

Media Release

EFG International reports half-year 2018 results

Zurich, 25 July 2018

In the first half of 2018, EFG returns to profitable growth amid an ongoing change process, generating positive net asset inflows and increasing underlying profitability through the realisation of targeted cost synergies. EFG continues to deliver on its strategy and to strengthen its competitive market position.

- **Underlying net profit of CHF 129.2 million, compared to CHF 99.0 million in the first half of 2017**
- **IFRS net profit attributable to equity holders of CHF 46.4 million, compared to CHF 63.6 million for the first half of 2017**
- **Underlying net new assets of CHF 3.3 billion in the first half of 2018, reflecting an annual growth rate of 4.6%, within the 2019 target range of 3-6%; overall positive net new assets of CHF 2.0 billion, reflecting 2.8% annualised growth rate, with underlying net inflows more than offsetting the anticipated AuM attrition**
- **Assets under Management were CHF 142.7 billion at the end of the first half of 2018, up from CHF 142.0 billion as of end-2017**
- **On track to achieve cumulative pre-tax cost synergy target of CHF 180 million for end-2018 and total cost synergies of approx. CHF 240 million by end-2019**
- **Strong capital and liquidity position, with a Swiss GAAP Common Equity Ratio (CET1) of 17.6%, Total Capital Ratio of 21.5%, Leverage Ratio of 4.5% and Liquidity Coverage Ratio of 171%; return on tangible shareholder's equity of 17.8%**
- **Strengthened EFG International's executive management structure and leadership teams**
- **Continue to execute on 2016-2019 plan and confirm 2019 strategic targets: Annual net new asset growth of 3-6%, cost/income ratio below 70%, revenue margin of minimum 85 basis points**

Giorgio Pradelli, CEO of EFG International: "In the first half of 2018, we continued to execute on our strategy and focused on further transforming the combined business to improve our market position. Amid an ongoing change process, in which we continued to enhance our regulatory compliance framework, de-risk our business and harmonise our processes, we returned to overall positive net asset inflows and achieved solid underlying net new asset growth of 4.6%. We continued to deliver on our cost reduction and synergy targets, generating an increased underlying net profit of CHF 129.2 million – up 31% compared to the first half of 2017. Going forward, we will continue to transform our business and further strengthen our competitive market position as a leading Swiss private bank. To this end, we are building on the three pillars of our strategy – our client-centric CRO approach, our global presence, and our extensive range of investment, wealth and credit solutions – to offer our clients first-class service and generate solid returns for our shareholders."

Overview of first-half 2018 key results

	1H 2018	Restated for IFRS 9 1H 2017	2H 2017
In CHF millions			
Underlying net profit*	129.2	99.0	66.0
IFRS net profit/(loss) attributable to equity holders	46.4	63.6	(123.4)
Underlying operating income*	604.6	639.8	562.5
Underlying operating expenses*	(482.6)	(522.7)	(510.5)
In CHF billions			
Underlying net new assets**	3.3	0.5	1.8
AuM attrition	(1.3)	(6.0)	(2.2)
Revenue-generating Assets under Management***	142.7	133.3	142.0
Underlying Ratios			
Revenue margin (in bps)***	86	93	81
Cost/income ratio*	79.7%	81.6%	90.2%
Client Relationship Officers (CROs)	613	671	644
Number of full-time employees (FTE) ****	3,219	3,404	3,366

* Underlying – excluding impact of integration costs, BSI related intangible amortisation and impact of life insurance

** Excluding attrition

*** AuM for 1H17 restated for previously announced reclassification of CHF 4.6 billion into Assets under Custody, effective 01 January 2017

****Excluding FTE's on notice as at 30 June 2018

2018: driving change to realise EFG's potential

While 2017 was a transformational year for EFG with the completion of the BSI integration, in 2018 EFG is continuing to transform the bank to build a stronger, more robust and sustainable business. In the first half of 2018, EFG returned to positive overall net asset inflows and achieved strong underlying profitability, as it concentrated on developing its business, realising targeted synergies as well as strengthening its compliance framework and de-risking its operations. Following the IT migration, EFG also enhanced and streamlined its IT systems and processes.

In addition, EFG announced the realignment of its leadership teams in order to strengthen the focus and responsiveness of its executive management structure. Effective as of 01 July 2018, EFG International's Executive Committee is composed of six members and a new Global Business Committee was established to support the Executive Committee in assessing and validating the company's strategy and key business priorities.

Strong underlying profitability; on track to achieve targeted synergies

In the first half of 2018, EFG achieved strong underlying profitability, primarily reflecting the realisation of targeted synergies and a lower underlying cost base. Underlying operating income was CHF 604.6 million, reflecting negative impacts from lower transactional client activity in light of market fluctuations across asset classes. This compares to CHF 639.8 million in the first half of 2017, which included CHF 20.3 million of mark-to-market gains. Underlying net commission and net interest income was CHF 295.1 million and CHF 183.5 million, respectively. Underlying net other income was CHF 126.0 million. EFG's underlying revenue margin was 86 basis points for the first half of 2018, in line with its 2019 target and similar to 2016 and 2017 levels of 84 and 87 basis points, respectively.

EFG continued to make significant progress in realising cost synergies and on reducing its cost base. Underlying operating expenses for the first half of 2018 were CHF 482.6 million, down 5% compared to the second half of 2017 and down 8% compared to the same period last year. In the first half of 2018, EFG achieved cumulative pre-tax cost synergies of CHF 148 million, well on track to reach its pre-tax cost synergy target of CHF 180 million for end-2018 and total cost synergies of approximately CHF 240 million by end-2019. For the first half of 2018, EFG's underlying cost/income ratio improved to 79.7%, compared to 85.9% for the full-year 2017 and 83.8% for 2016, reflecting the lower costs and improved efficiency.

At the end of June 2018, the number of employees was 3,219¹ (full-time equivalents). This compares to 3,366 at end-2017 and is in line with the previously communicated planned reductions. The number of Client Relationship Officers (CROs) decreased from 644 at end-2017 to 613 at the end of June 2018, reflecting the completion of the integration process, natural turn-over, and ongoing performance management efforts. During the first six months of 2018, 19 new CROs were hired and EFG will continue to focus on hiring high-quality CRO teams in selected markets.

Underlying net profit for the first half of 2018 was CHF 129.2 million, reflecting an increase of 31% compared to CHF 99.0 million for the first half of 2017. Underlying net profit includes a release in provisions of approximately CHF 18 million, due to an agreement to settle a legacy German tax litigation, and excludes the following items in the first half of 2018:

- CHF 37.8 million of costs relating to the integration
- CHF 36.4 million negative impact from the life insurance portfolio
- CHF 3.2 million BSI intangible amortisation charge
- CHF 5.4 million of legal costs mainly relating to previously disclosed matters

EFG reported an IFRS net profit attributable to equity holders of CHF 46.4 million in the first half of 2018. This compares to CHF 63.6 million in the first half of 2017 and a loss of CHF 123.4 million in the second half of 2017, following the restatement due to the adoption of IFRS 9, effective as of 01 January 2017.

Underlying net new assets in line with 2019 growth target

	1H 2018	1H 2017	2H 2017
In CHF billions, unless otherwise stated			
Underlying net new assets*	3.3	0.5	1.8
Underlying net new asset growth	4.6%	0.8%	2.6%
Asset under Management attrition	(1.3)	(6.0)	(2.2)
Revenue-generating Assets under Management**	142.7	133.3	142.0

* Excluding attrition

** AuM for 1H17 restated for previously announced reclassification of CHF 4.6 billion into Assets under Custody, effective 01 January 2017

For the first time since the start of the integration process, EFG achieved overall positive net new assets over a six-month period. Underlying net new assets more than offset decelerating AuM attrition, resulting in overall net asset inflows of CHF 2.0 billion and an annualised growth rate of 2.8%. Excluding AuM attrition, which relates to EFG's decision to exit client relationships not in line with its risk appetite, EFG reported underlying net new assets of CHF 3.3 billion, reflecting an annualised growth rate of 4.6%, within the 3-6% target range for 2019. On a regional basis, all regions achieved net asset growth, with the exception of the Switzerland & Italy region, which

continued to face challenges and respective outflows from the former BSI business.

Revenue-generating Assets under Management were CHF 142.7 billion at the end of the first half of 2018, up slightly from CHF 142.0 billion at end-2017, as underlying net new assets of CHF 3.3 billion more than offset AuM attrition of CHF 1.3 billion and adverse foreign exchange and market impacts of CHF 1.3 billion. On a like-for-like basis², Assets under Management increased by almost CHF 10 billion compared to CHF 133.3 billion at the end of the first half of 2017.

Update on life insurance portfolio

For the first half of 2018, EFG's IFRS net profit was adversely affected by CHF 36.4 million from the life insurance portfolio, as a result of lower than anticipated maturities during this period. In particular, CHF 13.9 million were due to interest rate effects (now hedged) and CHF 22.5 million due to mark-to-market effects. Total net death benefits of the life insurance portfolio are CHF 1,529 million, compared to a fair value of CHF 568 million, and average life expectancy of the portfolio is 5.6 years.

Continued strong capital and liquidity position

	1H 2018	2017
Capital position*		
Total capital ratio	21.5%	21.0%
CET1 capital ratio	17.6%	17.3%
Total regulatory capital	2,309.0	2,288.7
Return on shareholders' equity**	15.6%	10.6%
Return on tangible equity**	17.8%	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 intangible amortisation and impact of life insurance

At the end of the first half of 2018, EFG's Swiss GAAP Common Equity Ratio (CET1) was 17.6%, compared to 17.3% at the end of 2017. Overall, the Total Capital Ratio increased to 21.5% compared to 21.0% at end-2017, reflecting a reduction in risk-weighted assets and the benefit of organic capital generation. Risk-weighted assets of CHF 10.8 billion at end-June 2018 were stable compared to the end of 2017. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 171% and a Loan/Deposit Ratio of 51.1% at the end of the first half of 2018.

As previously announced and in light of its strong capital position, EFG is planning to commence the repurchasing of up to 6,000,000 ordinary shares from the market to fund its restricted stock units relating to its employee incentive plans. The repurchase of shares will offset the annual shareholder dilution, which has resulted in previous years from the issuance of shares from conditional capital in connection with the incentive plans.

Outlook

EFG aims to strengthen the competitive market position of the combined group as a top-tier Swiss private bank, capture the significant potential through economies of scale and deliver profitable and sustainable growth. Building on its distinctive CRO model, together with its enhanced platform and extensive range of investment, wealth and credit solutions, EFG strives to provide its clients with first-class services and advice. In the second half of 2018, EFG will continue to focus on its growth strategy and continue to advance its business in its key markets, while maintaining cost discipline and realising synergies.

Half-Year Report 2018

This media release and the results presentation are available at www.efginternational.com, and the complete Half-Year Report 2018 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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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 first-half 2018 results

Wednesday, 25 July 2018, 09.30 CEST

Metropol, Fraumünsterstrasse 12, 8001 Zurich

Giorgio Pradelli, Chief Executive Officer, and Dimitris Politis, Chief Financial Officer, will present and discuss EFG's half-year 2018 results at a meeting for analysts, investors and media representatives.

You can join the live presentation at the Metropol 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 half-year 2018 results

Please dial in to the telephone conference before the start of the presentation and ask for 'EFG International half-year 2018 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 CEST on Wednesday, 25 July 2018, at: www.efginternational.com/Investor-presentations

The full Half-Year Report 2018 is available for download as PDF from 07.00 CEST on Wednesday, 25 July 2018, under the following link: www.efginternational.com/Half-year-report

Playback

A replay of the results webcast will be available [online](#) approximately three hours after the event.

Financials

Key figures as at 30 June 2018 (unaudited)

in CHF millions	30 June	31 December	30 June	Changes vs	Changes vs
	2018	2017	2017	2017	30 June
Client assets under management (AUM)	142,735	142,028	133,318	0.5%	7.1%
Assets under administration (AUA)	16,139	12,319	10,295	31.0%	56.8%
Number of Client Relationship Officers	613	644	671	(31)	(58)
Number of Employees (FTE's)	3,219	3,366	3,404	(147)	(185)

Consolidated Income Statement as at 30 June 2018 (unaudited)

	Half-year	Half-year	Restated	Changes vs	Changes vs
	ended	ended	Half-year		
	30 June	31 December	30 June	2H17	1H17
	2018	2017	2017		
Interest and discount income	306.9	303.4	259.3	3.5	47.6
Interest expense	(129.2)	(118.6)	(98.8)	(10.6)	(30.4)
Net interest income	177.7	184.8	160.5	(7.1)	17.2
Banking fee and commission income	378.5	375.6	383.2	2.9	(4.7)
Banking fee and commission expense	(83.4)	(73.4)	(68.1)	(10.0)	(15.3)
Net banking fee and commission income	295.1	302.2	315.1	(7.1)	(20.0)
Dividend income	4.8	1.5	2.1	3.3	2.7
Net trading income and foreign exchange gains less losses	94.7	90.2	118.8	4.5	(24.1)
Fair value gains less losses from financial instruments measured at fair value	(19.6)	(81.8)	40.1	62.2	(59.7)
Gains less losses on disposal of financial assets at fair value through other comprehensive income	0.5	(2.5)	2.7	3.0	(2.2)
Other operating income	17.2	1.2	7.8	16.0	9.4
Net other income	97.6	8.6	171.5	89.0	(73.9)
Operating income	570.4	495.6	647.1	74.8	(76.7)
Operating expenses	(532.0)	(623.9)	(566.1)	91.9	34.1
Other provisions	19.5	(3.4)	(0.1)	22.9	19.6
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income	(9.9)	(9.6)	(10.7)	(0.3)	0.8
Profit / (loss) before tax	48.0	(141.3)	70.2	189.3	(22.2)
Income tax	(0.4)	18.8	(5.2)	(19.2)	4.8
Net profit / (loss) for the period	47.6	(122.5)	65.0	170.1	(17.4)
Net profit / (loss) for the period attributable to:					
Net profit attributable to equity holders of the Group	46.4	(123.4)	63.6	169.8	(17.2)
Net profit attributable to non-controlling interests	1.2	0.9	1.4	0.3	(0.2)
	47.6	(122.5)	65.0	170.1	(17.4)

Consolidated Balance Sheet as at 30 June 2018

	30 June 2018 CHF millions	31 December 2017 CHF millions	Variation %
Assets			
Cash and balances with central banks	9,168.5	9,699.8	-5%
Treasury bills and other eligible bills	1,164.9	1,482.3	-21%
Due from other banks	3,150.7	2,576.0	22%
Derivative financial instruments	877.0	696.1	26%
Financial assets at fair value through P&L	1,915.1	2,191.7	-13%
Financial assets at fair value through other comprehensive income	5,607.2	5,210.6	8%
Loans and advances to customers	18,786.6	18,951.3	-1%
Property, plant and equipment	248.1	255.0	-3%
Intangible assets	198.7	202.8	-2%
Deferred income tax assets	80.8	82.6	-2%
Other assets	320.7	264.5	21%
Total assets	41,518.3	41,612.7	0%
Liabilities			
Due to other banks	456.0	533.7	-15%
Due to customers	31,907.1	32,298.0	-1%
Derivative financial instruments	820.0	646.9	27%
Financial liabilities designated at fair value	542.2	484.0	12%
Financial liabilities at amortised cost	4,892.0	4,477.2	9%
Current income tax liabilities	14.5	16.0	-9%
Deferred income tax liabilities	5.4	5.9	-8%
Provisions	174.2	198.9	-12%
Other liabilities	597.7	644.4	-7%
Subordinated loans	401.7	580.7	-31%
Total liabilities	39,810.8	39,885.7	0%
Equity			
Share capital	146.3	145.1	1%
Share premium	1,904.8	1,904.8	0%
Other reserves	254.3	248.4	2%
Retained earnings	(624.5)	(598.4)	4%
Total shareholders' equity	1,680.9	1,699.9	-1%
Non-controlling interests	26.6	27.1	-2%
Total equity	1,707.5	1,727.0	-1%
Total equity and liabilities	41,518.3	41,612.7	0%