

Media Release

EFG grows its business with 5.5% NNA increase and IFRS net profit up 22%

Zurich, 24 February 2021

In 2020, EFG significantly grew its business with a marked acceleration in profitability, especially in the second half of the year, and demonstrated its operational and financial resilience against the backdrop of the pandemic.

- **EFG accelerated its growth momentum with its strongest net new asset¹ inflows in a decade of CHF 8.4 billion for the full year, corresponding to a growth rate of 5.5%.**
- **Assets under Management increased to CHF 158.8 billion from CHF 153.8 billion at end-2019, as strong asset inflows and positive market effects offset adverse foreign exchange impacts.**
- **IFRS net profit increased by 22.4% to CHF 115.3 million.**
- **Strong acceleration of profitability in 2H20, as effects from revenue and cost management measures materialised. Net profit more than doubled compared to the first half of 2020 and underlying² cost/income ratio improved to 78.2%.**
- **EFG continues to rationalise its footprint and optimise the operational set-up of its eight core offshore booking centres.**
- **EFG maintained strong capital and liquidity positions, with a Swiss GAAP CET1 ratio of 16.2%, Total Capital Ratio of 19.9% and an Liquidity Coverage Ratio of 188%. In January 2021, EFG further strengthened its capital position as it successfully placed USD 400 million of Additional Tier 1 Notes and bought back approximately 50% of outstanding Tier 2 Notes.**
- **Proposed dividend of CHF 0.30 per share, unchanged from last year.**

Giorgio Pradelli, CEO of EFG International: “In 2020, as the global spread of the coronavirus sparked uncertainty around the globe, our teams showed great commitment and strength as they adapted to these new circumstances and continued to put our clients first. We invested in enhancing our digital capabilities to ensure a high level of connectivity and supported our clients with our extensive expertise and tailor-made private banking services. This is also reflected in our results, as we accelerated our net new asset growth momentum and boosted profitability. Despite continued pressures on net interest income, our core business performed well – especially in the second half of the year. We expect to see similar trends going forward, as we continue to invest in growth initiatives and enhance our operational efficiency.”

Overview of 2020 key results

	2019	1H20	2H20	2020
In CHF billions				
Revenue-generating Assets under Management	153.8	147.8	158.8	158.8
Net new assets	5.2	4.2	4.2	8.4
Net new assets growth (annualised %)	4.0%	6.4%	5.7%	5.5%
Reported results (in CHF millions)				
Operating income	1,170.9	563.7	566.9	1,130.6
Operating expenses	998.3	497.2	454.3	951.5
Operating profit ¹	172.6	66.5	112.6	179.1
IFRS net profit attributable to equity holders of the Group	94.2	34.8	80.5	115.3
Underlying results² (in CHF millions)				
Operating income	1,142.8	554.8	559.8	1,114.6
Operating expenses	975.9	485.2	439.5	924.7
Operating profit ¹	166.9	69.6	120.3	189.9
Net profit	108.7	37.7	76.7	114.4
Underlying ratios				
Revenue margin (in bps) ¹	79	76	74	75
Cost/income ratio ¹	85.2%	87.3%	78.2%	82.7%
CROs	815	791	772	772
Number of full-time employees (FTE) ³	3,151	3,127	3,073	3,073

Accelerated growth momentum and increased net new asset growth to 5.5%

For the second consecutive year, EFG successfully grew its business in line with its 2022 strategic plan and accelerated net new asset growth from 4.0% in 2019 to 5.5% in 2020. For the full year 2020, EFG attracted strong net new asset inflows of CHF 8.4 billion, with equally strong inflows of CHF 4.2 billion in the first and second halves of the year. All regions recorded positive net inflows and especially the Continental Europe & Middle East and UK regions achieved strong results, with growth rates exceeding the 4-6% target range. In addition, the Switzerland & Italy Region continued to record consistently positive net asset inflows and the Latin America Region returned to growth. Following outflows due to deleveraging in the first quarter of 2020, the Asia Pacific Region experienced positive inflows during the remainder of the year.

EFG continued to attract experienced, high-quality CRO teams and hired, signed or approved 76 new CROs in 2020, in line with its guidance of 70-100 CROs. The development of net new assets reflected a balanced contribution from both new and existing CROs as well as from new locations. At the same time, EFG improved the productivity of its CROs, reducing the overall number of CROs from 815 at end-2019 to 772 at end-2020 and increasing the average portfolio size per CRO to CHF 254 million (excluding Shaw and Partners).

Revenue-generating Assets under Management increased from CHF 153.8 billion at end-2019 to CHF 158.8 billion at the end of 2020, as strong net asset inflows and positive market effects offset adverse foreign exchange impacts.

IFRS net profit up 22.4% despite the coronavirus pandemic

In 2020, EFG demonstrated its financial resilience and its ability to drive forward its growth strategy despite the coronavirus pandemic and continued pressures on revenues and margins. IFRS net profit increased by 22.4% year on year to CHF 115.3 million in 2020, driven by improving underlying profitability and no net adverse impact from non-underlying items. EFG's IFRS net profit for 2020 includes the following non-underlying items:

- CHF 14.9 million gain from EFG's legacy life insurance portfolio, slightly up from CHF 11.7 million in 2019.
- CHF 6.2 million of legal costs and provisions relating to previously disclosed legacy matters, reflecting a decline on the back of a favourable court decision in Hong Kong (see next page for additional information).
- CHF 7.8 million intangible amortisation charge.

Underlying results⁴: Good performance of core business despite pressure on margins

In 2020, EFG successfully offset adverse effects on revenues from the low interest rate environment with a substantial increase in commission income and significant efficiency gains.

Operating income decreased to CHF 1,114.6 million in 2020, compared to CHF 1,142.8 million in the previous year. This mainly reflects the impact of low interest rates (primarily in USD), with net interest income decreasing by 10.0% to CHF 302.8 million and net other income declining by 26.9% to CHF 156.1 million. Despite these adverse impacts, the overall quality and sustainability of revenues improved in 2020. Net commission income rose by 10.6% to CHF 655.7 million – accounting for 59% of EFG's overall revenues – as EFG improved penetration of high-value services and client trading activity increased. Despite the negative effects of the low interest rate environment, which primarily impacted the second half of the year, operating income remained stable over the course of the year, as decreases in net interest income were offset by higher net commissions. EFG's revenue margin for 2020 was 75 basis points.

In line with its 2022 strategic plan, EFG continued to grow its business in 2020 while also improving its operational efficiency. Year on year, EFG reduced its operating expenses by 5.2% to CHF 924.7 million, with markedly lower costs in the second half of 2020 compared to the first, as it accelerated its cost reduction measures. In addition, EFG's operating expenses for 2020 include the full impact of its new operations in Milan, Lisbon and Dubai, which were only partially reflected in 2019. In line with this, EFG's cost/income ratio improved to 82.7% for the full year and to 78.2% for the second half of 2020, as operating expenses decreased by 9.4% compared to the first half of 2020.

In line with this, EFG increased its operating profit by 13.8% to CHF 189.9 million in 2020. Furthermore, operating profit increased by 73% to CHF 120.3 million in the second half of 2020 compared to the first half, as EFG successfully implemented strategic actions to increase revenues and operational efficiency.

As a result, underlying net profit increased from CHF 108.7 million in 2019 to CHF 114.4 million in 2020. Despite structural pressures on revenues and margins due to the prolonged low interest rate environment, EFG doubled its net profit in the second half of 2020 compared to the first half of the year with a slight increase in revenues and improved efficiency.

Update on legal case relating to Taiwanese insurance company

EFG is pleased to announce that it has successfully concluded its legal proceedings in Hong Kong, relating to the enforcement of an arbitration award which was sought against it by a Taiwanese insurance company. In January 2021, the Hong Kong High Court issued its final decision, denying leave to appeal which was requested by the counterparty, following the prior decision by the court in November 2020 that the arbitration award could not be enforced in Hong Kong. Regarding the multijurisdictional legacy case, EFG remains involved in legal proceedings in Singapore and Taiwan. For additional information on the multi-jurisdictional proceedings, please refer to Note 8.5 (ii) of the [2020 Annual Report](#).

EFG demonstrated financial resilience with a continued strong capital and liquidity position

	2019	2020
Capital position⁵		
Total capital ratio	20.1%	19.9%
CET1 capital ratio	16.2%	16.2%
Total regulatory capital	2,039.1	1,969.4
Return on shareholders' equity ⁶	6.6%	6.9%
Return on tangible equity ⁶	7.9%	8.1%

NOTE: 2020 IFRS BIS-EU Basel II fully applied CET1 capital ratio of 13.4% and Total Capital ratio of 17.3%.

In 2020, EFG demonstrated its financial resilience. Despite the effects of the coronavirus situation as well as the adverse impact of the introduction of new risk-weighted assets calculations (SA-CCR), EFG's capital ratios remained stable. At end-2020, EFG's Swiss GAAP Common Equity Ratio (CET1) was 16.2%, compared to 16.2% at end-2019, and Total Capital Ratio was 19.9%, compared to 20.1%. Gross capital generation was 130 basis points, while risk-weighted assets decreased by CHF 0.2 billion, more than offsetting the increase due to SA-CCR. In 2020, the overall liquidity of EFG's balance sheet rose as customer deposits increased by CHF 0.1 billion, while loans decreased by CHF 0.8 billion. EFG has a strong, stable and liquid balance sheet, with a Liquidity Coverage Ratio of 188% and a Loan/Deposit Ratio of 52% at end-2020.

As part of EFG's active approach to capital management, it successfully placed USD 400 million Additional Tier 1 Notes in January 2021, while simultaneously buying back approximately 50% of outstanding USD 400 million Tier 2 Notes. As a result of this transaction, which was well received, with a significant uptake in the market, EFG further strengthened its regulatory capital base (proforma CET1 capital ratio of 16.2% and Total capital ratio of 21.6%), which will be reflected in the 2021 half-year results.

Maintained ordinary dividend at CHF 0.30 per share

EFG will propose the payment of an ordinary dividend of CHF 0.30 per share from capital reserves (exempt from Swiss withholding tax) to the Annual General Meeting of 29 April 2021. This dividend is unchanged from the previous year.

EFG's response to the coronavirus pandemic

In 2020, the global spread of the coronavirus created unprecedented challenges for economies, markets, organisations and individuals worldwide. For EFG, the primary focus was on protecting the health and wellbeing of employees and clients, while ensuring the uninterrupted delivery of high-quality private banking services.

EFG swiftly implemented wide-ranging split-office and work-from-home arrangements, with the majority of its employees working remotely since the first quarter of 2020. Thanks to the unwavering dedication and commitment of its teams, EFG seamlessly adapted to the new circumstances and remained close to its clients – actively engaging with them and helping them to navigate the volatile market environment. In addition, EFG has accelerated the development of its digital capabilities to facilitate frequent communication and improve the overall client experience.

Executing the 2022 strategic plan

In 2020, EFG accelerated its growth momentum as it continued to execute its 2022 strategic plan and further developed its business while simultaneously improving its operational efficiency.

- It increased net new asset inflows and returned all its business regions to growth. In addition, EFG's new locations – including Australia, Milan, Lisbon, Porto and Dubai – recorded strong net new assets of CHF 2.7 billion in 2020.
- EFG continued to invest in target growth markets and increased its majority stake in Shaw and Partners from 51% to 61% – with the option to further increase its stake to 75% in 2021.
- As part of its investment-led approach, EFG leveraged its extensive Investment Solutions capabilities – including its high-performing asset management business – to provide clients with relevant insights and tailor-made solutions. Accordingly, EFG improved its advisory and discretionary mandate penetration from 47% at end-2019 to 49% at end-2020.
- In 2020, EFG accelerated the rationalisation of its international footprint and the optimisation of its eight main offshore booking centres, with the full positive effects expected to materialise in 2021. This included the sale of its Ticino-based retail business and of its entities in Chile and France, as well as the transfer of its Guernsey business to other booking centres. As part of these continuous efforts, EFG is also announcing the reorganisation and streamlining of its fund management business with the sale of its Luxembourg fund management company, EFG Fund Management S.A., subject to regulatory clearance.

For the second consecutive year, EFG achieved net new asset growth within its 4-6% target range and it significantly improved its underlying cost/income ratio, which was 78.2% for the second half of 2020, as well as its return on tangible equity, which increased to 11.4% for the second half of 2020. In light of structural pressures, the revenue margin remained subdued, but EFG is implementing respective revenue management and repricing measures to mitigate these effects, as it already significantly improved the quality of its revenues based on its increased net commission income.

Outlook: Maintaining positive momentum and driving profitability

EFG has seen strong levels of client activity in the first weeks of 2021 and has a promising pipeline in terms of net new assets. Going forward, EFG is confident that it will maintain its growth momentum and further improve profitability on the back of ongoing revenue management and cost reduction measures. In line with this, EFG plans to strengthen its margin levels and mitigate the effects of the persistently low interest rate environment, by leveraging its extensive Investment Solutions offering to provide clients with high-value products and services. In addition, to enhance its operational efficiency, EFG will further rationalise its international booking centre footprint and optimise its operational set-up by centralising certain corporate functions and automating internal processes.

EFG remains on a positive trajectory to realise its strategic targets and further strengthen its competitive market position.

2020 Annual Report and additional material

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

- [2020 Annual Report](#)
- [Full-year 2020 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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- 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", "revenue margin", "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 2020 Annual Report available at www.efginternational.com/Annual-report-2020.
- 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 2020 Annual Report available at www.efginternational.com/Annual-report-2020.
- Excluding FTE's on notice period or in social plan; Including Shaw and Partners
- 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 2020 Annual Report available at www.efginternational.com/Annual-report-2020.
- 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.

Presentation of full-year 2020 results

Wednesday, 24 February 2020, 09.30 CET

Webcast presentation

EFG's full-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 full-year 2020 results

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

Presentation slides and media release:

The presentation slides and media release will be available from 07.00 CET on Wednesday, 24 February 2021, at: www.efginternational.com/Investor-presentations

The 2020 Annual Report is available for download as PDF from 07.00 CET on Wednesday, 24 February 2021, under the following link: www.efginternational.com/Annual-report-2020

Playback

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

Financials

Key figures as at 31 December 2020

in CHF millions	31 December 2020	31 December 2019	Changes vs 31 December 2019
Client assets under management (AUM)	158,767	153,817	3.2%
Assets under administration (AUA)	21,539	18,876	14.1%
Number of Client Relationship Officers	772	815	(43)
Number of Employees (FTE's) *	3,073	3,151	(78)

*Excluding FTE's on notice period or in social plan (as of year end)

Consolidated Income Statement for the year ended 31 December 2020

	31 December 2020	31 December 2019	Changes vs 2019
Interest and discount income	476.4	680.3	(203.9)
Interest expense	(176.5)	(354.4)	177.9
Net interest income	299.9	325.9	(26.0)
Banking fee and commission income	834.6	748.5	86.1
Banking fee and commission expense	(178.9)	(155.5)	(23.4)
Net banking fee and commission income	655.7	593.0	62.7
Dividend income	2.1	7.2	(5.1)
Net trading income and foreign exchange gains less losses	138.6	160.1	(21.5)
Fair value gains less losses from financial instruments measured at fair value	19.3	57.1	(37.8)
Gains less losses on disposal of financial assets at fair value through other comprehensive income	6.8	13.4	(6.6)
Other operating income	8.2	14.2	(6.0)
Net other income	175.0	252.0	(77.0)
Operating income	1,130.6	1,170.9	(40.3)
Operating expenses	(951.5)	(998.3)	46.8
Provisions	(25.5)	(24.6)	(0.9)
Loss allowance expense	(1.3)	(24.6)	23.3
Profit before tax	152.3	123.4	28.9
Income tax expense	(30.5)	(23.1)	(7.4)
Net profit for the period	121.8	100.3	21.5
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	115.3	94.2	21.1
Net profit attributable to non-controlling interests	6.5	6.1	0.4
	121.8	100.3	21.5

Consolidated Balance Sheet as at 31 December 2020

	31 December 2020 CHF millions	31 December 2019 CHF millions	Variation %
Assets			
Cash and balances with central banks	8,642.9	8,384.4	3%
Treasury bills and other eligible bills	1,026.9	1,375.3	-25%
Due from other banks	3,097.0	2,622.0	18%
Derivative financial instruments	1,154.7	800.9	44%
Financial assets at fair value through profit and loss	2,132.2	2,399.7	-11%
Financial assets at fair value through other comprehensive income	4,953.0	5,395.9	-8%
Loans and advances to customers	18,223.0	19,029.8	-4%
Property, plant and equipment	335.2	282.1	19%
Intangible assets	260.4	258.9	1%
Deferred income tax assets	96.5	93.5	3%
Other assets	715.4	342.3	109%
Total assets	40,637.2	40,984.8	-1%
Liabilities			
Due to other banks	443.6	397.2	12%
Due to customers	30,841.6	30,705.7	0%
Derivative financial instruments	1,378.7	951.0	45%
Financial liabilities at fair value	492.1	552.0	-11%
Financial liabilities at amortised cost	4,516.5	5,312.9	-15%
Current income tax liabilities	24.6	20.2	22%
Deferred income tax liabilities	23.0	25.4	-9%
Provisions	40.6	144.1	-72%
Other liabilities	762.7	705.8	8%
Subordinated loans	355.8	389.7	-9%
Total liabilities	38,879.2	39,204.0	-1%
Equity			
Share capital	148.3	145.8	2%
Share premium	1,858.0	1,858.8	-0%
Other reserves	238.8	286.0	-17%
Retained earnings	(543.9)	(563.9)	-4%
Total shareholders' equity	1,701.2	1,726.7	-1%
Non-controlling interests	56.8	54.1	5%
Total equity	1,758.0	1,780.8	-1%
Total equity and liabilities	40,637.2	40,984.8	-1%

Important Disclaimer

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These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause EFG’s actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions, legislative, fiscal and regulatory developments, general economic conditions in Switzerland, the European Union and elsewhere, and EFG’s ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. In view of these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. EFG and its subsidiaries, and their directors, officers, employees and advisors expressly disclaim any obligation or undertaking to release any update of or revisions to any forward-looking statements in this media release and any change in EFG’s expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.