

Media Release

EFG grows its business with 5.5% NNA increase; net profit up by 10.5% year on year

Zurich, 22 July 2020

In the first half of 2020, EFG successfully demonstrated its operational and financial resilience and achieved profitable growth while executing its 2022 strategic plan, against the backdrop of the coronavirus pandemic (COVID-19).

- **EFG ensured uninterrupted, high-quality private banking service to its clients with the accelerated development of its digital capabilities, and maintained its growth momentum with strong net new assets¹ of CHF 4.2 billion, corresponding to an annualised growth rate of 5.5%, at the upper end of its 4-6% target range.**
- **Assets under Management partially recovered to CHF 147.8 billion, following an industry-wide decline due to negative market and foreign exchange movements.**
- **Profitability improved year on year with IFRS operating profit up 27.4% to CHF 66.5 million and IFRS net profit increasing by 10.5% to CHF 34.8 million.**
- **Underlying net profit² decreased year on year to CHF 37.7 million; this reduction reflects a provision of CHF 9.9 million relating to the settlement with Italian tax authorities³, while 1H19 included exceptional gains and a release of provisions for expected credit losses.**
- **Underlying operating expenses were down 5% year on year on a like-for-like basis⁴, driven by a consistent reduction in general and administrative costs.**
- **EFG's balance sheet and liquidity remained strong, with a Swiss GAAP CET1 ratio of 15.3%, Total Capital Ratio of 19.1% and an improved Liquidity Coverage Ratio of 190%, reflecting EFG's conservative balance sheet management.**
- **EFG is accelerating its footprint rationalisation, focusing on investing in high-growth target markets, while reducing or exiting its presence in low-yielding, high-cost locations – targeting a 5% cost base reduction by end-2021. Accordingly, EFG increased its majority stake in Shaw and Partners to 61% and agreed to sell its operations in Chile and France (Oudart) as well as to exit and transfer its Guernsey business to other booking centres.**
- **EFG also continues to execute cost management actions to mitigate revenue pressure. It plans to further reduce G&A costs and optimise the operational set-up of EFG's main booking centres, targeting a cost base elimination of approximately 5% by end-2021.**

Giorgio Pradelli, CEO of EFG International: "In the first half of 2020, thanks to our dedicated and committed teams, we demonstrated our operational and financial resilience, as we continued to focus on developing our business and maintained our positive momentum. We achieved a robust performance with strong net new asset growth of 5.5% and improved IFRS profitability. Although revenues were adversely impacted by the coronavirus crisis, we saw a positive contribution from our strategic initiatives as they started to pay off. We are continuing to execute our 2022 strategic plan, with a focus on sustainable and profitable growth and we are accelerating our planned cost reduction measures – rationalising our global footprint and optimising our operational set-up – to further improve profitability and mitigate pressure on revenues."

Overview of first-half 2020 key results

	1H 2020	1H 2019	2H 2019
In CHF billions			
Revenue-generating Assets under Management	147.8	147.6	153.8
Net new assets	4.2	0.3	4.9
Net new assets growth (annualised %)	5.5%	0.5%	6.6%
Reported results (in CHF millions)			
Operating income	563.7	555.8	615.1
Operating expenses	497.2	503.6	494.7
Operating profit ¹	66.5	52.2	120.4
IFRS net profit attributable to equity holders of the Group	34.8	31.5	62.7
Underlying results² (in CHF millions)			
Operating income	554.8	575.9	566.9
Operating expenses	485.2	492.0	483.9
Operating profit ¹	69.6	83.9	83.0
Net profit	37.7	75.6	33.1
Underlying ratios			
Revenue margin/excl. Shaw and Partners (in bps) ¹	76 / 79	83 / 84	76 / 80
Cost/income ratio ¹	87.3%	85.2%	85.2%
CROs/CROs excl. Shaw and Partners	791 / 601	737 / 587	815 / 629
Number of full-time employees (FTE) ⁵	3,127	3,195	3,151

Maintained positive momentum with net new asset growth of 5.5%

In March 2019, EFG presented its 2022 strategic plan, which focuses on achieving profitable growth and effective capital deployment. EFG made significant progress with its strategic initiatives in 2019 and maintained its positive growth momentum in the first half of 2020, attracting strong net asset inflows despite the challenging market environment and increased investor uncertainty. EFG generated CHF 4.2 billion of net new assets, corresponding to an annualised growth rate of 5.5%, at the upper end of its 4-6% target range. On a regional basis, EFG continued to see strong contributions from the Continental Europe & Middle East, Latin America and UK regions, with growth rates exceeding the target range. Switzerland & Italy Region also continued to register increasingly positive inflows in the first half of 2020 after returning to growth in 2019. These inflows were partially offset by outflows in Asia Pacific due to deleveraging. Excluding this effect, the Asia Pacific Region achieved positive net new money growth of 2.8%.

EFG continued to attract experienced, high-quality CRO teams and hired, signed or approved 28 new CROs in the first half of 2020, resulting in a total 791 CROs. Driven by strong CRO hiring momentum since 2019, the development of net new assets reflected a balanced contribution from both new and existing CROs as well as from EFG's new locations. At the same time, EFG improved the productivity of its CROs, applying strict performance measures and increasing the average portfolio size per existing CRO from CHF 224 million to CHF 238 million, despite adverse foreign exchange and market movements. EFG also continued to leverage its Investment Solutions capabilities to further improve advisory and discretionary mandate penetration from 47% to 48% by end-June 2020.

Over the first half of 2020, revenue-generating Assets under Management initially declined in line with industry trends, reflecting negative market and foreign exchange movements, but recovered significantly from end-April. By end-June 2020, Assets under Management were CHF 147.8 billion, compared to CHF 139.7 billion at the end of April 2020 and CHF 153.8 billion at end-2019.

Improved IFRS profitability compared to 1H19

In the first half of 2020, EFG demonstrated its financial resilience and its ability to drive forward its growth strategy despite the coronavirus pandemic and related effects on global markets. Reflecting higher revenues, including contributions from the life insurance portfolio and Shaw and Partners, as well as lower operating expenses, IFRS net profit rose to CHF 34.8 million. This represents a 10.5% increase compared to the first half of 2019, which was positively impacted by exceptional gains and the release of provisions for expected credit losses. On a pre-tax basis, IFRS operating profit was CHF 66.5 million, corresponding to an increase of 27.4%.

IFRS net profit for the first half of 2020 includes the following non-underlying items:

- CHF 5.3 million positive contribution from EFG's legacy life insurance portfolio
- CHF 3.8 million intangible amortisation charge
- CHF 4.4 million of legal costs and provisions relating to previously disclosed legacy matters

Analysis of underlying results⁶: Resilient core business despite market turmoil

EFG's underlying financial performance in the first half of 2020 reflects certain one-off adverse impacts of the recent market turmoil on operating income, as well as a settlement with Italian authorities regarding tax claims.

Operating income was CHF 554.8 million, compared to CHF 575.9 million in the same period of last year, which included an exceptional gain on the SIX Group participation of CHF 13.6 million. Overall, the quality and sustainability of revenues has improved. Net commission levels continued to grow, rising 16.6% year on year to CHF 320.2 million, while net interest income and net other income decreased to CHF 166.5 million and CHF 68.1 million, respectively, reflecting the lower interest rate environment and a lower contribution from Global Markets.

While growing its business and investing in digital capabilities, EFG has placed a strong emphasis on continuously improving operational efficiency. On a comparable basis, EFG has reduced its cost base by approximately 30% since the acquisition of BSI in 2016. Operating expenses decreased to CHF 485.2 million from CHF 492.0 million in the first half of 2019, despite EFG's investments in growth initiatives, including its new operations in Australia with the acquisition of Shaw and Partners, as well as in Milan, Lisbon and Dubai. On a like-for-like⁴ basis, EFG's expense base decreased by 5%. For the first half of 2020, the cost/income ratio was 87.3%.

As a result, underlying net profit amounted to CHF 37.7 million in the first half of 2020, compared to CHF 75.6 million the year before. This decrease mainly reflects a one-off provision of CHF 9.9 million in the first half of 2020 relating to the settlement with Italian tax authorities³; in addition, the first half of 2019 benefitted from a gain of CHF 13.6 million from the SIX Group participation and a CHF 9.9 million release of provisions for expected credit losses.

Compared to CHF 33.1 million in the second half of 2019, net profitability increased by 13.9%. Excluding the adverse impact of the CHF 9.9 million provision recorded in the first half of 2020, EFG grew its net profit by 43.8%.

Update on life insurance portfolio

In the first half of 2020, EFG's IFRS net profit included a positive contribution from the life insurance portfolio of CHF 5.3 million. This compares to a negative impact of CHF 27.7 million in the first half of 2019.

Update on legal cases

Following an industry-wide disclosure order from the Swiss Federal Tax Administration based on a request by Italian authorities for international administrative assistance, EFG agreed with Italian authorities to settlements covering income tax claims and recorded a provision of CHF 9.9 million in the first half of 2020. These claims mainly relate to former BSI clients resident in Italy. For more information on this matter, please refer to Notes 14 and 22 of the [Half-year Report 2020](#).

With regard to the ongoing multi-jurisdictional proceedings relating to a Taiwanese insurance company and a loan extended by EFG to an affiliate of this company, court hearings have been scheduled in multiple jurisdictions in the second half of this year. For more information on the matter, please refer to Note 5 of the [Half-year Report 2020](#).

Review of BTG Pactual escrow account

Following the second review of the number of EFG International shares owned by BTG Pactual and held in escrow as part of the indemnification agreement relating to the acquisition of BSI in 2016, the parties agreed to reduce the number shares held from last 38.2 million to 30.2 million. The reduction of shares reflects the lower level of risks covered by the indemnification agreement.

Strong capital and liquidity position

	1H 2020	2019
Capital position⁷		
Total capital ratio	19.1%	20.1%
CET1 capital ratio	15.3%	16.2%
Total regulatory capital	1,982.8	2,039.1
Return on shareholders' equity ⁸	4.6%	6.6%
Return on tangible equity ⁸	5.4%	7.9%

NOTE: June 2020 IFRS BIS-EU Basel II fully applied CET1 capital ratio of 13.4% and Total Capital ratio of 17.4%.

At end-June 2020, EFG's Swiss GAAP Common Equity Ratio (CET1) was 15.3%, compared to 16.2% at end-2019, and the Total Capital Ratio was 19.1%, compared to 20.1%. EFG's gross organic capital generation was 60 basis points, while risk-weighted assets remained stable (before application of new rules). EFG's capital figures include the accrual for the payment in full of the 2020 dividend (the payment of the second tranche was deferred to a decision by shareholders at an Extraordinary General Meeting in the fourth quarter of 2020) as well as a year-to-date accrual for the proposed dividend payment in 2021. Capital ratios were adversely affected by the introduction of new rules regarding the calculation of risk-weighted assets (SA-CCR), the legacy position in life insurance, and foreign exchange effects. In the first half of 2020, the overall liquidity of EFG's balance sheet increased as customer deposits rose by CHF 1.3 billion, while loans decreased by CHF 0.3 billion due to currency revaluation. EFG has a strong, stable and liquid balance sheet, with a Liquidity Coverage Ratio of 190% and a Loan/Deposit Ratio of 51% at end-June 2020.

Executing the 2022 strategic plan & outlook

EFG has maintained its positive growth momentum and continued to improve the efficiency of its private banking business, while accelerating the development of its digital capabilities to further enhance the client experience and improve operational efficiency. Going forward, EFG anticipates that lower-than-expected nominal Assets under Management and the low interest rate environment will put further pressure on revenues. To mitigate these impacts, EFG is implementing revenue management actions, promoting higher-value products and reviewing the pricing of its services. At the same time, EFG is accelerating its previously announced cost reduction measures.

EFG is rationalising its international booking centre footprint, focusing on high-growth target markets and exiting its presence in low-yielding, high cost/income locations, targeting a cost base reduction of approximately 5% by end-2021. In this context, EFG has agreed to sell its business in Chile and its onshore private banking subsidiary in France (Oudart) and to exit its Guernsey operations and transfer its private banking business to other international booking centres. Following all necessary regulatory approvals, the sale of EFG's Chile operations and Oudart subsidiary are expected to close in the second half of 2020. Following the transfer of all client relationships to alternative EFG locations, EFG's Guernsey location is expected to cease operations in the first half of 2021.

At the same time, EFG focuses on investing in and expanding its presence in target markets with substantial growth potential. Accordingly, EFG increased its majority stake in the Australian financial services provider Shaw and Partners in the first half of 2020. Following the initial acquisition of a 51% stake, which was announced in March 2019, EFG has now increased its stake to 61%, with the option to further raise its participation to 75% in 2021.

In addition, EFG is and taking decisive actions to significantly optimise the operational set-up of its eight main offshore booking centres. By end-2021, EFG targets to reduce its underlying cost base by 5%, through the centralisation of activities and the automation of processes as well as the introduction of new digital solutions to enhance the operational efficiency and the client experience.

EFG will also continue to apply strict cost discipline in order to reduce its administrative and general expenses. Having already reduced its general and administrative costs by 8% over the past year, EFG now aims to review and further optimise its real estate portfolio, better leveraging its available properties and creating more modern and flexible work places for its employees.

All of these efforts are designed to support EFG's strategic growth initiatives and to help it execute its 2022 strategic plan.

Half-Year Report 2020 and additional material

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

- [Half-year Report 2020](#)
- [Half-year 2020 financial results presentation](#)

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- 1 Alternative performance measures and Reconciliations:** This media release and other communications to investors contain certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS, such as "net new assets", "Assets under Management", "operating profit", "underlying net profit", "cost/income ratio", "Liquidity Coverage Ratio", "Loan/Deposit Ratio". These alternative performance measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. The definitions of APM used in this media release and other communications to investors, together with reconciliations to the most directly reconcilable IFRS line items, are provided in the section headed "Alternative performance measures" of the Half-year Report 2020 available at www.efginternational.com/Half-year-report.
- 2 Underlying results, such as "underlying net profit" or "underlying operating expenses", are not defined or specified by IFRS and should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For a definition of these non-IFRS performance measures, together with reconciliations to the most directly reconcilable IFRS line items, please refer to the section headed "Alternative Performance Measures" of the Half-year Report 2020 available at www.efginternational.com/Half-year-report.
- 3 For more detailed information on this matter, please refer to Notes 22 and 14 in the Half-year Report 2020, available at: www.efginternational.com/Half-year-report
- 4 Like-for-like basis: Excluding expenses in both periods relating to Shaw and Partners and investments in new locations (Milan, Lisbon, Dubai)
- 5 Excluding FTE's on notice period or in social plan; Including Shaw and Partners
- 6 The following section refers to underlying results only. Underlying results are not defined or specified by IFRS and should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For a definition of these non-IFRS performance measures, together with reconciliations to the most directly reconcilable IFRS line items, please refer to the section headed "Alternative Performance Measures" of the Half-year Report 2020 available at www.efginternational.com/Half-year-report.
- 7 Swiss GAAP Basel III, fully applied
- 8 Underlying – Excluding impact of acquisition-related intangible amortisation, legacy legal costs and provisions and impact of life insurance portfolio.

Presentation of first-half 2020 results

Wednesday, 22 July 2020, 09.30 CEST

Webcase presentation

EFG's half-year 2020 results will be presented by Giorgio Pradelli, Chief Executive Officer, and Dimitris Politis, Chief Financial Officer.

You can join the webcast presentation using the below details or alternatively follow it via telephone conference.

Webcast

A live webcast of the results presentation will be available [online](#).

Dial-in details

Switzerland: + 41 58 310 50 00

UK: + 44 207 107 06 13

Reference: EFG International half-year 2020 results

Please dial in to the telephone conference before the start of the presentation and ask for 'EFG International half-year 2020 results'.

Presentation slides and media release:

The presentation slides and media release will be available from 07.00 CEST on Wednesday, 22 July 2020, at: www.efginternational.com/Investor-presentations

The half-year 2020 Report is available for download as PDF from 07.00 CEST on Wednesday, 22 July 2020, 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 2020 (unaudited)

in CHF millions	30 June 2020	31 December 2019	30 June 2019	Changes vs	
				31 December 2019	30 June 2019
Client assets under management (AUM)	147,828	153,817	147,564	-3.9%	0.2%
Assets under administration (AUA)	19,272	18,876	18,042	2.1%	6.8%
Number of Client Relationship Officers	791	815	737	(24)	54
Number of Employees (FTE's) *	3,127	3,151	3,195	(24)	(68)

*Excluding FTE's on notice period or in social plan

Consolidated Income Statement for the year ended 30 June 2020 (unaudited)

	Half-year ended 30 June 2020	Half-year		Changes vs	
		ended 31 December 2019	ended 30 June 2019	2H 2019	1H 2019
Interest and discount income	260.8	324.6	355.7	(63.8)	(94.9)
Interest expense	(97.2)	(168.0)	(186.4)	70.8	89.2
Net interest income	163.6	156.6	169.3	7.0	(5.7)
Banking fee and commission income	403.5	421.8	326.7	(18.3)	76.8
Banking fee and commission expense	(83.3)	(103.5)	(52.0)	20.2	(31.3)
Net banking fee and commission income	320.2	318.3	274.7	1.9	45.5
Dividend income	2.1	0.1	7.1	2.0	(5.0)
Net trading income and foreign exchange gains less losses	47.3	86.3	73.8	(39.0)	(26.5)
Fair value gains less losses on financial instruments measured at fair value	27.0	43.2	13.9	(16.2)	13.1
Gains less losses on disposal of financial assets at fair value through other comprehensive income	2.9	2.5	10.9	0.4	(8.0)
Other operating income	0.6	8.1	6.1	(7.5)	(5.5)
Net other income	79.9	140.2	111.8	(60.3)	(31.9)
Operating income	563.7	615.1	555.8	(51.4)	7.9
Operating expenses	(497.2)	(494.7)	(503.6)	(2.5)	6.4
Provisions	(15.7)	(15.0)	(9.6)	(0.7)	(6.1)
Loss allowance expense	(3.5)	(24.0)	(0.6)	20.5	(2.9)
Profit before tax	47.3	81.4	42.0	(34.1)	5.3
Income tax expense	(9.9)	(13.8)	(9.3)	3.9	(0.6)
Net profit for the period	37.4	67.6	32.7	(30.2)	4.7
Net profit for the period attributable to:					
Net profit attributable to equity holders of the Group					
	34.8	62.7	31.5	(27.9)	3.3
Net profit attributable to non-controlling interests					
	2.6	4.9	1.2	(2.3)	1.4
	37.4	67.6	32.7	(30.2)	4.7

Consolidated Balance Sheet as at 30 June 2020 (unaudited)

	30 June 2020 CHF millions	31 December 2019 CHF millions	Variation %
Assets			
Cash and balances with central banks	7,616.0	8,384.4	-9%
Treasury bills and other eligible bills	1,092.4	1,375.3	-21%
Due from other banks	4,034.3	2,622.0	54%
Derivative financial instruments	1,344.6	800.9	68%
Financial assets at fair value through profit and loss	2,342.9	2,399.7	-2%
Financial assets at fair value through other comprehensive income	6,180.5	5,395.9	15%
Loans and advances to customers	18,706.4	19,029.8	-2%
Property, plant and equipment	261.6	282.1	-7%
Intangible assets	256.0	258.9	-1%
Deferred income tax assets	96.9	93.5	4%
Other assets	369.1	342.3	8%
Total assets	42,300.7	40,984.8	3%
Liabilities			
Due to other banks	633.0	397.2	59%
Due to customers	31,965.2	30,705.7	4%
Derivative financial instruments	1,534.5	951.0	61%
Financial liabilities at fair value	578.9	552.0	5%
Financial liabilities at amortised cost	4,709.4	5,312.9	-11%
Current income tax liabilities	13.4	20.2	-34%
Deferred income tax liabilities	23.9	25.4	-6%
Provisions	148.4	144.1	3%
Other liabilities	614.8	705.8	-13%
Subordinated loans	384.1	389.7	-1%
Total liabilities	40,605.6	39,204.0	4%
Equity			
Share capital	147.5	145.8	1%
Share premium	1,855.6	1,858.8	0%
Other reserves	218.2	286.0	-24%
Retained earnings	(577.9)	(563.9)	2%
Total shareholders' equity	1,643.4	1,726.7	-5%
Non-controlling interests	51.7	54.1	-4%
Total equity	1,695.1	1,780.8	-5%
Total equity and liabilities	42,300.7	40,984.8	3%

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 realise 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.