EFG International reports full year 2015 results

Zurich, 22 February 2016.

- Strong rebound in net new asset generation in second half equivalent to growth of 7% on annualised basis – equalling best half-year since 2011 business review. Dynamic second half performances from Continental Europe (double-digit growth) and Switzerland (growth near top of target range); Asia returned to growth within range. The UK achieved steady annual growth within range.

- Net new assets for the year were CHF 2.4 billion (annual growth of 3%). Revenue-generating Assets under Management increased by 3% on a constant currency basis to CHF 83.3 billion.

- Core private banking revenues were stable year-on-year, and grew by 3% in the second half. Overall performance constrained by market environment. Operating income was down 3% to CHF 696.7 million due to significant reduction in revenues from the life insurance portfolio. The revenue margin was 85 bps, compared with 89 bps a year earlier but above minimum target of 84 bps. Combined with significant investments in growth, including CROs as well as compliance and risk functions, the cost-income ratio was 86.1%.

- Reported profit impacted by exceptional legal and professional charges and provisions, including a payment of USD 29.9 million in formal resolution of the US Tax Programme. IFRS net profit was CHF 57.1 million, compared with CHF 61.4 million a year earlier. Underlying recurring net profit was CHF 91.1 million, compared with CHF 131.0 million.

- The Basel III BIS-EU Capital Ratio was 16.8%; Common Equity Ratio (CET1) was 12.8%.

- Implementation of wide range of growth initiatives, including major investment in CRO hiring. Number of CROs grew by 5% to 462 at end-2015. Good momentum in second half (66 hires) and strong pipeline.

- Focus on execution of cost reduction programme, targeting reduction of circa 5%, or CHF 30 million, by end-2016.

- Proposal of dividend of CHF 0.25 per share, unchanged from last year.

- Planned combination of the business with BSI a transformational step to create a leading Swiss private bank with approximately CHF 170 billion in combined assets under management and 860 CROs. See separate announcement also issued today.

Joachim H. Straehle, Chief Executive Officer, EFG International:

- "EFG International is a private bank with significant competitive strengths, but these were not reflected in our performance this year. Economic and market uncertainty played a part, particularly in relation to emerging markets, but I have no doubt that our business can and will do better. Pleasingly, our core private banking business remained stable and grew revenues in the second half. We showed that our growth credentials remain intact, with a strong rebound in net new assets in the second half and good performances from most regions. We also made significant investments in growth, with a major CRO hiring programme taking advantage of EFG's appeal among senior individuals and teams. At the same time, leadership is focused on the critical importance of executing EFG's cost reduction programme, equipping the business for the next stage of its development. This next stage is being shaped by plans to combine with BSI, announced today, creating a leading Swiss private bank with global reach. This is a truly transformational step, offering excellent growth opportunities and synergy potential. For shareholders, employees and clients alike, the future is exciting."

Overview of key results	2015	Change vs. 2014
Underlying recurring net profit*	CHF 91.1 m	down 30%
IFRS net profit	CHF 57.1 m	down 7%
Operating income	CHF 696.7 m	down 3%
Operating expenses	CHF 604.3 m	up 5%
Cost-income ratio	86.1%	up from 79.8%
Revenue-generating AuM	CHF 83.3 bn	down from CHF 84.2 bn
Net new assets	CHF 2.4 bn	down from CHF 4.4 bn
Revenue margin (% of AuM)	85 bps	down from 89 bps
BIS capital ratio (Basel III)**	16.8%	down from 18.7%
CET 1 capital ratio (Basel III)	12.8%	down from 14.2%
Client Relationship Officers (CROs)	462	up from 440
Total headcount	2,169	up from 2,059

** Excluding impact of non-recurring items*
*** BIS-EU*

Revenues stable in relation to core private banking business. Overall performance constrained by market environment and significant reduction in revenues from life insurance portfolio. Profit impacted by investments in growth and exceptional legal and professional charges and provisions

Performance in 2015 was constrained by a range of external factors, including economic and market uncertainty, negative currency effects and the continued low interest rate environment. Client activity levels were subdued, notably in emerging markets including Asia and Latin America, and lending volumes were impacted by the decision to exit certain non-strategic lending business.

Operating income and the revenue margin therefore remained below expectations, as indicated in the business update of 23 November 2015. During 2015, operating income was CHF 696.7 million, compared to CHF 716.6 million a year earlier. External factors had a significant impact on revenues derived from the life insurance portfolio, with a year-on-year net reduction of CHF (22.7) million. The underlying private banking business remained stable: core operating income was flat at CHF 640.7 million and grew by 3% in the second half. The revenue margin was 85 bps, compared with 89 bps a year earlier but above EFG International's minimum of 84 bps.

Reported profit was impacted by exceptional legal and professional charges and provisions, including in relation to the US Tax Programme, which were concentrated in the second half. This resulted in an IFRS net profit of CHF 57.1 million, compared with CHF 61.4 million for the same period last year. Underlying recurring net profit was CHF 91.1 million, compared with CHF 131.0 million a year earlier, after excluding the following non-recurring items:

- CHF 21.4 million in relation to the US Tax Programme. In December, EFG International reached a formal resolution with the US Department of Justice in connection with its participation in Category 2 of the US Tax Programme, agreeing a one-time payment of USD 29.9 million.

- CHF 6.8 million in net exceptional legal and professional charges relating to previously disclosed and other matters.

- CHF 3.6 million in relation to CRO acquisition costs.

- CHF 2.2 million in restructuring costs relating to the cost reduction programme.

Excluding the decreased contribution from the life insurance portfolio, underlying recurring net profit increased by 6% in the second half compared to the first.

Operating expenses increased 5% year-on-year to CHF 604.3 million. This was driven by a major CRO hiring programme – excluding the cost of new CRO hiring in 2015, the increase was limited to 3%. Additional investments in growth were made in relation to compliance and risk functions, the investment and wealth solutions platform, new offices in Cyprus and Chile, and upgrading to a banking license in Spain. Constraints on performance combined with investments in growth resulted in an increase in the cost-income ratio to 86.1% (2014: 79.8%). This is above EFG International's target ceiling of 75% and is being addressed by the cost reduction programme, as described below.

Revenue-generating Assets under Management were CHF 83.3 billion, down from CHF 84.2 billion at end-2014, but up from CHF 80.2 billion at the end of the first half. Excluding FX effects of CHF (3.4) billion, revenue-generating Assets under Management rose by 3% year-on-year. Market effects were CHF 0.1 billion and net new assets were CHF 2.4 billion. Despite negative currency effects, average revenue-generating Assets under Management increased by approximately 2% year-on-year to CHF 81.7 billion.

On a Basel III (fully applied) basis, EFG International's BIS-EU Capital Ratio stood at 16.8% compared to 18.7% a year earlier. This was driven by one-off impacts of higher risk-weighted assets due to regulatory changes (130bps), as well as the US Tax Programme / other legal and litigation costs (50bps), offsetting underlying capital generation of 190 bps. The Common Equity Ratio (CET1) stood at 12.8%, versus 14.2% at the end of 2014. EFG International maintains a strong and liquid balance sheet, with a liquidity coverage ratio of 224% and a loan/deposit ratio of 52%.

Positive net new asset growth; strong rebound in second half

Net new assets were CHF 2.4 billion (annual growth of 3%), compared with CHF 4.4 billion a year earlier. There was a strong rebound of CHF 2.7 billion in net new asset generation in the second half, equivalent to growth of 7% on an annualised basis, well within EFG International's target range of 5-10%. This represented the best half-year performance in net new assets (equalling the first half of 2014) since EFG International's business review in 2011.

Continental Europe delivered net new asset growth of 14%, with good performances from all countries and particularly strong growth in the second half. Switzerland continued its turnaround in the second half, with growth equivalent to 9% on an annualised basis. The UK achieved steady growth during the year of 5%. Asia experienced net outflows in 2015, partly as a result of the decision to exit certain non-strategic lending business. However, it recovered strongly in the second half with annualised growth of 5%. The Americas saw net outflows, reflecting negative market developments in Latin America.

A significant investment in hiring CROs, with a strong pipeline

The number of CROs stood at 462 at end-2015, up 5% from 440 a year earlier. This was the result of a major hiring programme, with the emphasis on senior individuals and teams. 102 CROs were recruited (66 in the second half), of which nearly a third are already profitable. This was offset by 80 CRO departures, the majority (51 established CROs and 19 hired since 2014) relating to more robust performance management or rationalisation. This figure also included 10 CROs in Luxembourg who decided to start their own business, collaborating closely with EFG Bank (Luxembourg). Consequently, average AUM per CRO (excluding those hired in 2015) increased to CHF 217 million in 2015, up from CHF 191 million a year earlier. The pipeline is strong, with a number of individuals already contracted to join in 2016.

Sources of uncertainty successfully removed, equipping business for next phase of development

As mentioned, formal resolution has been reached in relation to the US Tax Programme. EFG International believes the agreement reached is positive for the business and has removed a major source of uncertainty.

In relation to life insurance, a re-underwriting project announced at the half-year has been completed. At end-2015, the fair value of the held-to-maturity portfolio was CHF 566.4 million - as indicated in the business update of 23 November, this was up from CHF 507.8 million at end-June. The carrying value at end-2015 was CHF 815.7 million, with the difference of CHF 249.3 million down slightly compared to CHF 260.6 million at end-June 2015. As previously announced, income recognition will be lower going forward.

Strong focus on execution of cost reduction programme

EFG International recognises that it is imperative to reset its cost base. As described in the business update of 23 November, it has instigated a cost reduction programme targeting a reduction of circa 5%, or CHF 30 million, to be realised in full by the end of 2016. Associated one-off restructuring charges will be up to 50% of this amount. Measures identified include efficiency improvements and a reduction of 200 jobs. Solid progress has been made across a range of measures. As mentioned, under-performing CROs have been addressed, and a greater emphasis on team-working continues to improve the ratio of support staff to CROs. General cost reductions are being identified across central functions and regional businesses.

Committed to delivering growth from existing businesses and new initiatives

EFG International has a strong emphasis on execution in relation to its growth drivers. As described above, it continues to hire high quality CROs. It is also increasing the net new asset contribution of existing CROs through a range of initiatives including the provision of enhanced practical support; more active performance management; and further leveraging its investment and wealth solutions platform. EFG International continues to lend as part of an all-round private banking relationship, and during the year higher spreads achieved through repricing more than offset the decline in volume following a one-off adjustment to the portfolio.

CEE capabilities were upgraded comprehensively during the year, with senior appointments in Switzerland and the UK including a highly experienced Global Market Coordinator for CEE and Russia. The new advisory branch in Cyprus is operational and performing in line with expectations; along with Athens it reached break-even during the year. In relation to the new business in Chile, a high quality leadership team was appointed with a proven track record in the local market.

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 29 April 2016. This is unchanged from the dividend paid last year.

Annual Report 2015

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

A copy of the Annual Report 2015 can be downloaded here:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/financial_reporting/2015_FY/EFGI_2015_Full_Year_Report_EN.pdf

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Practitioners of the craft of private banking

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Financials

Key figures as at 31 December 2015

(in CHF million unless otherwise stated)	**31 December 2015**	**31 December 2014**	Change vs. 31 December 2014
Clients Assets under management (AUM)	**84,133**	85,108	-1%
AUM excluding shares of EFG International	**83,304**	84,196	-1%
Assets under administration	**9,605**	8,368	15%
Number of Client Relationship Officers	**462**	440	5%
Number of Employees	**2,169**	2,059	5%

Consolidated Income Statement as at 31 December 2015

(in CHF millions)	**Year ended 31 December 2015**	**Year ended 31 December 2014**
Interest and discount income	413.6	458.3
Interest expense	(213.0)	(211.1)
Net interest income	**200.6**	**247.2**
Banking fee and commission income	452.2	477.7
Banking fee and commission expense	(76.9)	(96.4)
Net banking fee and commission income	**375.3**	**381.3**
Dividend income	6.5	1.1
Net trading income and foreign exchange gains less losses	104.3	69.8
Net loss from financial instruments measured at fair value	(6.4)	(3.0)
Gains less losses on disposal of available-for-sale investment securities	14.2	18.2
Other operating income	2.2	2.0
Net other income	**120.8**	**88.1**
Operating income	**696.7**	**716.6**
Operating expenses	(604.3)	(575.0)
Other provisions	(20.0)	(64.1)
Reversal of impairment on loans and advances to customers	0.1	0.3
Reversal of impairment on financial assets held-to-maturity		2.5
Profit before tax	72.5	80.3
Income tax expense	(13.1)	(17.7)
Net profit for the year	**59.4**	**62.6**
Net profit for the year attributable to:		
Net profit attributable to equity holders of the Group	57.1	61.4
Net profit attributable to non-controlling interests	2.3	1.2
	59.4	**62.6**

Financials (cont.)

Consolidated Balance Sheet as at 31 December 2015

(in CHF millions)	**31 December 2015**	**31 December 2014**	**Variation**
ASSETS			
Cash and balances with central banks	4,862.0	2,855.3	70%
Treasury bills and other eligible bills	757.1	626.0	21%
Due from other banks	2,168.5	2,108.8	3%
Loans and advances to customers	12,061.6	13,031.1	-7%
Derivative financial instruments	735.4	569.5	29%
Financial assets at fair value :			
- Trading assets	58.6	105.6	-45%
- Designated at inception	305.0	329.7	-7%
Investment securities :			
- Available-for-sale	4,243.8	4,093.5	4%
- Held-to-maturity	1,162.2	1,159.1	0%
Intangible assets	271.7	274.9	-1%
Property, plant and equipment	21.6	21.1	2%
Deferred income tax assets	35.0	32.8	7%
Other assets	113.9	136.7	-17%
	26,796.4	**25,344.1**	**6%**
LIABILITIES			
Due to other banks	503.2	466.0	8%
Due to customers	19,863.5	18,564.5	7%
Subordinated loans	242.8	246.3	-1%
Debt issued	392.0	411.1	-5%
Derivative financial instruments	714.1	661.1	8%
Financial liabilities designated at fair value	353.1	369.2	-4%
Other financial liabilities	3,237.9	3,030.7	7%
Current income tax liabilities	4.9	6.0	-18%
Deferred income tax liabilities	35.1	35.4	-1%
Provisions	7.7	38.0	-80%
Other liabilities	313.1	340.7	-8%
	25,667.4	**24,169.0**	**6%**
EQUITY			
Share capital	76.1	75.5	1%
Share premium	1,245.9	1,243.8	0%
Other reserves	(153.4)	(72.5)	112%
Retained earnings	(59.1)	(90.5)	-35%
	1,109.5	1,156.3	-4%
Non-controlling interests	19.5	18.8	4%
Total equity	**1,129.0**	**1,175.1**	-4%