EFG International reports full year 2011 results

Zurich, 29 February 2012 **- One-off restructuring charges and provisions, as well as the impairment of goodwill relating mainly to businesses being exited as part of its business review, resulted in an IFRS net loss for 2011 (as previously indicated in October) of CHF 294.1 million. Underlying net profit before these exceptional charges was CHF 83.5 million, compared with a baseline of CHF 110.0 million as communicated in October. Revenue-generating Assets under Management were CHF 78.4 billion at end-December 2011, down from CHF 84.8 billion a year earlier. Net new assets were CHF 0.6 billion for continuing businesses, but CHF (1.2) billion taking into account outflows in businesses being exited. The number of Client Relationship Officers (CROs) stood at 567 at end 2011, down from 675 a year earlier. The BIS capital ratio stood at 12.9%. Strong progress has been made in resetting the business, which will deliver a net financial benefit of CHF 35 million, to be realised in part in 2012 and in full from 2013. The focus is now firmly on delivering controlled, profitable growth in the core private banking business. EFG International remains committed to delivering net new assets in the range 5-10%; a reduced cost-income ratio (to below 75% in the next three years); and an annual IFRS net profit of CHF 200 million within three years.**

Last year was another challenging year, particularly during the second half. As a consequence, performance during the final quarter (normally the strongest for EFG International) was constrained by continuing economic uncertainty and its impact on client confidence. EFG International's focus during the second half was on a detailed review of its business, with actions designed to reset the business and position it to deliver disciplined, profitable growth in future.

John Williamson, Chief Executive Officer, EFG International:

"EFG International's underlying performance during 2011 was disappointing, highlighting the importance of our detailed business review. We have taken numerous steps to reset the business, including reducing the number of locations from 50 to 32. We have also moved quickly, so as to ensure that our focus in 2012 is on driving the business forward. The devotion of time and resources impacted growth during the second half, but good progress has been made in sharpening focus and reducing costs. I believe strongly that EFG International has manifold strengths as a pure-play private bank; is well positioned in a changing private banking market; and benefits from high quality and loyal CROs. Now the focus is on demonstrating that we can convert these strengths into a level of profitability that adequately reflects EFG International's scale, revenue base and natural growth potential."

Core business performance constrained by external conditions and, as previously announced, IFRS net profit significantly impacted by the business review

Overview of key results	2011	Change vs. 2010
Operating income	CHF 763.2 m	down 6%
Operating expenses	CHF 713.7 m	down 1%
Net profit, excluding exceptionals	CHF 83.5 m	down 27%
Cost-income ratio	91.6% (88.1%*)	up from 85.2%
IFRS net loss	CHF (294.1) m	up from CHF (721.8) m
Revenue-generating AuM	CHF 78.4 bn	down 8%
Net new assets – continuing businesses	CHF 0.6 bn	
Net new assets – total	CHF (1.2) bn	down from CHF 9.7 bn
Revenue margin (in basis points of AuM)	94 bps	unchanged from 94 bps
BIS capital ratio	12.9%	down from 14.0%
CROs	567	down from 675

** Excluding CHF 27.0m of legal provisions*

EFG International made an IFRS net loss for 2011 of CHF 294.1 million, reflecting exceptional costs relating to resetting the business, flagged at the time of its business review last October, as follows:

- Restructuring charges and provisions of CHF 46.0 million.

- Net goodwill and intangibles impairment of CHF 223.8 million, plus a negative currency impact relating to a subsidiary of CHF 10.0 million. These had no impact on regulatory capital.

- An impairment (in line with other banks) of CHF 72.5 million, relating to Greek sovereign exposure and based on the year-end valuation.

The IFRS net result was also adversely affected by CHF 25.3 million in relation to life settlement revenues (including a one-off reduction of CHF 17.6 million). This followed detailed due diligence in 2011 on a policy-by-policy basis, which provided further comfort as to the solidity of the life insurance portfolio, which is being held to maturity. However, EFG International has decided to adopt more conservative estimates regarding future premium payments and the expected yield on the portfolio.

Excluding the above factors, the underlying net profit was CHF 83.5 million. Operating income for the year was CHF 763.2 million in 2011, down 6% year-on-year (compared to the 2010 revenues adjusted for the 2010 MBAM impairment), but up 6% on a constant currency basis. The revenue margin was constant at 94 bps. Operating expenses were CHF 713.7 million, down 1% on the previous year, with the cost-income ratio standing at 91.6% (88.1% excluding legal provisions), compared with 85.2% in 2010. This outturn does not reflect the business review measures that will impact costs from 2012 onwards.

Revenue-generating Assets under Management were CHF 78.4 billion at end-2011, down from CHF 84.8 billion a year earlier. Net new assets were CHF 0.6 billion for continuing businesses, but CHF (1.2) billion after taking into account outflows at businesses in the process of being exited. This represents a disappointing outcome, given net new assets of CHF 2.7 billion during the first half of 2011. A number of factors affected asset flows in the second half, notably challenging conditions and the time and resources that had to be devoted to resetting the business, including the significant reduction to the existing CRO base. The focus of attention is now firmly on ensuring that the second half of last year was an exception, and that the core business delivers net new assets going forward in keeping with its potential and targets.

For private banking, good progress in simplifying complexity

At the time of the business review, EFG International announced that it was exiting a number of under-performing businesses:

- The asset management and non-banking business of EFG Bank AB in Sweden was transferred to Quesada, EFG International's Stockholm-based wealth management boutique, effective 1 January 2012, and EFG Bank AB is in the process of being wound down.

- EFG Bank AB's operation in Helsinki is in the process of being closed.

- A number of offices in Canada were closed during 2011.

- The office in Abu Dhabi was closed on 31 January 2012, and the office in Dubai is set to close on 30 June. EFG International will continue to target international business in the wider region, particularly the Non-Resident Indian market, with successful CROs formerly in Dubai relocating to Singapore.

In addition, EFG International has exited (or is in the process of exiting) a number of other loss-making private banking businesses / locations:

- In Switzerland, the decision to exit Lugano was announced in January 2012, and the office will close at the end of the first quarter. EFG International is also exiting its business in the Valais, which will close formally at end-April, and has agreed to refer certain clients to Banque Cantonale du Valais.

- EFG International reached agreement to transfer the private banking activities of EFG Bank Denmark to SEB Wealth Management, effective from 1 January 2012.

- EFG International is in talks with prospective buyers for all or part of its business in France.

- Options relating to the Gibraltar business are being considered.

- EFG Capital's office in New York was closed at end-January 2012.

- EFG International is in the process of liquidating its consulting subsidiary in Buenos Aires.

- EFG International's business in India is in the process of being wound down.

- The Manila office has been closed.

After this process is complete, EFG International will still have a strong international network, with a presence in 32 locations. These locations are profitable, and the streamlined network will enable leadership to focus on the most compelling elements of the business.

Exiting non-core businesses to enhance focus on private banking

Steps have been taken to ensure that EFG International is fully focused on its core business of private banking. The business of SIF Swiss Investment Funds S.A., the Swiss-based fund administration business of EFG International, is to be taken over by CACEIS, subject to regulatory approval. Additional steps are envisaged, and EFG International hopes to be able to make further announcements shortly.

EFG Financial Products looking to IPO in 2012 (subject to market conditions)

As announced in the business review, EFG Financial Products has been earmarked for an IPO (with EFG International reducing its stake from 57% to circa 20%). The objective is to accomplish this during 2012, while recognising that timing will be subject to market conditions. During 2011, revenues increased by close to 30%, and it generated a pre-tax profit of CHF 17.6 million. The business remains focused on generating business based on its existing presence in Switzerland, Europe and Asia, with a major push planned for the latter.

Business review on track to deliver a reduction in costs from 2012 onwards

With strong progress made in resetting the business, EFG International is on track to deliver the associated net P&L benefit of circa CHF 35 million, realised in part in 2012 and in full from 2013.

The business is also improving operational efficiency, as a result of adopting a standard operating model wherever possible; implementing tangible cost savings and efficiencies in Switzerland; and generally enhancing the cost transparency of central functions.

There is a hiring freeze across the business, which will remain in force until further notice, other than to meet additional industry-wide regulatory and risk management requirements and for revenue generation (selective hiring of high quality CROs). Hiring in EFG Financial Products will be determined by its growth strategy in the context of its envisaged IPO.

EFG International's preference is to reduce its cost-income ratio based on anticipated revenue growth flowing through with minimal dilution to profits and productivity, rather than applying a general headcount reduction over and above that being delivered as part of the business review. To the extent that growth does not come through as expected, EFG International will take further steps as necessary to recalibrate its cost base in order to deliver its medium-term objectives.

Continued emphasis on CRO productivity

The number of CROs had reduced from 675 at end-2010 to 594 (of which 531 related to private banking) at the time the business review findings were announced in October 2011. This was as a result of addressing unprofitable CROs, as well as recognising that a number of CROs were essentially fulfilling a client support rather than relationship function. At end-2011, the number of CROs stood at 567 (508 in private banking) as a result of continuing to address underperformers identified in the business review. This process is now largely complete in continuing businesses, although the number of private banking CROs will reduce by a further 13% as a result of businesses / locations being exited. Retention of high performing CROs continues to characterise EFG International, as detailed in the business review.

In future, there will continue to be a strong emphasis on improving CRO productivity, but EFG International will continue the selective recruitment of high quality CROs where there is a strong conviction they will be profitable in relatively short order. In this regard, EFG International's ability to hire remains healthy - in January 2012 alone, there are eight CROs that have agreed to join, but have not yet started.

Most private banking businesses performing well, and steps being taken to address areas of weakness

Performance during the year highlighted the need to address loss-making and non-core activities. Performance in Continental Europe (including Switzerland) was mixed: Luxembourg, Spain and Monaco made good progress, but Switzerland performed below expectations and the loss-making businesses that are being exited were a significant drag on results. Elsewhere, both Asia and the Americas (including The Bahamas) delivered strong double-digit growth in revenues in local currency terms, and the UK posted a solid increase in operating income with double-digit contribution from private banking activities.

With the resetting element of the business plan well advanced, the focus is now on delivering profitable growth from each of EFG International's core regions, based on: net cost savings from exiting loss-making businesses; net new assets from existing CROs and selective hires; a heightened focus on emerging markets; and increased adoption of investment solutions. EFG International believes that its net new asset performance in the second half of 2011 does not reflect the underlying strength of its core business, and expects to revert to generating net new assets in its target range 5-10% from 2012 onwards. Net new assets in January 2012 were within this range on an annualised basis.

A number of steps are being taken that will strengthen this focus on delivering profitable growth:

- The senior management team for Continental Europe and Switzerland is being significantly strengthened. Ludovic Chéchin-Laurans, who set up the Luxembourg business seven years ago and is presently overseeing EFG International's operation in the Caribbean on a temporary basis, will move to Switzerland and become Deputy CEO, Continental Europe, supporting Alain Diriberry. Gary Müller, formerly CEO of RBS Coutts Bank and of RBS Wealth International, was appointed in July 2011 as Head of Strategy for the European business, and has played an important role in the resetting process. Going forward, he will increasingly devote his time to helping optimise the cost-efficiency of the Continental European business, as well as on an international basis.

- Kong Eng Huat was appointed to the position of Chief Executive Officer of Singapore and South East Asia, effective February 2012. He was formerly Head of Wealth Management, South and South East Asia at Merrill Lynch International Bank.

Strong progress in relation to investment solutions

EFG Asset Management should be seen as an integral part of EFG International's core private banking business, delivering investment solutions to CROs and their clients. Significant progress was made in 2011, with strong double-digit growth in relation to managed accounts, and its momentum bodes well for the coming year.

Additional steps are being taken to broaden and deepen penetration of EFG International's all-round offering. For instance, it is looking to do significantly more on the wealth structuring side, capitalising on trust capabilities in the Channel Islands, Singapore and The Bahamas.

Steps taken to improve capital position – and will continue

As at end-2011, EFG International had a BIS capital ratio of 12.9% and Tier 1 ratio of 12.8%. An Exchange offer launched in November 2011 achieved a 34% conversion from Bons de Participation to Basel III compliant tier 2 securities. While the total capital position remained unchanged, this will strengthen EFG International's Common Equity Tier 1 position under Basel III.

As previously stated, EFG International will continue to assess opportunities relating to its capital structure and capital composition, and is prepared to act opportunistically, with a focus on creating shareholder value. Going forward, the capital position will strengthen courtesy of profit generation and the impact of businesses to be sold or earmarked for IPO (the combined effect of which should, over time, improve the Tier 1 ratio by 3-6 percentage points).

Committed to delivering medium-term targets, courtesy of disciplined, profitable growth

EFG International's 2011 results were disappointing in terms of underlying performance, and impacted by exceptional costs relating to the restructuring of the business. The level of performance underlined the need for significant change, and with a new CEO and a detailed review of the business, it was a transformational year. EFG International has significant strengths as a private bank, as articulated in its business review, and numerous actions have been taken to draw a line under the past; to reset the business; and to position it to deliver disciplined, profitable growth.

While the economic and market backdrop remains uncertain, performance (including net new assets) in the opening weeks of 2012 was where it needs to be for the business to deliver on its expectations for 2012 as a whole. EFG International is committed to delivering its medium-term objectives:

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

- A reduced cost-income ratio - to below 75% over the next three years.

- Gross margin to remain broadly at current levels.

- As a result, delivering strong double-digit growth in profit and a double-digit return on shareholders' equity.

- EFG International has the potential to deliver an annual IFRS net profit of CHF 200 million within the next three years.

Ordinary dividend

The payment of a dividend of CHF 0.10 per share (free of withholding tax) will be proposed to the Annual General Meeting scheduled for 27 April 2012.

Annual report

The 2011 annual report of EFG International was published today at 7.00 am CET and is available for download at www.efginternational.com (Investors / Financial reporting).

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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 over 30 locations worldwide, with circa 2,500 employees. EFG International's registered shares (EFGN) are listed on the SIX Swiss Exchange. EFG International is a member of EFG Group.

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Practitioners of the craft of private banking

Presentation of full-year 2011 financial results

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 2011 results will be presented by:

- John Williamson, Chief Executive Officer (CEO)
- Jean-Christophe Pernollet, Chief Financial Officer (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 91 610 56 00
	UK:	+ 44 203 059 58 62

Please call 10 minutes before the start of the presentation and ask for "EFG International full-year 2011 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 29, 2012 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 10869 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 2011

(in CHF million unless otherwise stated)	**31 December 2011**	31 December 2010
Clients Assets under management (AUM)	**79,033**	85,961
AUM excluding shares of EFG International	**78,382**	84,783
Assets under administration	**9,162**	6,834
Number of Client Relationship Officers	**567**	675
Number of Employees	**2,547**	2,462

Consolidated Income Statement as at 31 December 2011

(in CHF millions)	**Year ended 31 December 2011**	Year ended 31 December 2010
Interest and discount income	419.5	407.7
Interest expense	(207.8)	(157.2)
Net interest income	**211.7**	**250.5**
Banking fee and commission income	561.1	610.5
Banking fee and commission expense	(107.2)	(114.2)
Net banking fee and commission income	**453.9**	**496.3**
Dividend income	19.3	9.6
Net trading income	83.1	67.4
Net loss from financial instruments designated at fair value	(10.8)	(517.8)
Gains less losses from investment securities	5.1	16.1
Other operating income	0.9	3.4
Net other income / (loss)	**97.6**	**(421.3)**
Operating income	**763.2**	**325.5**
Operating expenses	(713.7)	(717.5)
Impairment of intangible assets and goodwill	(244.4)	(378.8)
Impairment on available-for-sale investment securities	(72.5)	
Impairment on financial assets held-to-maturity		(4.4)
Provision for restructuring costs	(10.0)	
Currency translation loss transferred from the Statement of Other Comprehensive	(10.0)	
Loss on disposal of subsidiary		(23.5)
(Impairment) / Reversal of impairment on loans and advances to customers	(1.9)	4.3
Loss before tax	**(289.3)**	**(794.4)**
Income tax (expense) / gain	(2.1)	25.7
Net loss for the period	**(291.4)**	**(768.7)**
Net loss for the period attributable to:		
Net loss attributable to owners of the Group	(294.1)	(721.8)
Net profit attributable to non-controlling interests	2.7	
Net loss attributable to non-controlling interests		(46.9)
	(291.4)	**(768.7)**

Financials (cont.)

Consolidated Balance Sheet as at 31 December 2011

(in CHF millions)	**31 December 2011**	31 December 2010	Variation
ASSETS			
Cash and balances with central banks	**1,079.3**	711.8	52%
Treasury bills and other eligible bills	**823.9**	2,037.8	-60%
Due from other banks	**2,206.9**	2,227.1	-1%
Loans and advances to customers	**9,548.2**	8,957.8	7%
Derivative financial instruments	**537.5**	353.8	52%
Financial assets at fair value :			
- Trading assets	**813.9**	624.7	30%
- Designated at inception	**367.2**	370.8	-1%
Investment securities :			
- Available-for-sale	**3,984.3**	3,690.3	8%
- Held-to-maturity	**1,098.3**	1,024.5	7%
Intangible assets	**300.6**	578.8	-48%
Property, plant and equipment	**38.2**	47.5	-20%
Deferred income tax assets	**48.6**	54.2	-10%
Other assets	**194.0**	214.1	-9%
Total assets	**21,040.9**	20,893.2	1%
LIABILITIES			
Due to other banks	**779.0**	337.8	131%
Due to customers	**14,398.4**	14,904.4	-3%
Derivative financial instruments	**603.3**	633.8	-5%
Financial liabilities designated at fair value	**490.7**	486.7	1%
Other financial liabilities	**3,356.5**	2,863.0	17%
Current income tax liabilities	**11.4**	10.8	6%
Deferred income tax liabilities	**37.6**	58.1	-35%
Other liabilities	**352.5**	299.9	18%
Total liabilities	**20,029.4**	19,594.5	2%
EQUITY			
Share capital	**73.1**	73.1	0%
Share premium	**1,154.3**	1,153.8	0%
Other reserves	**77.8**	42.6	83%
Retained earnings	**(318.3)**	6.4	-5073%
Non-controlling interests	**24.6**	22.8	8%
Total shareholders' equity	**1,011.5**	1,298.7	-22%
Total equity and liabilities	**21,040.9**	20,893.2	1%