



## Annual General Meeting 2014

John Williamson, CEO

Zurich, 25 April 2014

Practitioners of the craft of private banking

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## **Market conditions**

- Economic and market conditions still fragile.
- Client sentiment remains volatile – particular constraint during Q3.
- Low interest rates - lower asset and liability management revenues.
- Swiss franc remains strong.

## **Regulatory and legal**

- Exceptional legal and regulatory expenses.
- US Tax Programme, Category 2.
- In Asia, regulatory changes relating to affluent clients.

		vs. 2012 restated
IFRS net profit	CHF 111.8 m	 0.5%
IFRS net profit attributable to ordinary shareholders	CHF 110.9 m	 7.6%
Underlying recurring net profit to ordinary shareholders*	CHF 111.2 m	 12.0%
Operating income	CHF 666.0 m	 4.5%
Revenue margin	88 bps	 from 93 bps
Net new assets – continuing businesses	CHF 3.2 bn**	 from CHF 3.0 bn
Net new assets - total	CHF 2.5 bn	 from CHF (0.2) bn
Revenue-generating AUM	CHF 75.9 bn	 0.9%
Operating expenses	CHF 547.2 m	 1.3%
Cost-income ratio	81.5%	 from 78.8%
CROs	435	 from 414
Total headcount	1,989	 0.3%
BIS total capital ratio (Basel III)	18.0%	 from 15.9%
CET 1 capital ratio (Basel III)	13.5%	 from 11.7%
Return on shareholders' equity	11.3%	 from 10.8%

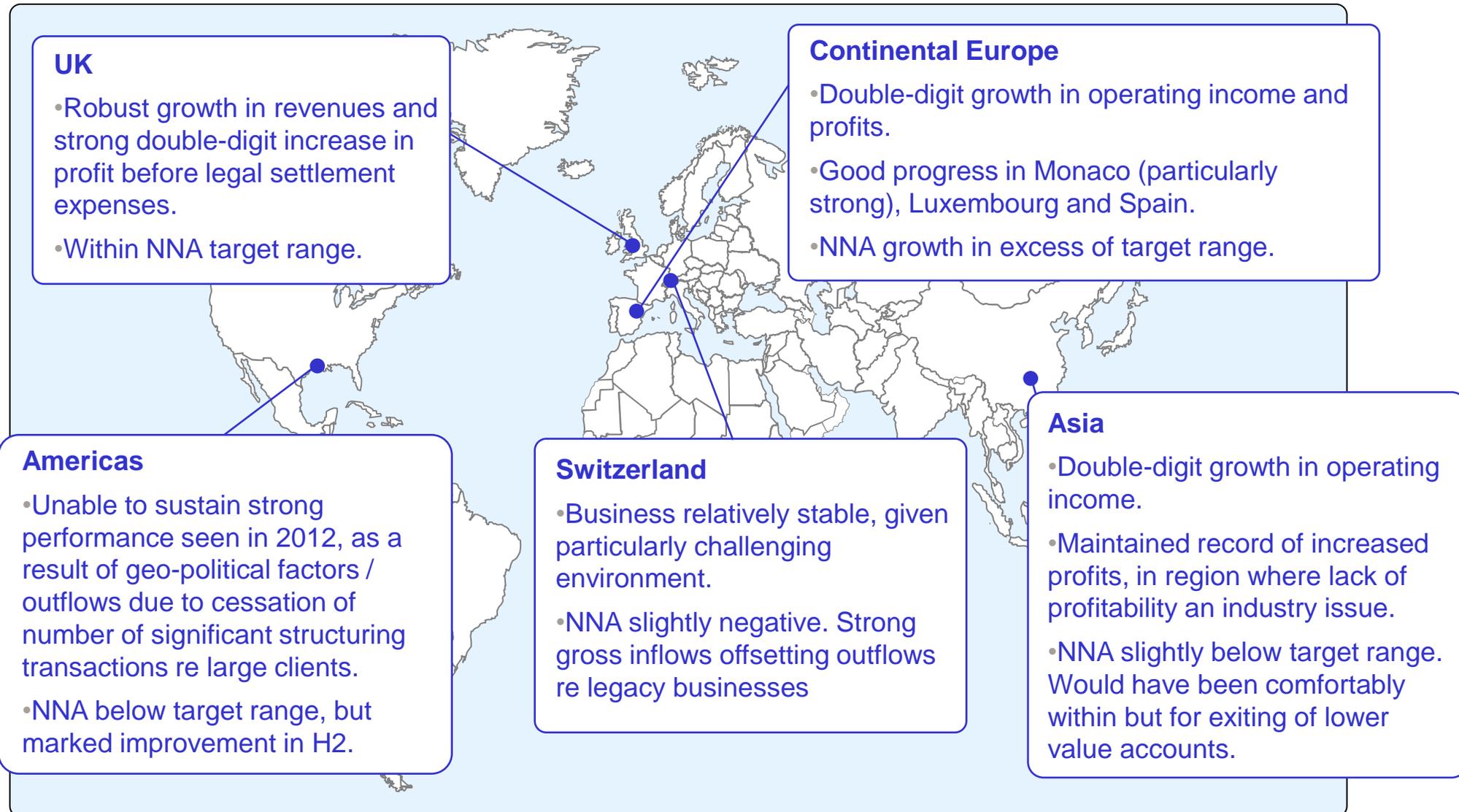
\* Excluding impact of non-recurring items

\*\* Adjusted for one-off single stock outflow: CHF 0.6 bn

- Business review completed. As a result, business simplified and risks lessened.
- Strong commitment to regulatory compliance. External assessment confirmed approach in line with leading peers. Ongoing investment.
- Quality of earnings improved – mainstream private banking revenues increasing.
- Progress in relation to NNA. Slower in H2, but mitigating factors.
- CRO hiring up significantly.
- Recent small acquisition of Falcon Private Bank in Asia.
- Relocated head office to a prestige building; room to grow.
- Successfully rebranded.
- Organisational changes designed to deliver growth.
- Improved profitability and capital strength enables, as evidenced this year, a more progressive dividend policy.

**Number, range and quickening pace of growth-related initiatives.**

All regional businesses (except Americas) increased their profit contribution during 2013



- **Market** – HNWI market recovered strongly post-financial crisis. Cross-border still growing, albeit at a slower pace. Environment remains highly competitive, but consolidation presenting opportunities.
- **Positioning** – Total focus on private banking. Asset management clearly positioned as an integral part of private banking.
- **Scale** – A good size, combining international breadth, full range of services, and intimacy of relationship-driven model.
- **Regional balance** – Business evenly distributed on a regional basis, with good exposure to growth markets.
- **On/offshore** – International footprint facilitates access to wealth being created in national markets. Reduces relative exposure to legacy business. Well placed in relation to emerging growth markets.
- **Leadership** – Business head continuity.
- **Business approach** – Qualitative benefits of model still a source of competitive differentiation.
- **Offering** – Advice-based; open architecture. Enhanced support for CROs in form of Investment & Wealth Solutions.
- **Brand / marketing** – A distinctive, cost-effective approach to marketing has raised international profile in recent years.



**And taking steps  
to reinforce this.**

## Quickening tempo of growth initiatives

### **Switzerland**

- New Heads of Private Banking now in place in Zurich and Geneva - important role in attracting new CROs / driving growth in Switzerland.
- Completed relocation of Zurich head office to prestige property at Bleicherweg 8. Clear reflection of ambition to grow business significantly.

### **Continental Europe**

- In Spain, AyG applying for a banking license.
- New Greece team head in Luxembourg. Complements strong teams elsewhere. Evaluating representation in Athens.

### **CEE**

- CEE a focal point for CRO hiring. Region delivered very strong growth in 2013.

### **Asia**

- New Head of Emerging Wealth (with a focus on China), based in Hong Kong, joined February 2014.
- Application approved for wholesale banking license in Singapore. To commence in March.

### **Global Indians**

- New international role to capitalise on the Global Indian opportunity. Hiring in process, to be based in Singapore.

### **Latin America / Middle East**

- Actively looking to grow business in both these regions. Taking steps organisationally to improve market focus.

## **Investment & Wealth Solutions**

- Comprehensive, integrated solutions platform now in place - wealth structuring, investment solutions and credit.
- Re investment solutions, further emphasis on advisory services. Significant enhancements made to internal research capabilities.
- Continue to invest selectively, reflecting significant opportunity to broaden and deepen relationships with clients (e.g. in excess of CHF 1 billion added to discretionary mandates in 2013). But focus is now capitalising on platform already in place.
- Selective hiring of investment talent. Recently hired former head of Swiss equities at Zurich Cantonal Bank. Two earlier fund manager hires have proven successful.
- Continued strong progress re investment solutions, with clients' assets under some form of investment management of CHF 8.2 billion at end-2013. More than doubled over past four years; continues to deliver strong, double-digit growth.

Adoption of new circular logo device implemented during H2 2013.

An evolution from existing symbol, maintaining many of its strengths.

Increasingly projecting a unified approach under the marketing name, “EFG”.

In certain regions, also frequently accompanied by descriptor, ‘Private bankers’, reflecting sole focus on private banking.

## **Business entity**

EFG  International

## **For marketing purposes**

EFG 

## **For marketing purposes in certain jurisdictions**

EFG   
Private bankers

- Underlying profit contribution for the first quarter is ahead of a year earlier and broadly in line with EFG International's expectations.
- First half financial statements will include a provision for the full amount of a recent unexpected court judgment for an amount of EUR 21.5 million. Relates to a case (disclosed in annual report) involving fraudulently approved contracts. Have appealed to the Federal Court and pursuing discussions regarding insurance coverage.
- Client confidence remains fragile on account of market and geo-political uncertainty - makes it difficult to predict future performance with confidence.
- Slow start to the year, but performance improved markedly in March.
- Revenue margin proving resilient.
- Net new assets positive, albeit at the lower end of target range.
- CRO hiring remains strong, with the improvement seen in the second half of 2013 continuing, and indeed strengthening, in to 2014.

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