed dividend of CHF 0.25 per share, unchanged from last year**
- **Continue to execute on 2016-2019 plan and confirm strategic targets: Annual net new asset growth of 3-6%, cost/income ratio below 70%, revenue margin minimum 85 basis points**

Giorgio Pradelli, CEO of EFG International: “2017 was a transformational year for EFG. We successfully completed the BSI integration with the final IT migration of the Swiss business in December, and made considerable progress in de-risking our business as well as addressing certain legacy issues. While this required substantial resources, we improved our underlying profitability in 2017 and saw positive trends in our business throughout the year. We are ahead of schedule in realising our cost synergies and we achieved CHF 108 million in cumulative synergies in 2017, far exceeding our CHF 50 million synergy target for the year. In addition, underlying net new assets were positive for the full year with an improving trend towards year-end, while AuM attrition continued to decelerate. Now we not only have the necessary scale and size but also the combined platform to drive our business forward and to further build on our enhanced service offering with an extensive range of investment, wealth and credit solutions. With our clear focus on the core private banking segment in mature and growth markets, our global investment solutions platform and local know-how, we are well positioned to advance our business, benefitting from EFG’s entrepreneurial approach and CRO model as key differentiating factors.”

Overview of 2017 key results

	2017	2016*
In CHF millions		
Underlying recurring net profit**	**165.0**	82.3
IFRS net profit/(loss) attributable to equity holders	**(59.8)**	225.3
Underlying operating income**	**1,202.3**	762.7
Underlying operating expenses**	**(1,033.2)**	(643.7)
In CHF billions		
Underlying net new assets***	**2.3**	(2.0)
AuM attrition	**(8.2)**	(3.4)
Revenue-generating Assets under Management****	**142.0**	139.9
Underlying Ratios		
Revenue margin (in bps)****	**87**	84
Cost/income ratio*	**85.9%**	83.8%
Client Relationship Officers (CROs)	**644**	697
Number of full-time employees (FTE)	**3,366**	3,572

* 2016: Including BSI results from November and December 2016 only
** Underlying – excluding impact of non-recurring items, integration costs, BSI related intangible amortisation and contribution of life insurance
***Excluding attrition
****AuM for 2016: Following reclassification of CHF 4.6 billion into Assets under Custody, effective 01 January 2017

2017 was a transformational year for EFG

As previously announced, EFG completed the integration of BSI by 11 December 2017, just over a year after the closing of the acquisition. This process included a total of six legal integrations and nine IT migrations as well as the global roll-out of the renewed EFG brand. Furthermore, EFG made considerable progress in de-risking the business and addressing certain legacy issues as well as implementing a unified risk and compliance framework across the combined bank. In line with EFG's transformational process, a number of important management changes took place during the past year. This included Joachim Straehle's decision to retire as CEO of EFG International as of year-end 2017, following the completion of the integration process, and the appointment of Giorgio Pradelli, former Deputy CEO and CFO, as the new CEO, effective 01 January 2018. Additional leadership changes throughout the year have further strengthened EFG International's Executive Committee to effectively capture future opportunities and realise strategic targets and growth potential.

EFG's results and balance sheet for the full year 2017 were subject to a number of one-off items, including amongst others the integration process and the early adoption of the IFRS 9 accounting standard. In view of these items for the 2017 financial year as well as the fact that the full-year 2016 results included only two months of BSI, following the closing of the acquisition in November 2016, the comparability of the two reporting periods is limited. As a result, comparisons against the previous year are sometimes made with reference to the combined results for 2016, which include the full 12 months of BSI.

Solid underlying profitability; exceeded targeted synergies

While the overall integration process absorbed substantial resources across the bank, EFG achieved solid underlying profitability and made significant progress in realising cost synergies. The Group posted underlying operating income of CHF 1,202.3 million for 2017, with underlying net commission and net interest income amounting to CHF 615.9 million and CHF 383.3 million, respectively. Underlying net other income was CHF 203.1 million. EFG maintained its underlying revenue margin for 2017 at 87 basis points (including the impact of the reclassification of CHF 4.6 billion of Assets under Management), compared to 84 basis points in 2016.

Underlying operating expenses totalled CHF 1,033.2 million for 2017. Throughout 2017, EFG made significant progress on realising synergies and reducing its cost base, posting a decrease in underlying operating expenses of 6% compared to 2016 and 18% compared to 2015 on a combined basis. Among other factors, this is due to a 6% reduction in the number of employees. At end-2017, the number of employees was at 3,366 (full-time equivalents), down 206 compared to the previous year, reflecting the accelerated realisation of our planned reduction of 100-150 FTEs per annum until end-2019. EFG's underlying cost/income ratio increased to 85.9% from 83.8% in 2016, mainly reflecting heightened IT costs due to the duplication of IT platforms prior to the completion of the data migration in December 2017.

In 2017, EFG achieved pre-tax cost synergies of CHF 108 million, exceeding its stated target of CHF 50 million for the year. For 2018, EFG expects to already achieve its cumulative cost synergy target of CHF 180 million for the full year by mid-2018. As previously announced, EFG is targeting total annual pre-tax cost synergies of approximately CHF 240 million to be fully realised in 2019. As of year-end 2017, EFG has incurred lower-than-expected integration costs of CHF 195.9 million since the beginning of the integration process. In 2017, pre-tax integration costs amounted to CHF 140.8 million, with the majority being incurred in the second half of the year due to the IT and data migration.

Underlying recurring net profit was CHF 165.0 million for 2017, versus CHF 82.3 million for 2016. This excludes the following non-recurring items in 2017:

- CHF 134.1 million of costs relating to the integration
- CHF 68.5 million negative impact from the life insurance portfolio, largely driven by the CHF 30.1 million impact from partially restructuring and reducing the exposure of its insurance portfolio
- CHF 6.4 million BSI intangible amortisation charge
- CHF 15.8 million of exceptional legal costs mainly relating to the previously disclosed legal proceedings relating to a client relationship with a Taiwanese insurance company

As a result, EFG reported an IFRS net loss attributable to equity holders of CHF 59.8 million in 2017, versus a net profit of CHF 225.3 million in 2016. This reflects the impact of integration costs and exceptional items on the 2017 results as well as a positive bargain gain on the 2016 results.

Positive trend in underlying net new assets and deceleration of AuM attrition

In CHF billions, unless otherwise stated	2017	2016
Underlying net new assets*, **	**2.3**	(2.0)
Underlying net new asset growth	**1.6%**	-2.4%
Asset under Management attrition**	**(8.2)**	(3.4)
Revenue-generating Assets under Management***	**142.0**	139.9

* Underlying – excluding impact of non-recurring items, integration costs, BSI related intangible amortisation and contribution of life insurance
** 2016: November-December only
***Following reclassification of CHF 4.6 billion into Assets under Custody in 2016 and 2017

Revenue-generating Assets under Management were CHF 142.0 billion at the end of 2017. This figure includes a reclassification of CHF 4.6 billion from Assets under Management to Assets under Custody, effective 01 January 2017. This reclassification relates to low single-digit basis point yielding assets, following the review of consolidated client data. Taking this reclassification into account, Assets under Management increased by 2% throughout the year from CHF 139.9 billion to CHF 142.0 billion. In addition, Assets under Management were adversely affected by foreign exchange and market movements during the last two months of the year.

Excluding AuM attrition, EFG experienced solid underlying net new asset growth of CHF 2.3 billion for the full-year 2017. From the second quarter onwards, underlying net new assets were continuously positive at an annualised growth rate of 3.6% for the last three quarters. In the fourth quarter of 2017, EFG reported positive net new assets of CHF 0.6 billion, even after accounting for attrition.

For the full year of 2017, AuM attrition amounted to CHF 8.2 billion, in line with the guidance of CHF 8-9 billion for 2017 announced at the 1H17 results presentation. AuM attrition decelerated significantly throughout the year, reflecting the gradual completion of the BSI integration by the end of 2017, and was mainly attributable to outflows from exit countries and the termination of relationships in line with the de-risking of the business. As of end-2017, total AuM attrition since the closing of the BSI acquisition in November 2016 was CHF 11.6 billion, in line with previous guidance. Going forward, EFG expects to see additional AuM attrition in the first half of 2018, following the continuous review and de-risking of the BSI portfolio. Overall, EFG expects cumulative attrition, since the closing of the acquisition, not to exceed the communicated range of 5-10% of combined Assets under Management as of closing.

CRO development

The number of Client Relationship Officers (CROs) declined from 697 at end-2016 to 644 at the end of 2017. This decrease reflects the progression and completion of the integration process as well as ongoing performance management efforts. As per end-2017, average Assets under Management per CRO (excluding CROs newly hired during the second half of 2017) stood at CHF 237 million, compared with CHF 212 million in 2016 and CHF 180 million in 2015, reflecting a further increase in productivity. During 2017, 58 new CROs were hired in key markets. Going forward, EFG will continue to focus on hiring high-quality CROs in selected markets, leveraging its enhanced market position and improved platform following the completion of the integration process.

Early adoption of IFRS 9 standard and update on life insurance portfolio

As previously indicated, EFG decided to adopt early the IFRS 9 accounting standard, effective 01 January 2017, without restating prior periods. As a result of implementing this new standard, the reclassification of certain assets as well as the introduction of expected credit losses (ECLs) impacts

EFG's balance sheet and profitability. EFG decided to already introduce this new accounting standard in 2017 rather than in 2018 to allow for better comparability of its results in the future.

In particular, the reclassification of certain assets from EFG's life insurance portfolio from the hold-to-maturity portfolio to the fair value portfolio under the new IFRS 9 standard adversely impacted shareholders' equity by CHF 338.0 million due to the first time adoption. The valuation of the life insurance portfolio at fair value significantly reduces uncertainty about EFG's balance sheet. In addition, this reclassification has no impact on EFG's regulatory capital as reported according to Swiss GAAP.

Furthermore, EFG materially reduced its insurance portfolio exposure by partially unwinding derivative transactions involving hedged physical policies, with an impact of CHF 30.1 million on 2017 profitability.

Overall and from 2017 onwards, the introduction of IFRS 9 may increase the volatility of EFG's profitability – primarily of the the non-underlying components – as more exposures are recognised at fair value through the profit and loss account.

In addition, the introduction of ECLs, as an alternative approach to estimating provisions, has an equity impact of CHF 140 million. The IFRS9 standard introduces the concept of lifetime losses for exposures with a significant increase in credit risk, which has the effect of accelerating provisioning. The impact of ECLs on EFG's private banking business is very limited and the bulk of ECLs is linked to legacy issues. These include lombard loans secured by life insurance policies and the legal proceedings related to a Taiwanese insurance company. For complex cases, such as the latter, the IFRS9 standard requires a scenario analysis of possible outcomes and a probability-weighted approach to estimating the ECL. As announced on 23 January 2018, an arbitration tribunal in Taiwan recently rendered an award requiring EFG to return a loan collateral of USD 193.8 million under Taiwanese law. Irrespective of any accounting provision, EFG fundamentally disagrees with the arbitration tribunal's reasoning and is vigorously challenging in court the validity of the award and any attempt to enforce it.

With regard to the previously announced claims filed in a US court against AXA, Transamerica and Lincoln to challenge the implementation of premium increases relating to policies in its life insurance portfolio, the carriers' motion to dismiss EFG's claims have all been rejected. All legal proceedings are ongoing.

Continued strong capital and liquidity position

	2017	2016
Capital position*		
Total capital ratio	**21.5%**	20.0%
CET1 capital ratio	**17.7%**	18.2%
Total regulatory capital	**2,330.3**	2,469.7
Return on shareholders' equity**	**10.6%**	7.7%
Return on tangible equity**	**12.1%**	9.1%

* Swiss GAAP Basel III, fully applied – including impact from agreement regarding final BSI purchase price announced 17 July 2017
** Underlying – excluding impact of non-recurring items, integration costs, BSI related intangible amortisation and contribution of life insurance

At the end of 2017, EFG's Swiss GAAP Common Equity Ratio (CET1) was 17.7%, compared to 18.2% at the end of 2016. Overall, the Total Capital Ratio increased to 21.5% compared to 20.0% at end-2016, reflecting amongst others the placement of USD 400 million of Tier 2 notes in 1Q17. Compared to the end of 2016, risk-weighted assets declined by 12% to CHF 10.8 billion at year-end 2017. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 209% and a Loan/Deposit Ratio of 52% at the end of 2017. EFG reported a leverage ratio (FINMA) of 4.5% at the end of 2017.

Ordinary dividend

The payment of a dividend of CHF 0.25 per share (free of withholding tax) will be proposed to the annual general shareholder meeting on 27 April 2018. This is unchanged from the dividend distributed in the previous year.

Outlook

In 2018, EFG will continue to deliver against the key pillars of its growth strategy. Following the completion of the BSI integration, EFG will focus on maintaining its momentum to drive profitable and sustainable growth in its key business regions whilst also achieving a lean and efficient cost base.

In particular, EFG aims to realise the current competitive strengths of its business in the core private banking segment and to strengthen its existing locations as part of its enhanced global network. EFG will focus on leveraging its combined size and improved market position to further grow its asset base and to continue selectively to hire high-quality CROs and teams in key markets. Simultaneously, EFG intends to further build on its enhanced platform and advance its service offering through its extensive range of investment, wealth and credit solutions.

Continue to execute on the 2016-2019 plan

EFG International confirms its previously communicated strategic targets for 2019:

- Net new assets: continually grow revenue-generating Assets under Management with a target annualised growth rate of 3% to 6% (excluding the effects of market and FX movements);
- Cost/income ratio: target a cost/income ratio of below 70% (excluding integration and restructuring costs relating to the acquisition);
- Revenue margin: achieve an annual revenue margin of at least 85 basis points.

Annual Report 2017

This media release and the results presentation are available at www.efginternational.com, and the complete Annual Report 2017 can be downloaded as a pdf under this link.

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About EFG International

EFG International is a global private banking group offering private banking and asset management services and is headquartered in Zurich. EFG International's group of private banking businesses operates in around 40 locations worldwide. Its registered shares (EFGN) are listed on the SIX Swiss Exchange.

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Important Disclaimer

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Nothing contained herein is, or shall be relied on as, a promise or representation concerning the future performance of EFG and its subsidiaries. EFG may not realize the full benefits of the integration of BSI, including the expected synergies, cost savings or growth opportunities within the anticipated time frame or at all.

Presentation of full-year 2017 results

Wednesday, 28 February 2018, 09.30 CET
Savoy Hotel, Poststrasse 12, 8001 Zurich

Giorgio Pradelli, Chief Executive Officer, and Dimitris Politis, Chief Financial Officer, will present and discuss EFG's full-year 2017 results at a meeting for analysts, investors and media representatives.

You can join the live presentation at the Savoy Hotel or alternatively follow it via telephone conference or live webcast.

Dial-in details

Switzerland: + 41 58 310 50 00
UK: + 44 207 107 0613
Reference: EFG International full-year 2017 results

Please dial in to the telephone conference before the start of the presentation and ask for 'EFG International full-year 2017 results'.

Webcast

A live webcast of the results presentation will be available online.

Presentation slides and media release:

The presentation slides and media release will be available from 07.00 CET on Wednesday, 28 February 2018, at: www.efginternational.com/Investor-presentations

The full 2017 Annual Report is available for download as PDF from 07.00 CET on Wednesday, 28 February 2018, under the following link: www.efginternational.com/Annual-report

Playback

A replay of the results webcast will be available online approximately three hours after the event.

A digital playback of the telephone conference will be available approximately one hour after the event for 48 hours under the following numbers:

Switzerland: + 41 91 612 4330
UK: + 44 207 108 6233
Conference ID: 11432 followed by the # sign.

Financials

Key figures as at 31 December 2017

in CHF millions	2017	2016
Client assets under management	**142,028**	144,514
Assets under adminstration	**12,319**	9,036
Number of Client Relationship Officers	**644**	697
Number of Employees (FTE's)	**3,366**	3,572

Consolidated Income Statement as at at 31 December 2017

	Year ended 31 December 2017 CHF millions	Restated Year ended 31 December 2016 CHF millions
Interest and discount income	608.6	437.2
Interest expense	(263.3)	(240.3)
Net interest income	**345.3**	196.9
Banking fee and commission income	758.8	479.6
Banking fee and commission expense	(141.5)	(84.2)
Net banking fee and commission income	**617.3**	395.4
Dividend income	3.6	1.9
Net trading income and foreign exchange gains less losses	209.0	128.2
Fair value gains less losses on financial instruments measured at fair value	(41.7)	(8.1)
Gains less losses on disposal of financial assets at fair value through other comprehensive income / available-for-sale investment securities	0.2	1.7
Other operating income	9.0	6.0
Net other income	**180.1**	129.7
Operating income	**1,142.7**	722.0
Operating expenses	(1,190.0)	(690.4)
Bargain gain on business acquisition (restated)		416.8
Impairment on goodwill and other intangibles		(199.5)
Other provisions	(3.5)	(20.3)
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income	(20.3)	(3.8)
(Loss) / Profit before tax	**(71.1)**	224.8
Income tax gain	13.6	3.2
Net (loss) / profit for the year	**(57.5)**	228.0
Net (loss) / profit for the year attributable to:		
Net (loss) / profit attributable to equity holders of the Group	(59.8)	225.3
Net profit attributable to non-controlling interests	2.3	2.7
	(57.5)	228.0

Consolidated Balance Sheet as at 31 December 2017

	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Assets		
Cash and balances with central banks	9,699.8	8,887.5
Treasury bills and other eligible bills	1,482.3	1,945.6
Due from other banks	2,576.0	2,923.8
Derivative financial instruments	696.1	831.2
Financial assets at fair value through P&L	2,191.7	1,190.3
Financial assets at fair value through other comprehensive income	5,210.6	
Financial assets:		
Available-for-sale		5,437.3
Held-to-maturity		1,198.3
Loans and advances to customers	18,951.3	18,878.3
Property, plant and equipment	255.0	253.7
Intangible assets	202.8	191.7
Deferred income tax assets	82.6	89.9
Other assets	264.5	358.6
Total assets	**41,612.7**	42,186.2
Liabilities		
Due to other banks	533.7	427.6
Due to customers	32,298.0	32,746.9
Derivative financial instruments	646.9	777.1
Financial liabilities designated at fair value	484.0	654.4
Financial liabilities at amortised cost	4,477.2	3,828.5
Debt issued		334.4
Current income tax liabilities	16.0	19.2
Deferred income tax liabilities	5.9	10.8
Provisions	198.9	199.3
Other liabilities	644.4	798.6
Subordinated loans	580.7	265.3
Total liabilities	**39,885.7**	40,062.1
Equity		
Share capital	145.1	143.9
Share premium	1,904.8	1,910.8
Other reserves	248.4	(115.3)
Retained earnings	(598.4)	130.9
Total shareholders' equity	**1,699.9**	2,070.3
Additional equity components		31.2
Non-controlling interests	27.1	22.6
Total equity	**1,727.0**	2,124.1
Total equity and liabilities	**41,612.7**	42,186.2