

## Media Release

# EFG increases net profit by 34% and AuM by 17%, supported by 4% NNA growth

Zurich, 26 February 2020

**In 2019, EFG refocused its business on achieving profitable growth and implemented a range of strategic business initiatives, as per its 2022 strategic plan.**

- **Net new assets<sup>1</sup> of CHF 5.2 billion, corresponding to an annual growth rate of 4.0%, in line with target range; further acceleration in the second half with all regions positive and an annualised growth rate of 6.6%**
- **Substantial increase in Assets under Management to CHF 153.8 billion, up 17.2% from end-2018**
- **IFRS net profit up by 34.0% to CHF 94.2 million, reflecting higher operating income and further reductions in operating expenses**
- **More than doubled the IFRS operating profit from CHF 81.3 million in 2018 to CHF 172.6 million in 2019**
- **Underlying net profit decreased to CHF 108.7 million, reflecting challenging interest rate environment and substantial investments in growth**
- **Successfully achieved cumulative cost synergies of CHF 242 million by year-end 2019, meeting the target announced in 2016**
- **On track with strategic business initiatives, strengthening EFG's international presence with acquisition of Shaw and Partners in Australia, relaunch of its Italian domestic business from Milan and launch of operations in Portugal and Dubai**
- **Record year in terms of CRO hiring, with 181 CROs hired, signed or approved in 2019, exceeding the original guidance**
- **Strong capital position, with Swiss GAAP CET1 ratio of 16.2%, Total Capital Ratio of 20.1%**
- **Proposed dividend of CHF 0.30 per share, unchanged from last year**

Giorgio Pradelli, CEO of EFG International: "In 2019, we successfully refocused our business on profitable growth and executed on a range of our strategic initiatives. Our results for the full year reflect these efforts, notwithstanding substantial investments in growth and the challenging interest rate environment. Going forward, we will concentrate on maintaining this growth momentum, with our investments starting to pay off, while further rationalising our international booking centre footprint and enhancing operational efficiency to deliver significant improvement in profitability."

<sup>1</sup> **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", "cumulative cost synergies", "underlying results", "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 Annual Report 2019 available at [www.efginternational.com/Annual-report-2019](http://www.efginternational.com/Annual-report-2019).

### **Executing 2022 strategic plan: Investing in growth**

In March 2019, EFG presented its 2022 strategic plan, which focuses on achieving profitable growth, building on EFG's strong value proposition and distinctive Client Relationship Officer (CRO) model, while ensuring effective capital deployment. By end-2019, EFG has already made considerable progress on its business development initiatives:

- A record 181 CROs were hired, signed or approved in 2019, exceeding EFG's original guidance of 70-100 new CRO hires per annum. As of end-2019, EFG reported a total of 815 Client Relationship Officers (CROs). Excluding the CROs from Shaw and Partners, EFG had 629 CROs as of end-2019, which compares to 590 CROs at the end of 2018, reflecting the ongoing performance management measures.
- EFG improved the productivity of its CROs, increasing the average portfolio size per existing CRO (excluding new hires in 2019) to CHF 295 million, compared to CHF 222 million by end-2018, and applying stricter performance measures. In addition, EFG increased its advisory and discretionary mandate penetration to 47%, including Shaw and Partners, at the end of 2019, offering its clients expert advice and tailored services.
- The Switzerland & Italy Region returned to positive net new asset inflows, with a growth rate of 2.4% for the full year and 6.1% (annualised) for the second half of the year.
- EFG strengthened its international presence with the opening of its new offices in Dubai and Lisbon and the relaunch of its Italian domestic business from Milan.
- With the acquisition of Shaw and Partners in March 2019, EFG considerably expanded its coverage of Asia Pacific, gaining immediate access to the Australian market.

### **Net new asset growth of 4.0% and considerable increase in Assets under Management to CHF 153.8 billion**

In 2019, EFG successfully rebounded from previous years, which were marked by the BSI integration, and throughout the course of 2019 saw an acceleration in terms of net asset inflows. On a full-year basis, EFG generated CHF 5.2 billion of net new assets, corresponding to a growth rate of 4.0%, in line with its target range of 4-6%. In the second half of the year, net inflows further improved compared to the first six months, with all regions registering positive net asset inflows and an annualised net asset growth rate of 6.6%. In particular the UK and Continental Europe & Middle East Regions had consistently strong inflows during the year, with net new asset growth rates of 8.9% and 5.0%, respectively. On a global level, net new asset developments reflected a balanced contribution from both new CROs and existing CROs as well as EFG's new locations.

Throughout the year, revenue-generating Assets under Management improved significantly. By the end of 2019, Assets under Management were CHF 153.8 billion, compared to CHF 131.2 billion at end-2018. This 17.2% increase was driven by the acquisition of the majority stake in Shaw and Partners, with Assets under Management of approximately CHF 11.6 billion, as well as positive market effects and the net asset inflows.

## Overview of 2019 key results

	2019	2018
<b>In CHF billions</b>		
Revenue-generating Assets under Management	<b>153.8</b>	131.2
Net new assets	<b>5.2</b>	(2.1)
Net new assets growth (annualised %)	<b>4.0%</b>	-1.5%
<b>Reported results (in CHF millions)</b>		
Operating income	<b>1,170.9</b>	1,145.6
Operating expenses	<b>998.3</b>	1,064.3
Operating profit*	<b>172.6</b>	81.3
IFRS net profit attributable to equity holders of the Group	<b>94.2</b>	70.3
<b>Underlying results* (in CHF millions)</b>		
Operating income	<b>1,142.8</b>	1,165.1
Operating expenses	<b>975.9</b>	966.5
Operating profit*	<b>166.9</b>	198.6
Net profit	<b>108.7</b>	191.8
<b>Underlying ratios</b>		
Revenue margin/excl. Shaw and Partners (in bps)*	<b>79 / 82</b>	84
Cost/income ratio*	<b>85.2%</b>	82.9%
CROs/CROs excl. Shaw and Partners	<b>815 / 629</b>	590
Number of full-time employees (FTE)**	<b>3,151</b>	3,153

\* Alternative Performance Measures and Reconciliations: Assets under Management, net new assets, operating profit, cumulative const synergies, underlying results and underlying ratios are alternative performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. The definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, are provided in the section headed "Alternative Performance Measures" of the Annual Report 2019 available at [www.efginternational.com/Annual-report-2019](http://www.efginternational.com/Annual-report-2019)

\*\* Excluding FTE's on notice period or in social plan (as of 31 December 2019); Including Shaw and Partners

## Significantly improved IFRS profitability driven by higher revenues and lower operating expenses

In 2019, EFG improved its IFRS net profit attributable to equity holders to CHF 94.2 million, up 34.0% compared to CHF 70.3 million in 2018. This increase was primarily driven by higher revenues, which included contributions from Shaw and Partners and the life insurance portfolio, as well as a further reduction in operating expenses – in spite of additional operating expenses from Shaw and Partners and investments in growth – reflecting the absence of integration costs. These positive impacts were partly offset by a normalisation in provisions and tax expenses. On a pre-tax basis, EFG more than doubled its operating profit from CHF 81.3 million in 2018 to CHF 172.6 million in 2019 – reflecting an increase of 112.3%.

EFG's IFRS net profit for 2019 includes the following non-underlying items:

- CHF 11.7 million gain from EFG's legacy life insurance portfolio
- CHF 7.4 million intangible amortisation charge
- CHF 18.8 million of legal costs and provisions relating to previously disclosed legacy matters

## **Analysis of underlying results<sup>1</sup>: Resilient core investment business despite negative interest rate impact**

In 2019, EFG's underlying financial performance reflected a sharp decrease in interest rates and substantial investments in growth initiatives, resulting in an operating profit of CHF 166.9 million for the full year, which compares to CHF 198.7 million in 2018.

Operating income in 2019 was CHF 1,142.8 million, down compared to CHF 1,165.1 million in 2018, reflecting the continued downward trend in interest rates. In line with this, net interest income was CHF 336.4 million, down compared to CHF 372.7 million in the previous year and net other income also decreased from CHF 227.8 million in 2018 to CHF 213.4 million in 2019. This was, however, partially offset by an increase in net commissions from CHF 564.6 million in 2018 to CHF 593.0 million in 2019, with a positive trend in the second half of the year. Operating income in 2019 also included an improving contribution from Global Markets and strong results from Treasury as well as a pre-tax one-off gain of CHF 15 million from the SIX participation in the first half of the year. Affected by the low interest rate environment – in particular the reduction in US interest rates – EFG's underlying revenue margin decreased to 79 basis points, including Shaw and Partners, and to 82 basis points when excluding Shaw and Partners.

Throughout 2019 and in line with its 2022 strategic plan, EFG continued to exercise strict cost discipline, while also investing in growth. As a result, it continued to realise its targeted cost synergies, successfully achieving CHF 55 million of pre-tax synergies in 2019, reaching a total of cumulative pre-tax cost synergies of CHF 242 million, in line with its target of CHF 240 million by end-2019. In parallel, following the announcement of its 2022 strategic plan, EFG frontloaded a substantial part of its investments in growth initiatives with the acquisition of Shaw and Partners, significant CRO hiring and the launch of its new presences. In line with this, EFG reported higher operating expenses of CHF 975.9 million in 2019, compared to CHF 966.5 million in 2018. When excluding the operating expenses of Shaw and Partners, EFG lowered its costs to CHF 950.6 million. For 2019, EFG's cost/income ratio was 85.2%.

In addition, EFG's net profitability of CHF 108.7 million in 2019 compares to CHF 191.8 million in 2018, as it was impacted by a normalisation in provisions and tax expenses. In 2019, EFG recorded provisions of CHF 18.4 million, in contrast to a release of provisions of CHF 18.7 million in 2018. Likewise, tax expenses normalised from CHF 8.6 million in 2018 to CHF 25.0 million in 2019.

The number of employees was 3,151<sup>2</sup> (full-time equivalents) at the end of 2019. On a like-for-like basis, excluding Shaw and Partners, the number of employees was 3,041<sup>2</sup> (full-time equivalents) at the end of 2019, down from 3,153 at end-2018.

<sup>1</sup> 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 Annual Report 2019 available at [www.efginternational.com/Annual-report-2019](http://www.efginternational.com/Annual-report-2019).

<sup>2</sup> Excluding FTE's on notice period or in social plan (as of 31 December 2019)

## Update on life insurance portfolio

In 2019, EFG's IFRS net profit included a positive contribution of the life insurance portfolio of CHF 11.7 million, with CHF 39.4 million of gains in the second half of the year more than offsetting a loss of CHF 27.7 million in the first half of the year. This compares to a negative impact of CHF 26.9 million in 2018.

In December 2019, EFG restructured its indirect exposure to life insurance positions in 2019 as it foreclosed on loans with life insurance policies as collateral. Going forward, the indirect exposure will be replaced by a direct one. This restructuring did not alter EFG's overall economic exposure to life insurance and the impact on EFG's financial results was marginal.

## Strong capital and liquidity position

	2019	2018
<b>Capital position*</b>		
Total capital ratio	<b>20.1%</b>	21.6%
CET1 capital ratio	<b>16.2%</b>	17.6%
Total regulatory capital	<b>2,039.1</b>	2,181.4
Return on shareholders' equity**	<b>6.6%</b>	11.6%
Return on tangible equity**	<b>7.8%</b>	13.2%

NOTE: 2019 IFRS BIS-EU Basel II fully applied CET1 capital ratio of 14.0% and Total Capital ratio of 18.2%.

\* Swiss GAAP Basel III, fully applied

\*\* Underlying – Excluding impact of acquisition-related intangible amortisation, legacy legal costs and provisions and impact of life insurance portfolio.

At the end of 2019, EFG's Swiss GAAP Common Equity Ratio (CET1) was 16.2%, compared to 17.6% at end-2018, reflecting amongst other items EFG's organic capital generation of 140 basis points, stable risk-weighted assets, the proposed dividend payment and some exceptional items relating to legacy positions. The Total Capital Ratio was 20.1% at the end of 2019, compared to 21.6% at end-2018. In 2019, the overall liquidity of EFG's balance sheet increased as customer deposits increased by CHF 0.6 billion, while loans only increased by CHF 0.2 billion. EFG has a strong, stable and liquid balance sheet, with a Liquidity Coverage Ratio of 182% and a Loan/Deposit Ratio of 53% at the end of 2019.

## Ordinary dividend

EFG will propose the payment of an ordinary dividend of CHF 0.30 per share (exempt from Swiss withholding tax) to the Annual General Meeting of 29 April 2020. This is unchanged from the dividend distributed in the previous year.

## Outlook & 2022 strategic plan

EFG will continue to execute its strategic plan, focusing on its targeted business initiatives and on maintaining the net new asset growth momentum, while continuing to enhance its operational efficiency in order to further improve profitability.

Taking into consideration the continued low interest rate environment and margin pressure, EFG will further leverage its comprehensive Investment Solutions and Global Markets capabilities to provide its clients with value-adding products and services, further improving EFG's penetration of high-margin products and its return on Assets under Management. In addition, EFG's operating income is expected to benefit from higher average Assets under Management levels given the significantly higher starting point in terms of Assets under Management as of beginning 2020.

EFG will continue to apply strict cost discipline and enhance its operational efficiency. Over the past four years, EFG has considerably reduced its overall cost base by CHF 340 million, corresponding to a 27% decrease on a like-for-like basis, excluding Shaw and Partners and investments in growth initiatives. It has not only successfully achieved its targeted cost synergies of CHF 240 million by end-2019 but further reduced expenses by an additional CHF 100 million through other cost management actions.

Going forward, EFG plans to execute further cost management actions, streamline its processes and reduce general and administrative expenses, capitalising on its improving operating leverage. EFG plans to rationalise its international booking centre footprint, by exiting or reducing its presence in less profitable locations with a high cost/income ratio. Furthermore, EFG will further optimise the operational set-up of its eight main offshore centres, eliminating duplications and streamlining processes in order to make them more cost-efficient. All of these efforts are designed to support the strategic growth initiatives and to help EFG achieve its end-2022 cost/income ratio target of 72-75%. Several of these actions have already been initiated and are expected to benefit EFG's overall operational efficiency throughout the year.

Following the announcement of its 2022 strategic plan in March 2019, EFG has successfully shifted its focus from integration back to growth and has implemented a range of strategic initiatives. In 2020 and going forward, EFG will focus on maintaining its positive momentum, building on the highest risk and compliance standards, in order to drive profitable and sustainable growth and deliver its 2022 strategic plan.

### **2019 Annual Report and additional material**

This media release, the results and investor update presentations as well as the full Annual Report are available at [www.efginternational.com](http://www.efginternational.com) and can be directly accessed and downloaded as a PDF using the below links:

- [2019 Annual Report](#)
- [Full-year 2019 financial results presentation](#)

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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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## Important Disclaimer

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This release contains specific forward-looking statements that include terms like “believe”, “assume”, “expect”, “target” or similar expressions. Such forward-looking statements represent EFG’s judgments and expectations and are subject to known and unknown risks, uncertainties and other factors that may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) the ability to successfully realise the synergies expected from the integration of BSI SA (“BSI”), (2) general market, macroeconomic, governmental and regulatory trends, (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, and (5) other risks and uncertainties inherent in the business of EFG and its subsidiaries, including BSI group legacy risks. EFG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

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.

# Presentation of full-year 2019 results

**Wednesday, 26 February 2020, 09.30 CET**

**Metropol, Fraumünsterstrasse 12, 8001 Zurich**

EFG's full-year 2019 results will be presented by Giorgio Pradelli, Chief Executive Officer, and Dimitris Politis, Chief Financial Officer.

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 06 13

Reference: EFG International full-year 2019 results

Please dial in to the telephone conference before the start of the presentation and ask for 'EFG International full-year 2019 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 CET on Wednesday, 26 February 2020, at: [www.efginternational.com/Investor-presentations](http://www.efginternational.com/Investor-presentations)

The 2019 Annual Report is available for download as PDF from 07.00 CET on Wednesday, 26 February 2020, under the following link: [www.efginternational.com/Annual-report-2019](http://www.efginternational.com/Annual-report-2019)

## **Playback**

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

# Financials

## Key figures as at 31 December 2019 (unaudited)

in CHF millions	31 December 2019	31 December 2018	Changes vs 31 December 2018
Client assets under management (AUM)	153,817	131,229	17.2%
Assets under administration (AUA)	18,876	18,479	2.1%
Number of Client Relationship Officers	815	590	225
Number of Employees (FTE's) *	3,151	3,153	(2)

\*Excluding FTE's on notice period or in social plan (as of 31 December 2019)

## Consolidated Income Statement for the year ended 31 December 2019 (unaudited)

	31 December 2019	31 December 2018	Changes vs 2018
Interest and discount income	680.3	648.3	32.0
Interest expense	(354.4)	(287.0)	(67.4)
<b>Net interest income</b>	<b>325.9</b>	<b>361.3</b>	<b>(35.4)</b>
Banking fee and commission income	748.5	681.8	66.7
Banking fee and commission expense	(155.5)	(117.2)	(38.3)
<b>Net banking fee and commission income</b>	<b>593.0</b>	<b>564.6</b>	<b>28.4</b>
Dividend income	7.2	5.1	2.1
Net trading income and foreign exchange gains less losses	160.1	165.7	(5.6)
Fair value gains less losses from financial instruments measured at fair value	57.1	24.5	32.6
Gains less losses on disposal of financial assets at fair value through other comprehensive income	13.4	2.0	11.4
Other operating income	14.2	22.4	(8.2)
<b>Net other income</b>	<b>252.0</b>	<b>219.7</b>	<b>32.3</b>
<b>Operating income</b>	<b>1,170.9</b>	<b>1,145.6</b>	<b>25.3</b>
Operating expenses	(998.3)	(1,064.3)	66.0
Provisions	(24.6)	15.8	(40.4)
Loss allowance expense	(24.6)	(16.9)	(7.7)
<b>Profit before tax</b>	<b>123.4</b>	<b>80.2</b>	<b>43.2</b>
Income tax expense	(23.1)	(7.1)	(16.0)
<b>Net profit for the period</b>	<b>100.3</b>	<b>73.1</b>	<b>27.2</b>
<b>Net profit for the period attributable to:</b>			
Net profit attributable to equity holders of the Group	94.2	70.3	23.9
Net profit attributable to non-controlling interests	6.1	2.8	3.3
	<b>100.3</b>	<b>73.1</b>	<b>27.2</b>

## Consolidated Balance Sheet as at 31 December 2019

	31 December 2019 CHF millions	31 December 2018 CHF millions	Variation %
<b>Assets</b>			
Cash and balances with central banks	8,384.4	7,141.9	17%
Treasury bills and other eligible bills	1,375.3	1,199.1	15%
Due from other banks	2,622.0	3,205.6	-18%
Derivative financial instruments	800.9	1,219.6	-34%
Financial assets at fair value through P&L	2,399.7	2,040.9	18%
Financial assets at fair value through other comprehensive income	5,395.9	5,806.1	-7%
Loans and advances to customers	19,029.8	18,809.5	1%
Property, plant and equipment	282.1	202.1	40%
Intangible assets	258.9	200.6	29%
Deferred income tax assets	93.5	117.5	-20%
Other assets	342.3	217.6	57%
<b>Total assets</b>	<b>40,984.8</b>	40,160.5	2%
<b>Liabilities</b>			
Due to other banks	397.2	302.8	31%
Due to customers	30,705.7	30,065.5	2%
Derivative financial instruments	951.0	1,213.9	-22%
Financial liabilities at fair value	552.0	584.2	-6%
Financial liabilities at amortised cost	5,312.9	5,204.8	2%
Current income tax liabilities	20.2	12.5	62%
Deferred income tax liabilities	25.4	19.7	29%
Provisions	144.1	135.6	6%
Other liabilities	705.8	568.8	24%
Subordinated loans	389.7	396.6	-2%
<b>Total liabilities</b>	<b>39,204.0</b>	38,504.4	2%
<b>Equity</b>			
Share capital	145.8	145.1	0%
Share premium	1,858.8	1,876.8	-1%
Other reserves	286.0	206.4	39%
Retained earnings	(563.9)	(600.6)	-6%
<b>Total shareholders' equity</b>	<b>1,726.7</b>	1,627.7	6%
Non-controlling interests	54.1	28.4	90%
<b>Total equity</b>	<b>1,780.8</b>	1,656.1	8%
<b>Total equity and liabilities</b>	<b>40,984.8</b>	40,160.5	2%