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Media Release

EFG increases profitability and raises dividend

Zurich, 13 March 2019

In 2018, EFG returned to net profit and raises dividend to CHF 0.30, as it emerges from BSI integration. In addition, EFG enlarges its presence in Asia Pacific with the acquisition of a majority stake in the Australian financial services provider Shaw and Partners, subject to regulatory approval. Looking ahead, EFG announces its 2022 strategic plan to deliver profitable growth with effective capital deployment.

- **Return to IFRS net profit attributable to equity holders of CHF 70.3 million from a loss of CHF 59.8 million in 2017; increase in underlying net profit of 16% to CHF 191.8 million**
- **Cost synergies at CHF 187 million, exceeding year-end target of CHF 180 million**
- **Underlying net new assets of CHF 2.5 billion, slightly up compared to the previous year; all regions within 3-6% growth target range, with the exception of Switzerland & Italy Region due to de-risking impact**
- **EFG enlarges its presence in Asia Pacific by acquiring a majority stake in the Australian financial service provider Shaw and Partners with Assets under Management of CHF 11.4 billion, subject to regulatory approval**
- **Assets under Management of CHF 131.2 billion at the end of 2018, mainly reflecting adverse market and FX effects; Assets under Management of CHF 135.4 billion as of 28 February 2019 and of CHF 146.4[1] billion on an adjusted basis including Shaw and Partners**
- **Continued strong capital position, with a Swiss GAAP CET1 ratio of 17.6%, Total Capital Ratio of 21.6%; underlying return on tangible shareholder's equity of 12.8%**
- **Increase in proposed dividend to CHF 0.30 per share, up 20% from CHF 0.25**
- **2019-2022 strategic plan focused on profitable growth and effective capital deployment with targeted initiatives to hire CRO teams across geographies, develop the Swiss onshore business, build a presence in Italy, Portugal and the Middle East**
- **2022 financial targets: Average net new asset growth of 4-6% over the period, revenue margin of at least 85 basis points, a cost/income ratio of 72-75% and return on tangible equity in excess of 15% by end-2022; going forward, EFG aims to return 50% of underlying profit to shareholders, while maintaining a minimum CET1 capital ratio of 14%**

Giorgio Pradelli, CEO of EFG International: "In 2018, we returned to net profit, exceeded our year-end target on synergies and further improved our already strong capital position, which allows us to propose a 20% increase in dividend. As we are emerging stronger from the integration, we are now shifting focus towards delivering profitable growth, while effectively deploying our capital to accelerate value creation and increase returns to shareholders."

He added: "As a first milestone in the implementation of our growth plan, we are very excited to announce the acquisition of a majority stake in Shaw and Partners that will considerably strengthen our market position in Asia Pacific and enable us to double our Assets under Management in the region by 2022."

1 Excluding CHF 0.4 billion of Assets under Management referred to EFG (balance eliminated to avoid double count)

Overview of 2018 key results

	2018	2017
In CHF millions		
Underlying net profit*	**191.8**	165.0
IFRS net profit/(loss) attributable to equity holders	**70.3**	(59.8)
Underlying operating income*	**1,165.1**	1,202.3
Underlying operating expenses*	**(966.4)**	(1,033.2)
In CHF billions		
Underlying net new assets**	**2.5**	2.3
AuM attrition	**(4.6)**	(8.2)
Revenue-generating Assets under Management	**131.2**	142.0
Underlying Ratios		
Revenue margin (in bps)	**84**	87
Cost/income ratio*	**82.9%**	85.9%
Client Relationship Officers (CROs)	**590**	644
Number of full-time employees (FTE) ***	**3,153**	3,366

* Underlying - Excluding impact of integration costs, BSI related intangibles amortisation, legacy legal costs and provisions and contribution of life insurance
** Excluding attrition
*** Excluding FTE's on notice period or in social plan (as of 31 December 2018)

2018: Optimising the business to capture future growth potential

Following the completion of the BSI integration by end-2017, in 2018 EFG continued to transform the bank building a stronger, more robust and sustainable business. Throughout the year, EFG not only maintained its cost-conscious approach in realising the targeted synergies but also further de-risked its portfolio, enhanced its compliance framework, further streamlined its IT systems and processes, and strengthened its management team and governance structure.

Return to net profit reflecting continued cost management

In 2018, EFG increased underlying profitability by 16% to CHF 191.8 million, primarily reflecting the realisation of targeted synergies and a lower underlying cost base. Underlying net profit also included an exceptional after-tax gain of CHF 18 million in the fourth quarter of 2018 from a valuation gain of the SIX participation, following a one-off gain at similar levels in 2017.

Underlying operating income was CHF 1,165.1 million, compared to CHF 1,202.3 million in 2017, reflecting a sharp decline in client activity during the second half of 2018 in light of investor uncertainty. Underlying net commission and net interest income were CHF 564.6 million and CHF 372.7 million, respectively. Underlying net other income was CHF 227.8 million. Affected by the lower client activity, EFG's underlying revenue margin decreased to 84 basis points for 2018.

EFG continued to make significant progress in realising cost synergies and reducing its cost base. Underlying operating expenses for 2018 were CHF 966.4 million, down 6% compared to 2017. By end-2018, EFG achieved cumulative pre-tax cost synergies of CHF 187 million, exceeding its pre-tax cost synergy target of CHF 180 million for end-2018. By end-2019, EFG targets cumulative pre-tax cost synergies of CHF 240 million. For 2018, EFG's underlying cost/income ratio improved to 82.9%, down 3.0 percentage points from 85.9% in 2017.

2018 also included a net release in provisions of CHF 15.8 million, primarily reflecting the release in the first half of the year, in line with what was previously reported in July 2018.

Pre-tax integration costs decreased significantly to CHF 75.3 million in 2018. Overall, as of year-end 2018, EFG reported integration costs of CHF 267.5 million for the full integration process, also reflecting the completion of the de-risking process. Given the conclusion of the BSI integration, EFG will no longer separately report integration costs relating to this.

EFG continued to deliver on its headcount reduction programme in line with the combination of the business, targeting between 100-150 reductions per annum. At the end of 2018, the number of employees was 3,153[2] (full-time equivalents), down from 3,366 at end-2017. This reflects an overall decrease of 420 since 2016, indicating that EFG is ahead in reaching its overall synergy target.

The underlying net profit for 2018 of CHF 191.8 million excludes the following items:

- CHF 75.3 million of costs relating to the integration
- CHF 26.9 million negative impact from the life insurance portfolio
- CHF 6.4 million BSI intangible amortisation charge
- CHF 12.9 million of legal costs and provisions relating to previously disclosed legacy matters

Including those items, EFG reported an IFRS net profit attributable to equity holders of CHF 70.3 million in 2018. This compares to a net loss of CHF 59.8 million in 2017.

With the integration and optimisation process completed, EFG's underlying performance will in future only exclude the impact of the life insurance portfolio, legal costs and provisions relating to previously disclosed legacy matters, and intangible amortisation.

Stable underlying net new assets

In CHF billions, unless otherwise stated	2018	2017
Underlying net new assets*	**2.5**	2.3
Underlying net new asset growth	**1.8%**	1.6%
Asset under Management attrition	**(4.6)**	(8.2)
Revenue-generating Assets under Management	**131.2**	142.0

* Excluding attrition

EFG saw a positive trend in overall net new asset development in 2018 compared to the previous year, as net asset outflows more than halved from CHF 5.8 billion in 2017 to CHF 2.1 billion in 2018. However, following a strong first half of the year – recording overall positive net new assets for the first time since the start of the integration process – the second half of 2018 saw a weaker performance. This was primarily due to significantly lower client activity during November and December as well as active exiting of remaining client relationships which were not in line with EFG's risk appetite.

Excluding AuM attrition, EFG reported underlying net new assets of CHF 2.5 billion for 2018, slightly up compared to the previous year, albeit below EFG's target range of 3-6%. All regions achieved underlying growth above 3% – with the exception of the Switzerland & Italy Region.

2 Excluding FTE's on notice period or in social plan (as of 31 December 2018)

Overall AuM attrition levels reduced considerably from CHF 8.2 billion in 2017 to CHF 4.6 billion in 2018. As of end-2018, total AuM attrition since the closing of the BSI acquisition in November 2016 stood at CHF 16.2 billion. While cumulative AuM attrition levels of 10.9% slightly exceeded the initial outflow guidance of 5-10% of the total Assets under Management as of the closing of the acquisition, more than half resulted from active de-risking of the business.

The development of revenue-generating Assets under Management during the year largely mirrored the challenges in the operating environment. While Assets under Management were largely stable at CHF 140 billion until the end of October 2018, they decreased to CHF 131.2 billion by the end of 2018. This decrease from CHF 142.0 billion at end-2017 reflected adverse market effects of CHF 5.9 billion and foreign exchange impacts of CHF 1.9 billion, as well as additional forced AuM attrition of CHF 4.6 billion, partly offset by underlying net new assets of CHF 2.5 billion. By the end of February 2019, Assets under Management were CHF 135.4 billion. On an adjusted basis, including Shaw and Partners, Assets under Management were at CHF 146.4 billion[3] as of 28 February 2019.

As of end-2018, EFG is discontinuing the concept of AuM attrition, which was used during the integration process to give investors a clearer view of the bank's underlying performance. Going forward, EFG will only report net new assets as a total figure.

CRO development reflecting completion of integration process

As part of the continued optimisation process in 2018, the number of Client Relationship Officers (CROs) decreased from 644 at end-2017 to 590 at the end of 2018, mostly reflecting the completion of the integration process and ongoing performance management efforts. In 2018, 39 new CROs were hired. Going forward, EFG will leverage on its improved platform – both in terms of geographical footprint and products and services – to attract experienced CRO teams in line with EFG's growth strategy. By the end of February 2019, EFG has already signed or approved over 50 new hires.

Update on life insurance portfolio

Following the adoption of the IFRS9 reporting standard as of 01 January 2018, volatility effects of the life insurance portfolio on the IFRS net profit has increased, given that the portfolio's exposures are being recognised at fair value through profit and loss. In the second half of 2018, EFG's life insurance portfolio positively impacted the Group's IFRS profitability by CHF 9.5 million, partly offsetting the negative impact of CHF 36.4 million during the first six months of 2018. Of the overall negative impact of CHF 26.9 million in 2018, CHF 13.9 million were due to interest rate effects and CHF 13.0 million of fair value impact. The overall impact was significantly lower in 2018 compared to the negative effect of CHF 68.5 million in the previous year, reflecting the measures EFG has taken in 2017 to decrease the exposure from its insurance portfolio.

3 Excluding CHF 0.4 billion of Assets under Management referred to EFG (balance eliminated to avoid double count)

Further improved already strong capital position

	2018	2017
Capital position*		
Total capital ratio	**21.6%**	21.5%
CET1 capital ratio	**17.6%**	17.3%
Total regulatory capital	**2,181.4**	2,288.7
Return on shareholders' equity**	**11.3%**	10.6%
Return on tangible equity**	**12.8%**	12.1%

* Swiss GAAP Basel III, fully applied – including impact from agreement regarding final BSI purchase price announced 17 July 2017
** Underlying - Excluding impact of integration costs, BSI related intangibles amortisation, legacy legal costs and provisions and contribution of life insurance

At the end of 2018, EFG's Swiss GAAP Common Equity Ratio (CET1) was 17.6%, up from 17.3% at end-2017. Overall, the Total Capital Ratio improved to 21.6% compared to 21.0% at end-2017, primarily reflecting a 7% reduction in risk-weighted assets to CHF 10.1 billion at end-2018. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 163% and a Loan/Deposit Ratio of 53% at the end of 2018.

As announced in April 2018 and in light of its strong capital position, EFG launched a share buyback programme on 27 July 2018. As part of this programme, EFG had repurchased by year end 2018 4,362,873 of a maximum of 6,000,000 ordinary shares from the market for a total amount of CHF 30.1 million. The repurchased shares are used to fund EFG's restricted stock units for employee incentive plans in order to prevent further shareholder dilution.

Proposing to raise ordinary dividend

EFG will propose an increased ordinary dividend of CHF 0.30 per share (exempt from Swiss withholding tax) to the Annual General Meeting of 26 April 2019. This reflects an increase of 20% compared to the previous years.

EFG expands its presence in Asia Pacific by acquiring majority stake in Shaw and Partners

As announced separately today and in line with its long-term growth strategy to expand its presence in target markets, EFG will acquire a majority stake in the Australian financial services provider Shaw and Partners with Assets under Management of CHF 11.4 billion, subject to regulatory approval. This partnership and the combined growth potential should enable EFG's Asia Pacific Region to approximately double in size by 2022.

Upon closing, EFG will gain immediate access to the Australian market and can further enlarge its coverage in the Asia Pacific region and strengthen its presence in the Chinese HNWI market. In addition, Shaw and Partners' clients can benefit from EFG's comprehensive product and service offering, while the Australian corporate and pension managed funds industry offers significant penetration potential for EFG's acclaimed New Capital funds.

See the full media release on the acquisition of Shaw and Partners.

Outlook & 2019-2022 strategic plan

Following the completion of the BSI integration, EFG has emerged stronger. It has a distinctive business model, building on its pure-play private banking value proposition with a global presence, a differentiated client approach based on its CRO model and a comprehensive product and service offering.

As part of its 2019-22 strategic plan, EFG is focusing on profitable growth coupled with effective capital deployment. In line with this, EFG is launching targeted regional initiatives in selected markets, with a particular focus on returning its Swiss business to growth. In addition, EFG plans to broaden its presence in selected markets by building its Italian branch, setting up a presence in Portugal, expanding its business in the Middle East and growing its market in Brazil building on the BTG partnership. Furthermore, EFG wants to drive organic growth by hiring experienced CRO teams, increasing the efficiency of current teams and developing a stronger performance culture based on its vast Investment Solutions expertise. Based on its solid capital position and its projected profitable growth, EFG will also have additional optionality to consider selected add-on acquisitions to further increase its critical mass in existing markets or strengthen its position in markets with superior growth potential. At the same time, EFG will continue to focus on maintaining a lean and flexible cost base.

Update on financial targets

Since the acquisition of BSI in 2016, EFG delivered on the integration and on cost synergies, while it further bolstered its strong capital position and enhanced its management team and structure. In 2018, four out of five business regions achieved underlying net new asset growth within the 3-6% target range. However, primarily due to higher than anticipated AuM attrition and the bank's considerable focus on optimisation and de-risking, overall growth rates have been lower than projected. Reflecting its current Assets under Management and revenue base, EFG is thus updating its financial targets for 2019 to 2022:

- Average net new asset growth of 4-6% over the period (previous target: 3-6% in 2019)
- Achieve a revenue margin of at least 85 basis points (target unchanged)
- Achieve a cost/income ratio of 72-75% (previous target: below 70%) by end-2022
- Achieve return on tangible equity in excess of 15% (new target)

In line with its long-term strategy of effectively deploying capital, EFG aims to return 50% of underlying profit to shareholders as dividend payments, while maintaining a minimum CET1 capital ratio of 14%.

As part of its strategic growth plan and in line with industry standards, EFG will propose the implementation of a new long-term incentive plan to the Annual General Meeting on 26 April 2019. This plan further aligns the interests of EFG's senior managers with those of the shareholders, tying senior management's remuneration to the successful realisation of EFG's financial targets.

Changes to the Board of Directors

At this year's Annual General Meeting, which will take place on 26 April 2019, the following three members of EFG's Board of Directors will not stand for re-election: Michael Higgin, Daniel Zuberbühler, and Fong Seng Tee.

Michael Higgin joined EFG's Board of Directors in 2012. Since 2015 he held the role of Chair of the Audit Committee, in which Stuart Robertson, member of the Board of Directors since 2018, will succeed him. Daniel Zuberbühler became a member of the Board in 2014 and served ad interim as Chair of the Risk Committee from April 2015 to April 2016, at which time he was succeeded by Susanne Brandenberger in this role. Fong Seng Tee joined EFG's Board of Directors in 2018 and also served as Chair of the Asia Advisory Board. He is stepping down in order to pursue other business opportunities. A search is underway for his successor. EFG's Board of Directors would like to thank Michael Higgin, Daniel Zuberbühler and Fong Seng Tee for their exemplary and dedicated service.

All other members of the Board of Directors will stand for re-election for another one-year term of office. Also, John A. Williamson will stand for re-election as Chair of the Board of Directors for a term of one year.

Review of BTG Pactual escrow account

On 31 October 2016, BTG Pactual had transferred 51 million ordinary EFG International shares into a Swiss escrow account as security for potential indemnification claims by the EFG International Group in relation to the acquisition of BSI. As envisaged in the sales and purchase agreement, the number of shares held in escrow was reviewed after the second anniversary of the closing. At such review, the parties agreed, subject to documentation, to reduce the shares held in escrow to 38 million EFG International shares. The next review date falls in Q2 2020.

2018 Annual Report and additional material

This media release, the results and investor update presentations as well as the full annual report are available at www.efginternational.com and can be directly accessed and downloaded as a PDF using the below links:

- 2018 Annual Report
- Full-year 2018 financial results presentation
- 2019 investor update presentation

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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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This release contains specific forward-looking statements that include terms like "believe", "assume", "expect", "target" or similar expressions. Such forward-looking statements represent EFG's judgments and expectations and are subject to known and unknown risks, uncertainties and other factors that may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) the ability to successfully realize the synergies expected from the integration of BSI SA ("BSI"), (2) general market, macroeconomic, governmental and regulatory trends, (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, and (5) other risks and uncertainties inherent in the business of EFG and its subsidiaries, including BSI legacy risks. EFG 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, except as required by applicable law or regulation.

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 2018 results and investor update 2019

Wednesday, 13 March 2019, 09.00 CET
SIX Convention Point, Pfingstweidstrasse 110, 8005 Zurich

EFG's full-year 2018 results will be presented by Giorgio Pradelli, Chief Executive Officer, and Dimitris Politis, Chief Financial Officer. The full-year results presentation will be followed by the investor update presentations giving an outlook on EFG's 2019-2022 strategic plan.

You can join the live presentation at the SIX Convention Point 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 2018 results & investor update

If you want to participate in the Q&A section, please use the above dial-in details.
Please dial in to the telephone conference before the start of the presentation and ask for 'EFG International 2018 results'.

Webcast

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

Presentation slides and media release:

The full-year 2018 financial results presentation slides, investor update presentation slides and media release will be available from 07.00 CET on Wednesday, 13 March 2019, at:
www.efginternational.com/Investor-presentations

The full 2018 Annual Report is available for download as PDF from 07.00 CET on Wednesday, 13 March 2019, 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.

Financials

Key figures as at 31 December 2018 (unaudited)

in CHF millions	31 December 2018	31 December 2017	Changes vs 31 December 2017
Client assets under management (AUM)	**131,229**	142,028	-7.6%
Assets under adminstration (AUA)	**18,479**	12,319	50.0%
Number of Client Relationship Officers	**590**	644	(54)
Number of Employees (FTE's) *	**3,153**	3,366	(213)

Consolidated Income Statement for the year ended 31 December 2018 (unaudited)

	31 December 2018	31 December 2017	Changes vs 2017
Interest and discount income	648.3	562.7	85.6
Interest expense	(287.0)	(217.4)	(69.6)
Net interest income	**361.3**	345.3	16.0
Banking fee and commission income	681.8	758.8	(77.0)
Banking fee and commission expense	(117.2)	(141.5)	24.3
Net banking fee and commission income	**564.6**	617.3	(52.7)
Dividend income	5.1	3.6	1.5
Net trading income and foreign exchange gains less losses	165.7	209.0	(43.3)
Fair value gains less losses from financial instruments measured at fair value	24.5	(41.7)	66.2
Gains less losses on disposal of financial assets at fair value through other comprehensive income	2.0	0.2	1.8
Other operating income	22.4	9.0	13.4
Net other income	**219.7**	180.1	39.6
Operating income	**1,145.6**	1,142.7	2.9
Operating expenses	(1,064.3)	(1,190.0)	125.7
Provisions	15.8	(3.5)	19.3
Loss allowance expense	(16.9)	(20.3)	3.4
Profit / (loss) before tax	**80.2**	(71.1)	151.3
Income tax (expense) / gain	(7.1)	13.6	(20.7)
Net profit / (loss) for the period	**73.1**	(57.5)	130.6
Net profit / (loss) for the period attributable to:			
Net profit attributable to equity holders of the Group	70.3	(59.8)	130.1
Net profit attributable to non-controlling interests	2.8	2.3	0.5
	73.1	(57.5)	130.6

Consolidated Balance Sheet as at 31 December 2018

	31 December 2018 CHF millions	31 December 2017 CHF millions	Variation %
Assets			
Cash and balances with central banks	7,141.9	9,699.8	-26%
Treasury bills and other eligible bills	1,199.1	1,482.3	-19%
Due from other banks	3,205.6	2,576.0	24%
Derivative financial instruments	1,219.6	696.1	75%
Financial assets at fair value through P&L	2,040.9	2,191.7	-7%
Financial assets at fair value through other comprehensive income	5,806.1	5,210.6	11%
Loans and advances to customers	18,809.5	18,951.3	-1%
Property, plant and equipment	202.1	255.0	-21%
Intangible assets	200.6	202.8	-1%
Deferred income tax assets	117.5	82.6	42%
Other assets	217.6	264.5	-18%
Total assets	**40,160.5**	41,612.7	-3%
Liabilities			
Due to other banks	302.8	533.7	-43%
Due to customers	30,065.5	32,298.0	-7%
Derivative financial instruments	1,213.9	646.9	88%
Financial liabilities designated at fair value	584.2	484.0	21%
Financial liabilities at amortised cost	5,204.8	4,477.2	16%
Current income tax liabilities	12.5	16.0	-22%
Deferred income tax liabilities	19.7	5.9	234%
Provisions	135.6	198.9	-32%
Other liabilities	568.8	644.4	-12%
Subordinated loans	396.6	580.7	-32%
Total liabilities	**38,504.4**	39,885.7	-3%
Equity			
Share capital	145.1	145.1	0%
Share premium	1,876.8	1,904.8	-1%
Other reserves	206.4	248.4	-17%
Retained earnings	(600.6)	(598.4)	0%
Total shareholders'equity	**1,627.7**	1,699.9	-4%
Non-controlling interests	28.4	27.1	5%
Total equity	**1,656.1**	1,727.0	-4%
Total equity and liabilities	**40,160.5**	41,612.7	-3%

***Excluding FTE's on notice period or in social plan (as of 31 December 2018)**