# Full-year results presentation 2017

Zurich, 28 February 2018

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# Agenda

| | |
|---|---|
| • Highlights | Giorgio Pradelli, CEO EFG International |
| • Financial performance | Dimitris Politis, CFO EFG International |
| • Strategic priorities & outlook | Giorgio Pradelli |
| • Q&A | All |

# Highlights

# 2017: A transformational year

## Business highlights

| | |
|---|---|
| Successful completion of integration process | ▪ Considerably strengthened market position through increased size and scale<br>▪ Launched renewed EFG brand and consecutively rolled it out across all regions<br>▪ Completed six legal integrations creating one legal entity per booking centre<br>▪ Completed nine IT migrations globally at accelerated pace just over a year after the closing of the acquisition |
| De-risking | ▪ Addressed several legacy issues and early adopted IFRS 9 accounting standard<br>▪ Implemented unified risk and compliance framework |
| Leadership changes | ▪ Following conclusion of integration process, Joe Straehle decided to retire as CEO of EFG International per year-end 2017<br>▪ Number of important management changes in order to further drive growth, improve operational efficiency and enhance risk and regulatory compliance framework |

# One of the largest Swiss private banks – Well positioned to build further momentum

## 2017 results reflect BSI integration process

| | | |
|---|---|---|
| Scale | AuM<br>CHF 142 billion | ▪ EFG one of the top 10 Swiss private banks<br>▪ Closing of UBI acquisition in November 2017 further strengthened European presence |
| Economies of scale & synergies | Cumulative cost synergies<br>CHF 108 million | ▪ Decrease in underlying cost base throughout 2017, reflecting the conclusion of the integration process<br>▪ Exceeded cost synergy target of CHF 50 million for end-2017<br>▪ On track to achieve total cost synergies of approx. CHF 240 million to be realised by end-2019 |
| Profitability | Underlying net profit<br>CHF 165 million | ▪ Solid underlying profitability in 2017<br>▪ Reported IFRS net profit of CHF (59.8) million, reflecting integration costs |
| Net new asset & AuM evolution | Underlying net assets<br>CHF 2.3 billion | ▪ Annualised net new asset growth rate of 3.6% for last 3 quarters, following the positive turnaround after 1Q17, within target range<br>▪ Deceleration of AuM attrition in line with integration process |

# Financial performance

# FY 2017 financial results into perspective

## Improved underlying profitability in 2017 in a transformational year

| | |
|---|---|
| Business development | ▪ Underlying NNA of CHF 2.3 bn<br>▪ Underlying quarterly net new assets are showing positive trend<br>▪ Continued slowdown of AuM attrition during the year<br>▪ Revenue margin maintained at 87 bps |
| Cost evolution & delivery of synergies | ▪ Underlying operating expenses at CHF 1,033.2 m, down approx. 6% from previous year and 18% from the year before<br>▪ Delivery of CHF 108 m cumulative cost synergies, exceeding synergy target for 2017 |
| Profitability | ▪ Underlying net profit* of CHF 165.0 m vs. CHF 82.3 m in 2016<br>▪ Profitability to further increase as synergies materialise |
| Capital & liquidity position / dividend | ▪ CET1 ratio at 17.7%**, Total Capital ratio at 21.5%**, Liquidity coverage ratio (LCR) at 209%<br>▪ Dividend of CHF 0.25 per share maintained |
| Legacy issues | ▪ Early adoption of IFRS 9 provides better visibility on the performance of the pure private banking business<br>▪ Certain legacy issues resolved in 2017 |

* Underlying - Excluding impact of non-recurring items, integration costs, BSI related intangibles amortisation and contribution of life insurance (see slide 27)
** Swiss GAAP Basel III, fully applied

# Financials summary

| | 2017 | 2016 |
|---|---|---|
| Underlying net profit*, CHF m | 165.0 | 82.3 |
| IFRS net profit, CHF m | (59.8) | 225.3 |
| Underlying operating income*, CHF m | 1,202.3 | 762.7 |
| Underlying revenue margin*, in bps | 87 | 84 |
| Operating income, CHF m | 1,142.7 | 722.0 |
| Revenue-generating AuM, CHF bn | 142.0 | 144.5 |
| Underlying NNA (excl. AuM attrition), CHF bn | 2.3 | (2.0) |
| Underlying NNA growth (excl. AuM attrition) | 1.6% | -2.4% |
| Net new assets, CHF bn | (5.8) | (5.4) |
| AuM attrition, CHF bn | (8.2) | (3.4) |
| Underlying operating expense*, CHF m | 1,033.2 | 643.7 |
| Underlying cost-income ratio* | 85.9% | 83.8% |
| Operating expense, CHF m | 1,190.0 | 690.4 |
| CROs | 644 | 697 |
| Total FTEs | 3,366 | 3,572 |
| Total capital ratio** | 21.5% | 20.0% |
| CET 1 capital ratio** | 17.7% | 18.2% |
| Return on shareholders' equity* | 10.6% | 7.7% |
| Return on tangible equity* | 12.1% | 9.1% |
| Dividend per share, in CHF | 0.25 | 0.25 |

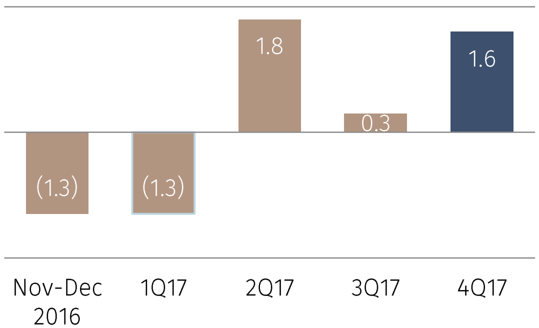
* Underlying - Excluding impact of non-recurring items, integration costs, BSI related intangibles amortisation and contribution of life insurance (see slide 27), on basis of IFRS 9 restated equity

** Swiss GAAP Basel III, fully applied

# Results highlights (I)

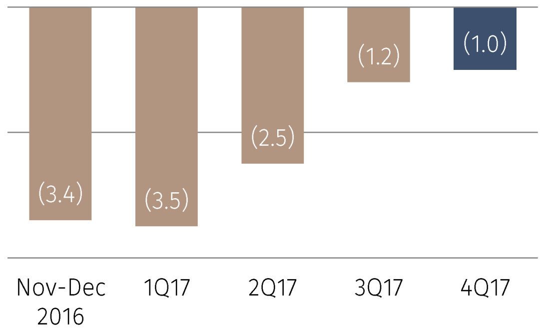
## Underlying NNA showing positive trend

Underlying NNA evolution
(in CHF bn)



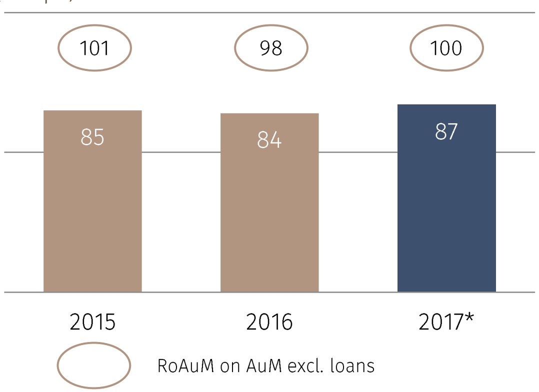

## Continued slowdown of AuM attrition during FY17

AuM attrition evolution
(in CHF bn)




## Revenue margin holding up

Underlying RoAuM
(in bps)



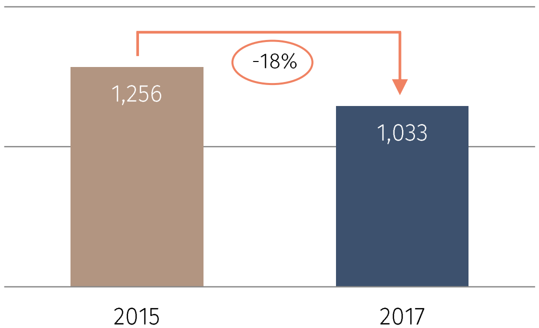

* AuM reclassification had a positive impact of 2 bps for FY17

- Positive underlying NNA of CHF 2.3 bn, growth rate of 1.6%
- Slowdown of AuM attrition, more than 50% of attrition from exit countries & client relationships based on EFG's decisions
- Revenue margin maintained

# Results highlights (II)

## Expenses decrease as synergies are realised

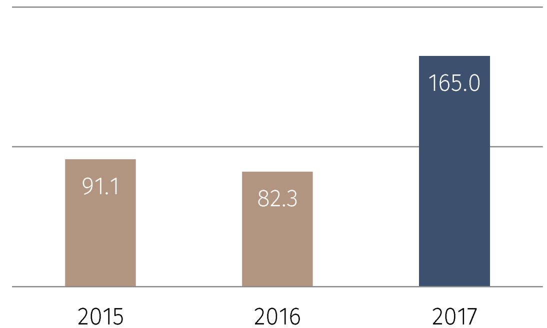
Underlying operating expenses
(in CHF m)




- Exceeded targeted pre-tax cost synergies for the year
- Migration to a single IT platform will unleash further cost synergies, enhancing underlying profitability

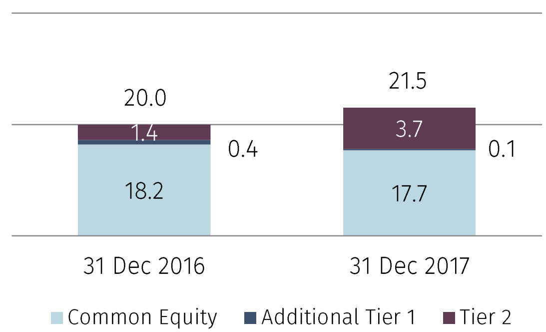
## Underlying profitability increases

Underlying net profit evolution
(in CHF m)




## Maintaining strong capital position

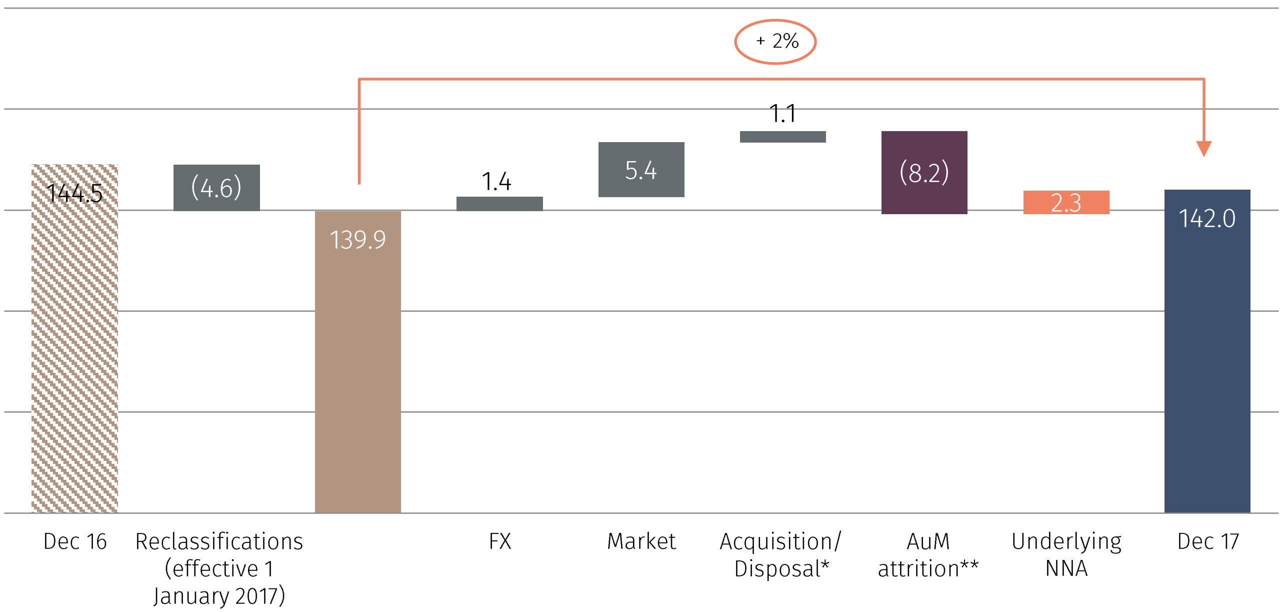
CET 1 / Total Capital ratios
(in %, Swiss GAAP fully applied)



# Revenue-generating AuM development

## Positive underlying NNA of CHF 2.3 bn, growth rate of 1.6%. Strong positive market performance and positive FX impact

**Revenue-generating AuM evolution**
(in CHF bn)




- Reclassification of AuM of CHF 4.6 bn into Assets under Custody, following the portfolio review. Reclassification relates to low single-digit yielding assets
- Taking reclassification into account, AuM increased by approx. 2% throughout FY17
- AuM adversely affected by FX and market movements during the last two months of 2017 by approx. CHF 2.6 bn
- Positive market performance increased AuM by approx. 4% in 2017

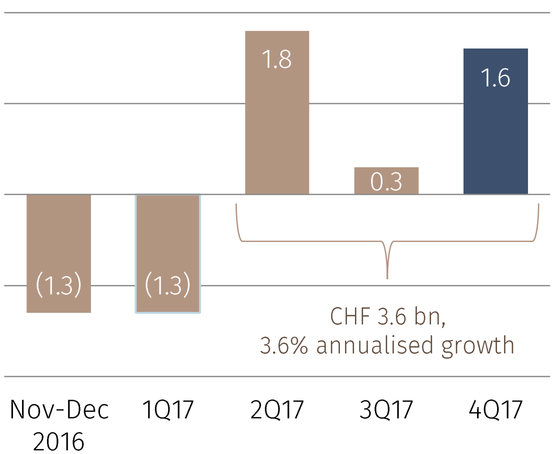
** Acquisition of UBI and disposal linked to exit in the Bahamas*

*** AuM attrition defined as exit of non-target market clients and structures (decision of EFG), AuM of departing CROs, voluntary disclosure programs and related to Milan branch*

# Evolution of quarterly NNA & AuM attrition

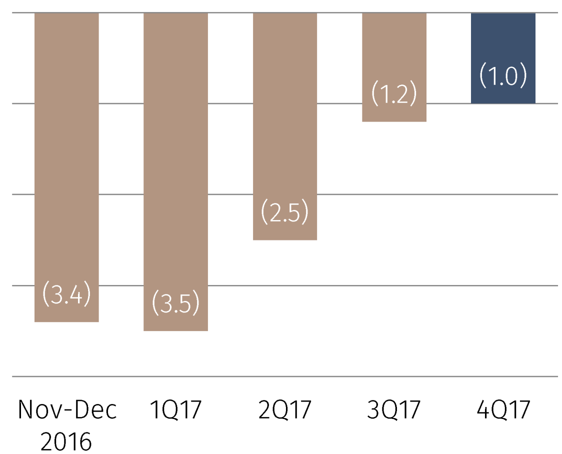
## Continued positive underlying NNA since 2Q17

### Underlying NNA evolution
(in CHF bn)




- Underlying NNA in 2017 at CHF 2.3 bn, annual growth rate of 1.6%
- Continued positive underlying NNA since 2Q17, annualised growth of 3.6%, within 3-6% NNA growth target range

### AuM attrition evolution
(in CHF bn)

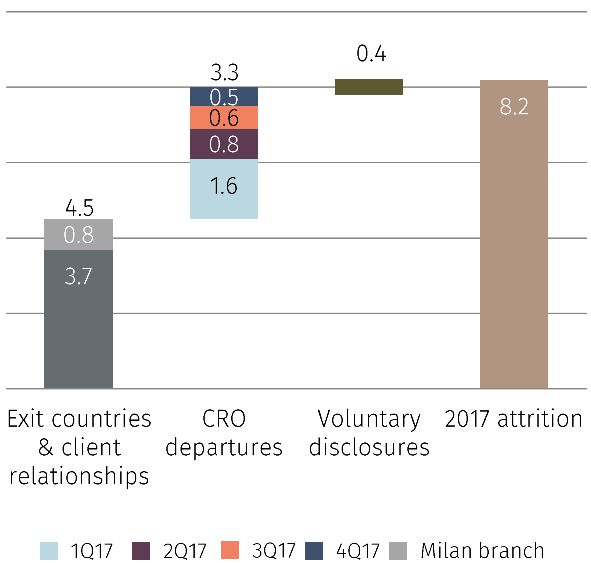



- Continued slowdown of AuM attrition across all regions during FY17
- 2H17 AuM attrition at CHF 2.2 bn, in line with guidance provided during first-half 2017 results
- Positive NNA of CHF 0.5 bn in 4Q17

# AuM attrition drivers and expected evolution in 2018

## FY17 AuM attrition in line with communicated estimate; additional attrition in 2018 driven by EFG's decision to exit certain client relationships and to further improve risk profile of client portfolio

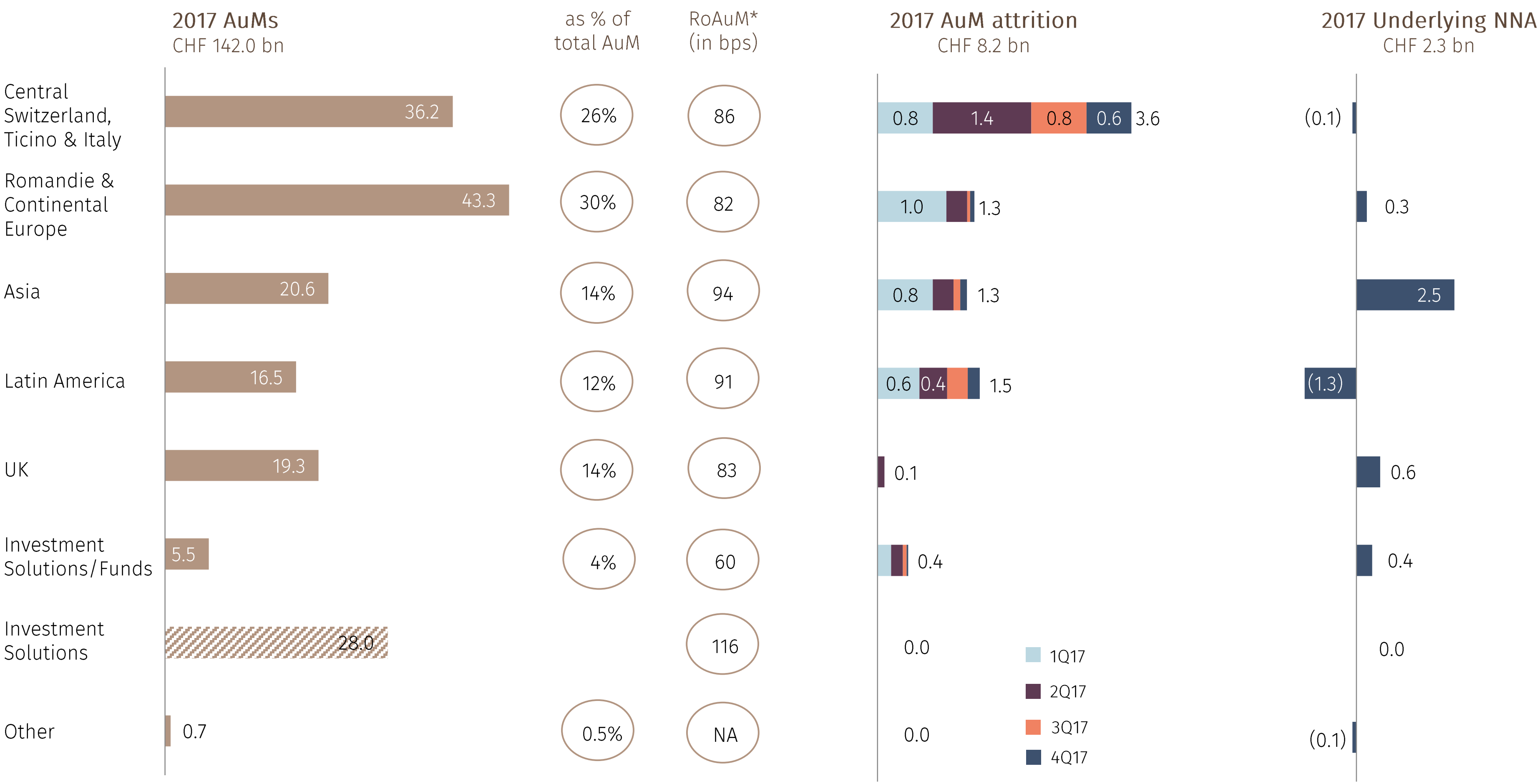
### 2017 AuM attrition analysis
(in CHF bn)




- More than 50% of AuM attrition stems from EFG's decision to terminate clients relationships and/or exit certain locations
- Continued slowdown of attrition from CRO departures (includes CROs which have departed prior to June 2017)
- Total AuM attrition post closing of the acquisition at CHF 11.6 bn, amounting to 8% of the AuM when the transaction was closed (Nov 2016)
- Expected additional AuM attrition in 2018 driven by EFG's decision to further optimise its portfolio, by exiting lower yielding clients and further de-risking of the BSI portfolio
- EFG expects cumulative attrition since the closing of the acquisition not to exceed the communicated range of 5-10% of combined AuM as of closing. Expected revenue impact of such exits in 2018 below CHF 10 m

# AuM and NNA by business region

## Substantial underlying NNA growth in Asia, declining AuM attrition in all business regions

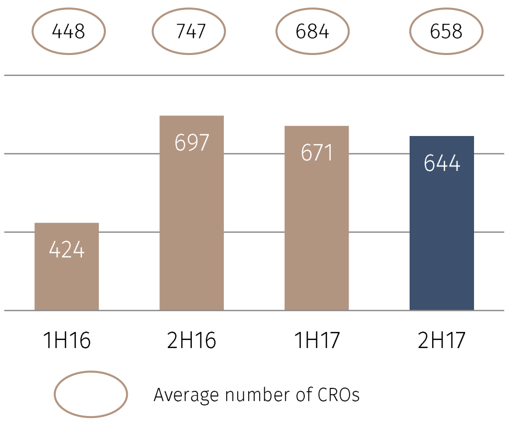



*Including Global Markets & Treasury contribution

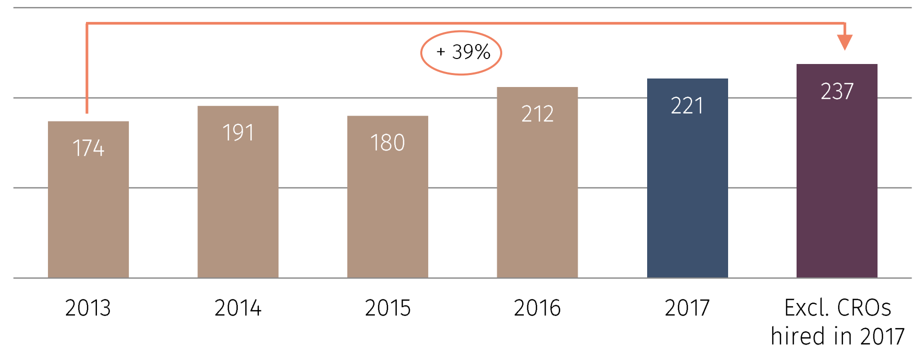
# Growth and productivity drivers – CRO performance

## 644 CROs, 58 new CROs hired during 2017

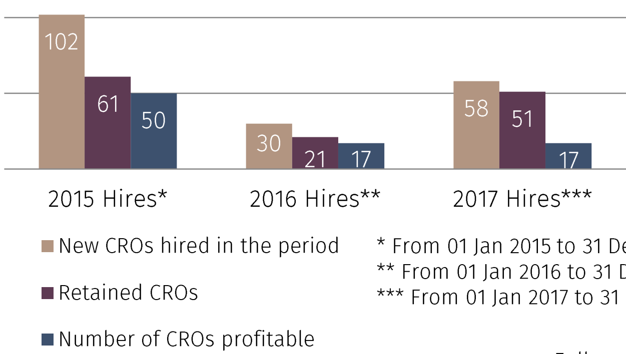
### Number of CROs




### AuM per CRO
(in CHF m)

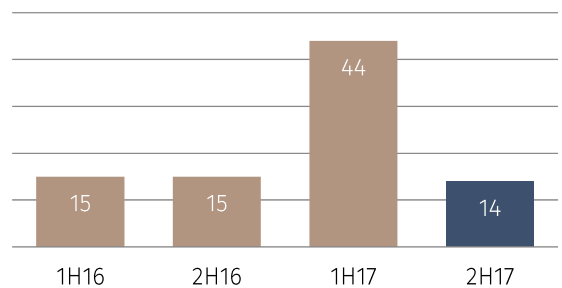



### Performance of new CROs



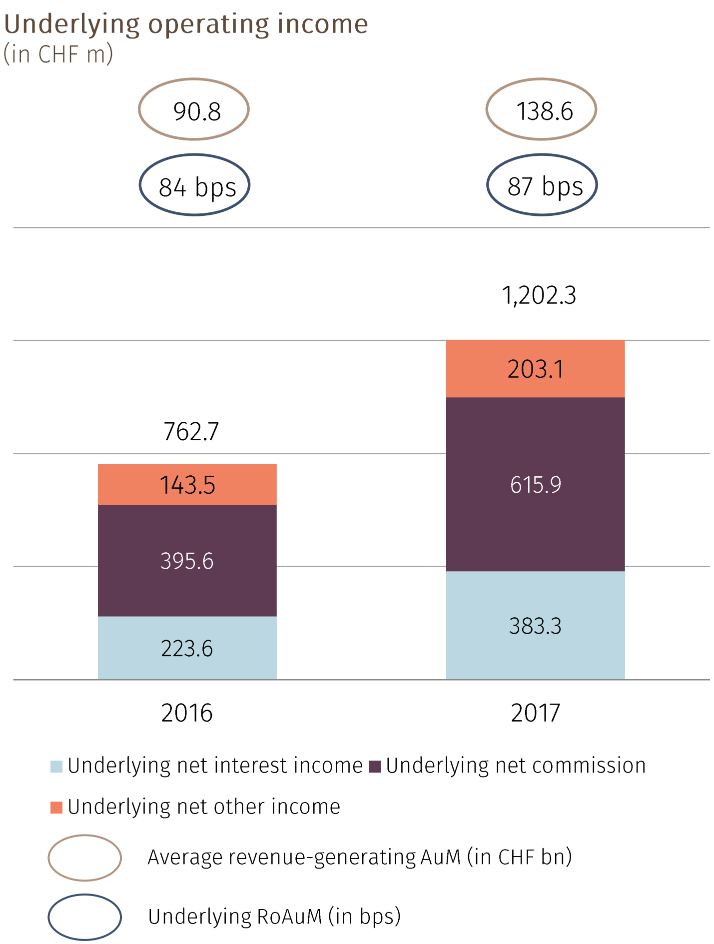

* From 01 Jan 2015 to 31 Dec 2015
** From 01 Jan 2016 to 31 Dec 2016
*** From 01 Jan 2017 to 31 Dec 2017

### Number of new CROs



# Underlying operating income (I)

## Underlying operating income at CHF 1,202.3 m

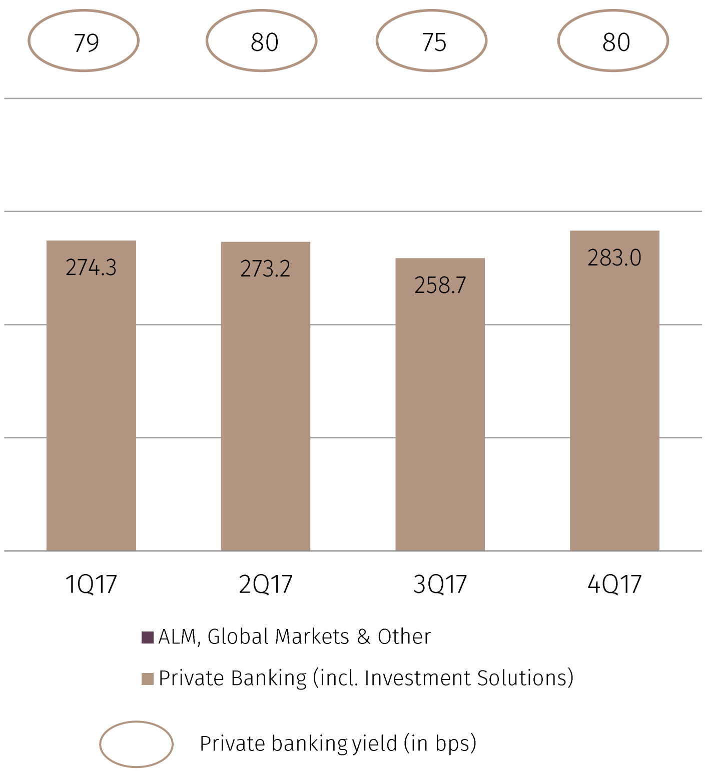



- Stable income composition, no change in risk appetite
- Underlying net interest income:
  - Positively affected by USD interest rate increases
  - Negatively affected by issuance of USD 400 m 5.00% Tier 2 notes in March 2017
- Underlying net other income:
  - Slower 4Q17 in ALM/Global Markets due to lower activity levels to support IT migration onto single platform
  - Global Markets platform set up and able to take advantage of market opportunities

# Underlying operating income (II)

## Consistent revenue generation from private banking

**Private banking revenues***
(in CHF m)

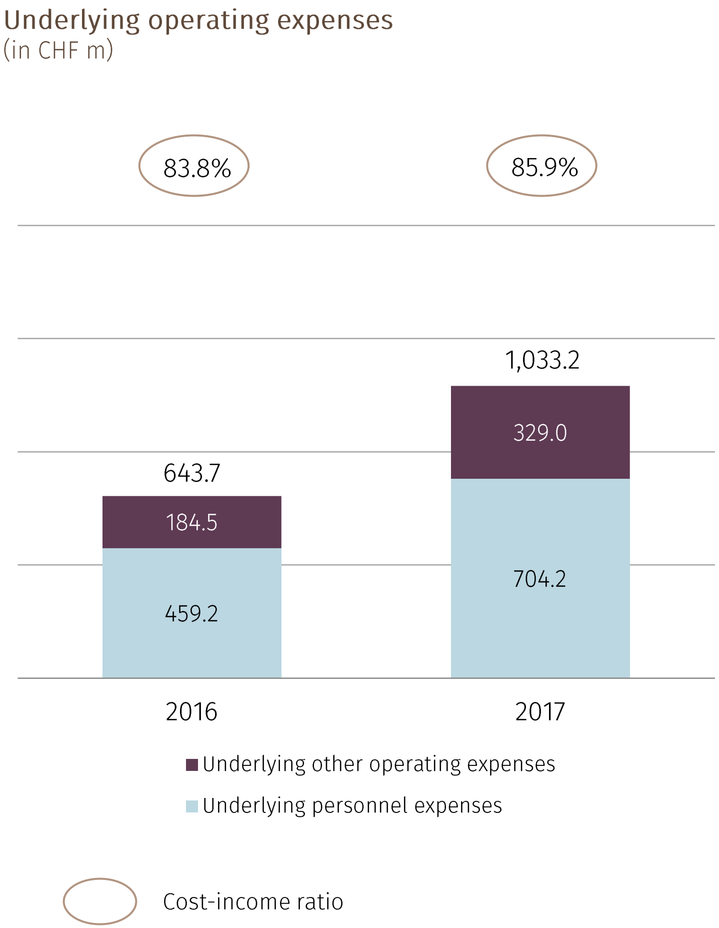



**Excludes ALM / Global Markets and Other revenues*

- Solid and consistent revenue generation from private banking
- Slow 3Q17 private banking revenues – a seasonal effect
- All regions posting positive trend, with the exception of Central Switzerland / Ticino which is impacted by AuM attrition

# Underlying operating expenses

## Underlying operating expenses reflect the BSI integration and continued cost reduction efforts

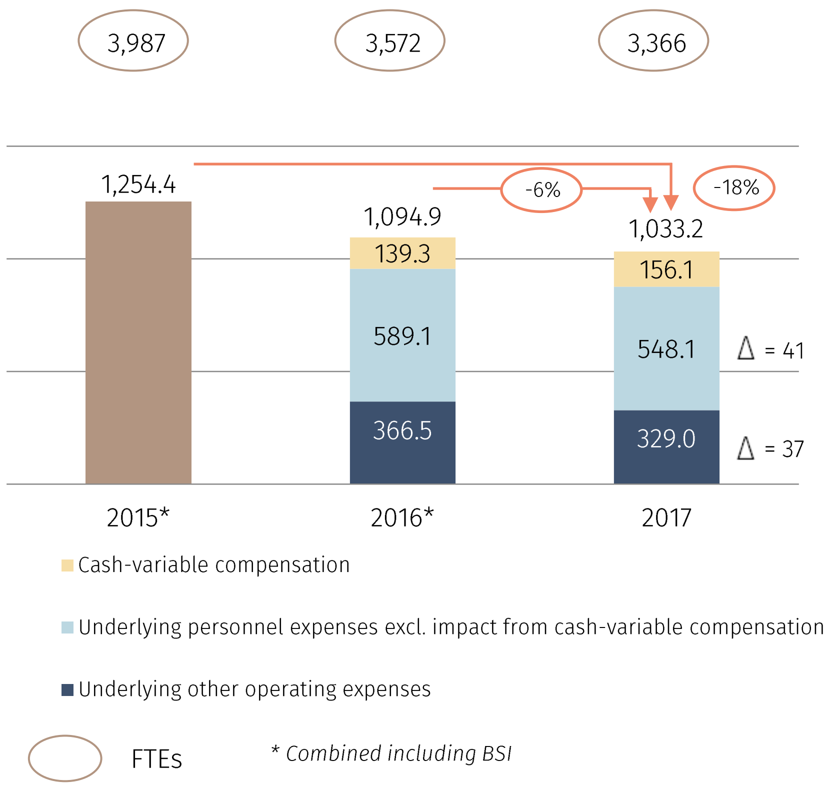



- Cost reduction delivery continues, with 2H17 underlying operating expenses down 2% vs. 1H17
- Underlying CIR increased to 85.9% mainly reflecting heightened IT costs due to the duplicate IT platform prior to the completion of data migration in December 2017
- Current cost run-rate at lower levels as:
  - IT migration eliminates the cost to support the duplicate IT platform
  - Headcount reduction fully impacts the income statement

# Delivery on planned cost reduction

## 2017 underlying expenses down 18% vs. 2015 EFG & BSI combined operating expenses; FTEs down by 16%

### Evolution of underlying operating expenses
(in CHF m)



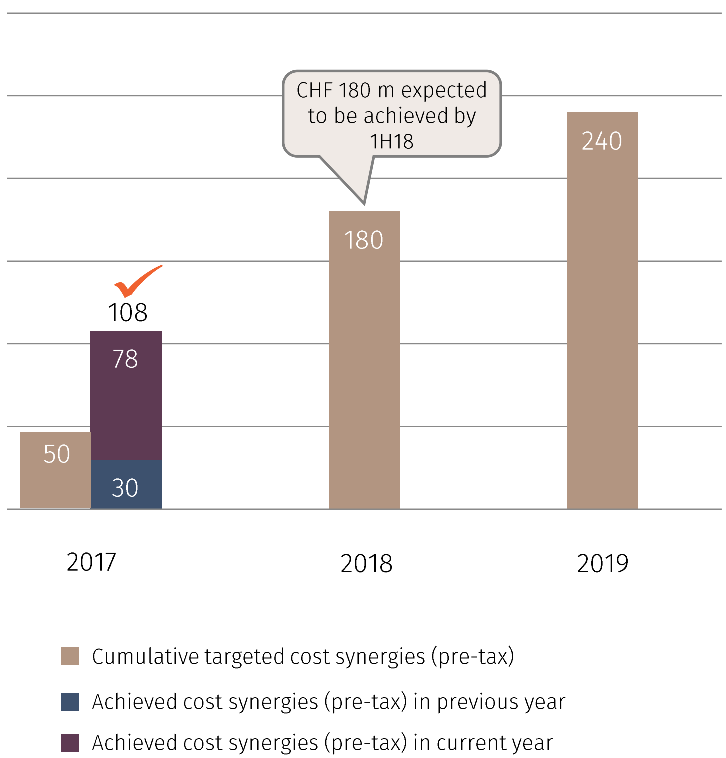

** Combined including BSI*

- FY17 underlying operating expenses down by 6% year on year, driven by FTE reduction and continued cost savings as part of the integration effort
- FY17 underlying personnel expenses excl. impact from cash-variable compensation down 7% vs. FY16 EFG & BSI combined
- Variable compensation increase for FY17 directly linked to improved net contribution of CROs to EFG's profitability
- CHF 78 m pre-tax synergies realised in 2017
- Year-on year FTE reduction of 206, exceeding the planned annual FTE reduction of 150

# Update on cost synergies from BSI transaction

## On track to achieve targeted cost synergies of CHF 240 m

### Cumulative targeted cost synergies (pre-tax)
(in CHF m)




- Delivered cost synergies of CHF 108 m for 2017, exceeding targeted pre-tax cost synergies for the year
- Targeted cumulative cost synergies of CHF 180 m for 2018 to be already achieved by 1H18 (on an annualised basis), largely through the completion of the Swiss IT migration
- Several optimisation projects are ongoing, as operating on a single IT platform will allow for extensive streamlining of the operating model

# 2017 – a transformational year

In 2017, the consolidated balance sheet and income statement were affected by several one-off items

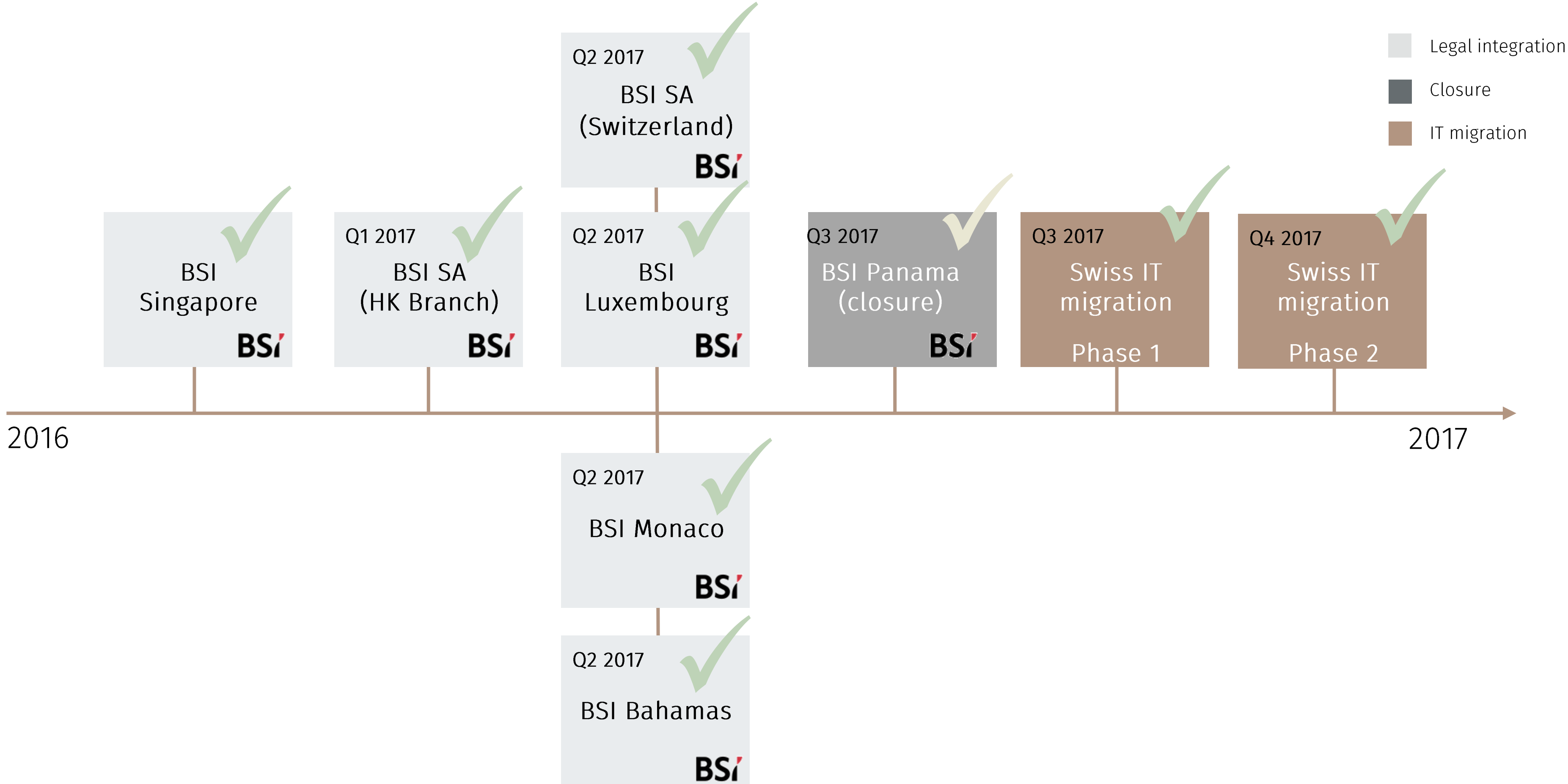
The key one-off items affecting the 2017 financial performance are:

1. Completion of BSI integration
2. The accelerated realisation of synergies and restructuring costs – this is a timing difference as the overall synergies and restructuring costs remain unchanged
3. The early adoption of the IFRS 9 accounting standard
4. The resolution of certain legacy issues

Results in an increase of investors' visibility on the underlying profitability potential of EFG. The aim of IFRS 9 early adoption is to make 2017 and 2018 financial results consistent and comparable for investors

# 2017 – a transformational year:
# 1 Completed integration process

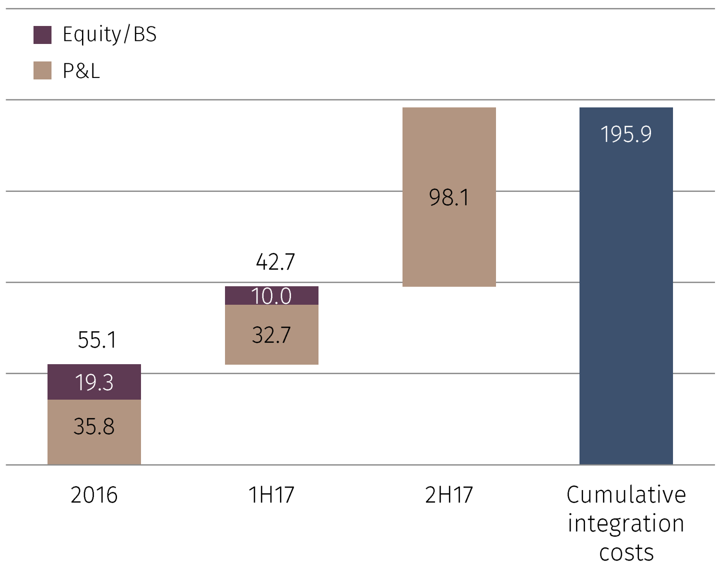
- Legal integration completed at accelerated pace just over a year after the closing of the acquisition
- Successfully completed six legal integrations and nine IT migrations



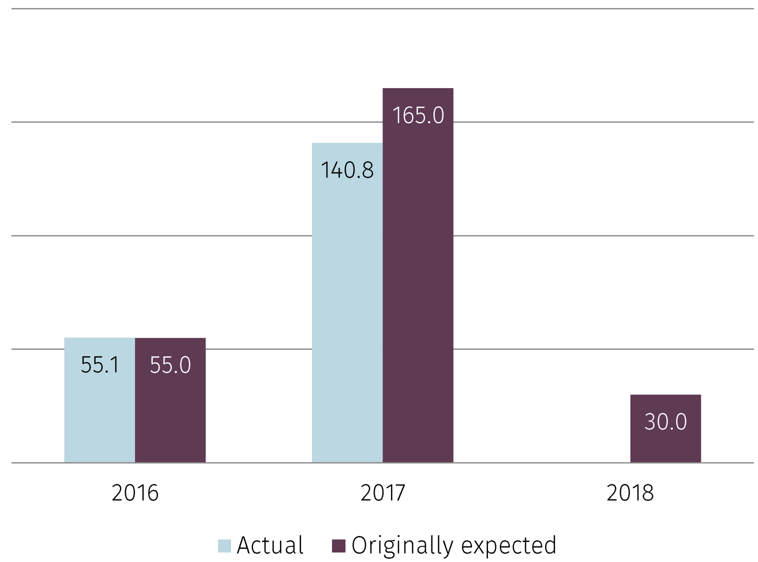
# 2017 – a transformational year:
# 2 Update on integration costs

CHF 195.9 m of integration costs have been incurred since the beginning of the integration; increase in 2H17 due to the IT and data migration

## Evolution of integration costs (pre-tax)
(in CHF m)




## Phasing of integration costs (pre-tax) – actual vs. expectation
(in CHF m)



# 2017 – a transformational year:
# 3 Early adoption of IFRS 9

The key elements of the IFRS 9 accounting standard that affect EFG are

I. The reclassification of certain assets from held-to-maturity (HTM) to fair-value
   - The majority of the impact (CHF 338 m) stems from the reclassification of the life insurance portfolio, as was previously reported
   - There is no indication of impairment of this portfolio, which is held at CHF 854 m under Swiss GAAP
   - No impact on regulatory capital ratios under Swiss GAAP

II. The introduction of expected credit losses (ECLs) as an alternative approach to estimating provisions
   - Reflecting lifetime losses for these exposures as they fall under the Stage 2 / Stage 3 buckets in the IFRS 9 methodology
   - The majority of the ECLs (CHF 140 m) relate to legacy positions, namely the Taiwan insurance exposure and certain lombard loans secured by life insurance policies
   - EFG's private banking credit exposures are lombard loans with an ECL of 9 bps and mortgages with an ECL of 17 bps

III. May increase the volatility of EFG's profitability – primarily of the non-underlying elements – as more exposures are fair valued through the profit and loss account

*(For further details please refer to notes 2 and 7 of 2017 Annual Report)*

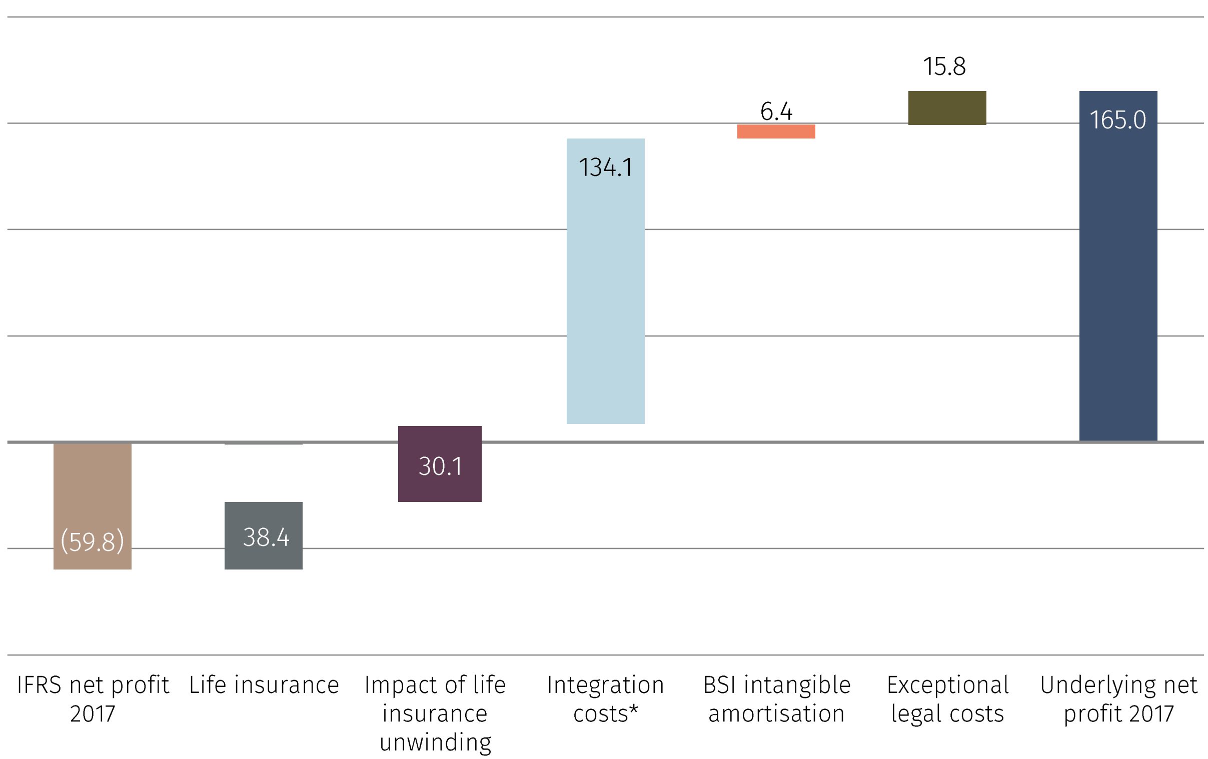
# 2017 – a transformational year:
# 4 Resolution of certain legacy positions

- EFG materially reduced its overall insurance portfolio exposure by partially exiting a portion of its life insurance portfolio which was hedged through derivative structures
  - Disposed of the physical life insurance exposure and the derivative hedging of the exposure for 175 out of a total of 237 underlying insured
  - Re-struck derivative instruments for the remaining life insurance portfolio, eliminating any residual longevity risk
  - The P&L impact of this sell-down / restructuring was CHF 30.1 m, which compares to an average P&L drag of CHF 10 m per year over the last three years

# Underlying net profit vs. IFRS net profit

## Underlying profitability at CHF 165.0 m

### Overview of non-underlying impacts
(in CHF m)




- 2H17 integration costs of CHF 101.4 m*, mainly driven by IT
- Unwinding of partially hedged life insurance exposure had an impact of CHF 30.1 m
- Exceptional legal costs related to legal proceedings with Taiwanese insurance company

*Including CHF 3.3 m for UBI integration

# Balance sheet

## Strong and highly liquid balance sheet

**Total assets:**
CHF 41.6 bn

| | |
|---|---|
| Cash & banks | 12.3 |
| Treasury bills | 1.5 |
| Derivatives | 0.7 |
| Financial instruments | 7.4 |
| Loans | 19.0 |
| Goodwill & intangibles | 0.2 |
| Other | 0.5 |

| | |
|---|---|
| Fair value through OCI | 5.2 |
| Financial assets at fair value through P&L | 2.2 |

CHF 12.4 bn secured by financial assets

CHF 6.6 bn secured real estate financing

**Total liabilities & equity:**
CHF 41.6 bn

| | |
|---|---|
| Due to banks | 0.5 |
| Deposits | 32.3 |
| Derivatives | 0.6 |
| Other financial liabilities | 5.0 |
| Other | 0.9 |
| Subordinated loans | 0.6 |
| Total Equity | 1.7 |

- Loan-deposit ratio at 52%
- Liquidity coverage ratio (LCR) at 209%
- Net stable funding ratio (NSFR) at 144%

# Capital position (I)

## Strong capital ratios, CET 1 ratio at 17.7%, Total Capital ratio at 21.5%; RWAs decreased by 12% year-on year

**Total Capital Ratios***
(in %)


**Breakdown of RWAs***
(in CHF bn)


- Decrease in RWAs driven by continued optimisation of RWA
- Capital position strengthened through placement of USD 400 m Tier 2 note in 1Q17
- As already announced, redeemed CHF 180 m of Tier 2 notes on 31 January 2018
- Leverage ratio (FINMA) at 4.5%
- Ordinary dividend maintained at CHF 0.25 per share

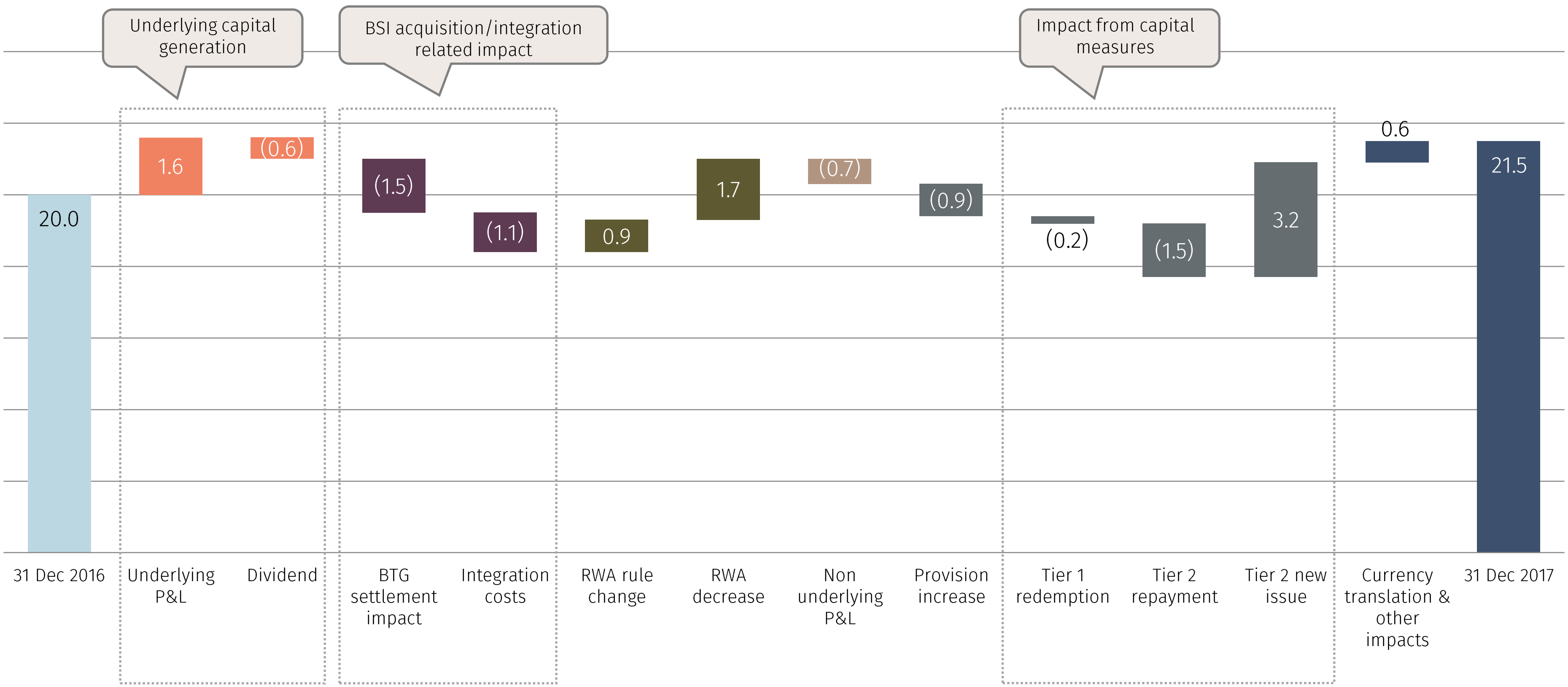
** Swiss GAAP fully applied*

*2017 IFRS BIS-EU Basel III fully applied CET1 Capital ratio at 14.0% and Total Capital ratio at 18.1%*

# Capital position (II)

FY17 underlying organic capital generation of 160 bps, capital measures had a net positive effect of 150 bps, purchase price adjustment for BSI and integration costs decreased capital by 260 bps

Evolution of Total Capital ratio*
(in %)




** Swiss GAAP fully applied*

# Strategic priorities & outlook

# Executing on our 2016-2019 plan

## Well positioned to deliver against strategic targets

2016

**February 2016**
Announcement BSI acquisition

**May 2016**
Completion of rights issue

FINMA approval of BSI acquisition

**November 2016**
Closing BSI acquisition

Integration BSI Singapore

**December 2016**
Update on EFG strategy

**1Q17**
Integration BSI Hong Kong

**2Q17**
Integration BSI Switzerland Luxembourg Monaco Bahamas

Renewed brand

**July 2017**
Agreement on final purchase price of BSI

**3Q17**
Phase 1 Swiss IT migration

**October 2017**
CEO change

**November 2017**
Closing UBI acquisition

**December 2017**
Completion of BSI integration

2018

- BSI acquisition
- Legal integration
- IT migration
- Strategy/leadership

# Strategic priorities

## Continue to deliver against the 2016-2019 plan

| Strategic priorities | Operational priorities |
| --- | --- |
| Grow – Increase NNAs and AuM<br><br>Realise synergy potentials | Client service delivery model:<br>• Leverage client solutions<br>• Continue to enhance international platform |
| Organic capital generation & dividend<br><br>Enhance risk & regulatory compliance framework | Shape culture across combined bank:<br>• Strengthen collaboration<br>• Optimise processes & performance management |

# Entrepreneurial thinking. Private banking.

## Clear-cut geographic presence

Market-specific services & advice with local know-how and a global network

## Strong client focus

Entrepreneurial approach with CRO client partnership as key differentiator

## Client solutions

Extensive range of investment, wealth and credit solutions

# Strengthened global presence

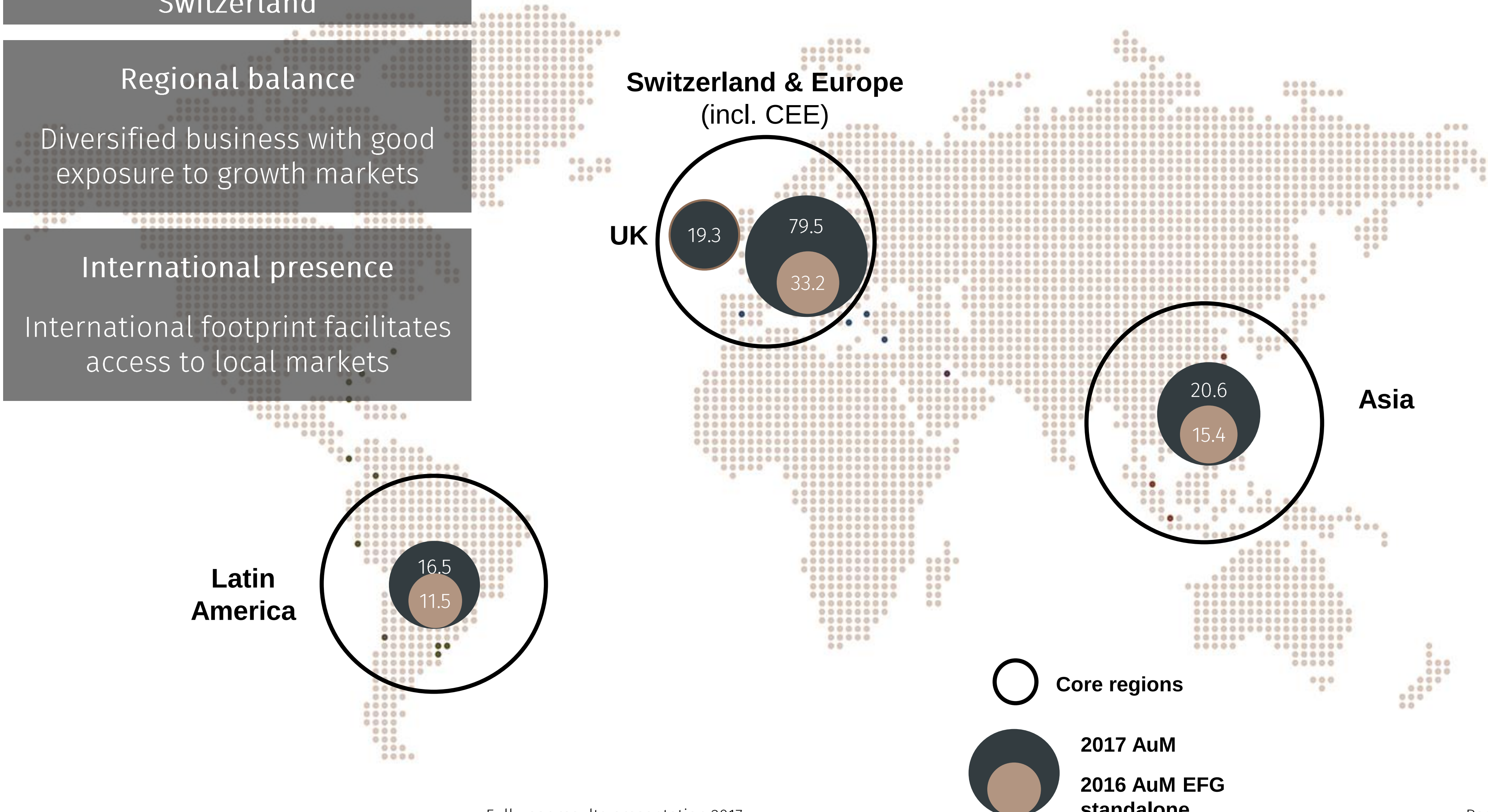
**Strengthened position in Switzerland**

**Regional balance**

Diversified business with good exposure to growth markets

**International presence**

International footprint facilitates access to local markets



# Pure play private bank with clear strategic focus

## Focus on clients

Entrepreneurial approach with CRO model as key differentiator:

- We build our business around people
- We are where our clients are
- Empowerment to serve clients by EFG International's expertise and wide range of investment, wealth and credit solutions
- Long-term client relationships and stability
- Open architecture enables the sourcing of the best products from the market to deliver bespoke and customised client solutions

Strategic client focus

Ultra –high-net-worth

High-net-worth

Private Banking entry level

Affluent

# Extensive range of investment, wealth and credit solutions

- **Private banking** is our core business – we offer our clients market-specific advice with local know-how and have global units that are focused on investment solutions and global markets access
- International provider of **actively managed investment solutions** and services to private clients, professional advisers and institutional investors
- **High-conviction strategies** designed to produce long-term outperformance for clients.
- Combining global agile platform with local and entrepreneurial approach
- **Credit solutions** to support our clients' personal or entrepreneurial endeavours and investment opportunities

EFG Investment Solutions

- EFG Asset Management
  - New Capital strategies
  - Discretionary Solutions
- Advisory Solutions
  - Trading consultants
  - Local Advisory
  - Central Advisory
  - Wealth Planning
  - Asset class specialists
  - Product Management
- Wealth Solutions
- Institutional Solutions

# Confirming 2016-2019 targets

## Operational targets for the combined business to be achieved in 2019

| | |
|---|---|
| Net new assets | Continually growing revenue-generating Assets under Management with targeted annualised growth rate of between 3% to 6%[1] |
| Cost-income ratio | Targeting a cost-income ratio of below 70%[2] |
| Revenue margin | Achieving a revenue margin of at least 85 bps |

1 Excluding the effect of market and FX movements

2 Ratio defined as operating expenses to total operating income, operating expenses to include D&A of fixed assets and exclude integration and restructuring costs relating to the acquisition

# Appendix

# Income statement (IFRS)

| (in CHF million) | 2016 | 2017 |
|---|---|---|
| Net interest income | 196.9 | 345.3 |
| Net banking fee & commission income | 395.4 | 617.3 |
| Net other income | 129.7 | 180.1 |
| Operating income | 722.0 | 1,142.7 |
| Personnel expenses | (466.5) | (726.0) |
| Other operating expenses | (208.0) | (424.2) |
| Amortisation of tangible fixed assets & software | (11.3) | (29.9) |
| Amortisation of acquisition related intangibles | (4.6) | (9.9) |
| Total operating expenses | (690.4) | (1,190.0) |
| Bargain gain on business combinations | 416.8 | - |
| Impairment on Goodwill and other intangible assets | (199.5) | - |
| Other provisions | (20.3) | (3.5) |
| (Impairment) / Reversal of impairment on loans and advances to customers | (3.8) | (20.3) |
| (Loss)/Profit before tax | 224.8 | (71.1) |
| Income tax expense | 3.2 | 13.6 |
| Net profit/(loss) | 228.0 | (57.5) |
| Non-controlling interests | (2.7) | (2.3) |
| Net profit/(loss) attributable to equity holders of the Group | 225.3 | (59.8) |
| Expected dividend on Bons de Participation | (0.1) | (0.1) |
| Expected dividend on additional equity components | - | (1.9) |
| Net profit/(loss) attributable to ordinary shareholders | 225.2 | (61.8) |

EFG

# Balance sheet (IFRS)

| (in CHF million) | Dec 2016 | Dec 2017 |
|---|---|---|
| Cash and balances with central banks | 8,888 | 9,700 |
| Treasury bills and other eligible bills | 1,946 | 1,482 |
| Due from other banks | 2,924 | 2,576 |
| Loans and advances to customers | 18,878 | 18,951 |
| Derivative financial instruments | 831 | 696 |
| Financial asset at fair value through P&L | 1,190 | 2,192 |
| Fair value through other comprehensive income | - | 5,211 |
| Finacial assets | 6,636 | - |
| Intangible assets | 192 | 203 |
| Property, plant and equipment | 254 | 255 |
| Deferred income tax assets | 90 | 83 |
| Other assets | 359 | 265 |
| **Total assets** | **42,186** | **41,613** |
| Due to other banks | 428 | 534 |
| Due to customers | 32,747 | 32,298 |
| Subordinated loans | 265 | 581 |
| Debt issued | 334 | - |
| Derivative financial instruments | 777 | 647 |
| Financial liabilities designated at fair value | 654 | 484 |
| Other financial liabilities | 3,829 | 4,477 |
| Current income tax liabilities | 19 | 16 |
| Deferred income tax liabilities | 11 | 6 |
| Provisions | 199 | 199 |
| Other liabilities | 799 | 644 |
| **Total liabilities** | **40,062** | **39,886** |
| Share capital | 144 | 145 |
| Share premium | 1,911 | 1,905 |
| Other reserves and retained earnings | 16 | (350) |
| Additional equity components | 31 | - |
| Non controlling interests | 23 | 27 |
| Total equity | 2,124 | 1,727 |
| Total equity and liabilities | 42,186 | 41,613 |
| **CET1 ratio (Swiss GAAP fully applied)** | **18.2%** | **17.7%** |
| **Total Capital ratio (Swiss GAAP fully applied)** | **20.0%** | **21.5%** |
| **Leverage ratio (FINMA)** | **5.1%** | **4.5%** |

# Update on Life Insurance Policies (I)

## Adoption of IFRS 9 classifies all LIPs at fair value

- EFGI early adopts IFRS 9 from 1 January 2017. As a consequence, all life insurance policies are aggregated in one portfolio and classified at Fair Value Through Profit & Loss (FVTPL)
- The fair value of the portfolio will be measured in accordance with IFRS 13 (market participant's perception)

## IFRS 9 introduction without impact on Regulatory Capital

- The re-classification impact on IFRS shareholders' equity from IFRS 9 adoption is CHF 337.8 m
- No impact on the Group's regulatory capital which is reported under Swiss GAAP
- Under Swiss GAAP the LIPs portfolio continues to be measured as Held to Maturity, in line with the IAS 39 principles

## Main portfolio(1)

- Diversified portfolio referencing 172 insureds (2016: 179 insureds)(2)
- Total remaining death benefits: USD 1,568 m (2016: USD 1,626 m)
- Carrying Value of CHF 577 m / USD 591 m
- Average age of referenced lives: 89 years
- Implied life expectation 6 years(3)

## Synthetic portfolio(4)

- Limited exposures through portfolio referencing 62 individuals (2016: 253 individuals)
- Average age of referenced lives: 86 years
- Implied life expectation 6 years(3)

(1) Data as of 31 December 2017; consists of portfolios previously reported as classified as Held To Maturity, Available For Sale and FVTPL (2) Corresponding to 246 policies (2016: 255 policies)
(3) Assumptions on life expectations are based on the 2015 Valuation Basic Table (4) Data as of 31 December 2017; corresponding to 70 synthetically-hedged policies excluding a synthetic overhang of 10 insureds and positions classified as derivatives referencing 99 individuals

# Update on Life Insurance Policies (II)

## Restructuring and exposure reduction in the synthetic portfolio

- In 2017, EFGI materially decreased its exposure to Life Insurance policies by partially unwinding a derivatives transactions involving hedged physical policies
- Hedged physical and synthetic exposure reduced by USD 618 m in Death Benefit, impact on P&L of CHF 30.1 m
- Materially removing imperfections of the hedge and gaining management flexibility

## Legal claims proceeding as anticipated

- Legal cases against AXA, Transamerica and Lincoln filed with strong legal basis in October 2016 and February 2017. Recently the Court also denied Lincoln's motion to dismiss EFG's claims almost in its entirety. All three claims are proceeding to discovery
- In light of recent developments, EFGI continues to be in a strong position for prevailing in its claims

## Carrying value of HTM portfolio remains fully recoverable under Swiss GAAP

- In compliance with Swiss GAAP and along the lines of IAS 39, Management continues to assess carrying value using its best estimates for premium increases and life expectancy for the purpose of measuring its regulatory capital

## Aggregate Life Insurance related portfolio

- Net losses in 2017 on life insurance portfolios (excl. above mentioned restructuring) of USD 30 m which includes the P&L drag of approx. CHF 10 m
- The Group's IFRS P&L will be sensitive to fluctuations in death benefits received

# Overview ECL

## Exposure ECL

| (in CHF million) | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Gross amount | ECL | in % | Gross amount | ECL | in % |
| | | | | | | |
| Mortgage | 6,790 | 8 | 0.12% | 6,601 | 11 | 0.17% |
| | | | | | | |
| Lombard | 10,997 | 147 | 1.34% | 11,666 | 161 | 1.38% |
| | | | | | | |
| Other | 1,135 | 24 | 2.11% | 877 | 20 | 2.28% |
| | | | | | | |
| **Total** | **18,922** | **179** | **0.95%** | **19,144** | **192** | **1.00%** |

# Breakdown of AuM

| By category | 31.12.16 | 31.12.17 | 31.12.17 (in CHF bn) |
|---|---|---|---|
| Cash & deposits | 24% | 24% | 33.4 |
| Bonds | 26% | 25% | 35.6 |
| Equities | 23% | 18% | 26.2 |
| Structured products | 3% | 2% | 3.4 |
| Loans | 13% | 14% | 19.2 |
| Funds | 4% | 13% | 18.9 |
| Other | 8% | 4% | 5.0 |
| **Total** | **100%** | **100%** | **142.0** |

| By currency | 31.12.16 | 31.12.17 | 31.12.17 (in CHF bn) |
|---|---|---|---|
| USD | 47% | 43% | 61.0 |
| EUR | 26% | 29% | 41.6 |
| GBP | 10% | 10% | 14.7 |
| CHF | 11% | 10% | 14.2 |
| Other | 6% | 7% | 10.6 |
| **Total** | **100%** | **100%** | **142.0** |

# Segmental analysis 2017

| Performance summary in CHF m) | Central Switzerland, Ticino & Italy | Romandie & Continental Europe | Latin America | UK | Asia | Investment Solutions | Global Markets & Treasury | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment revenues** | **290.3** | **288.8** | **147.1** | **140.4** | **167.7** | **246.2** | **118.2** | **(63.5)** | **(191.2)** | **1,144.0** |
| Segment expenses | (249.5) | (265.6) | (149.8) | (126.8) | (128.8) | (108.2) | (39.6) | (121.7) | - | (1,190.0) |
| **Pre-provision profit** | **40.8** | **23.2** | **(2.7)** | **13.6** | **38.9** | **138.0** | **78.6** | **(185.2)** | **(191.2)** | **(46.0)** |
| IFRS net profit | 55.3 | 22.7 | (1.2) | 16.3 | 30.8 | 133.4 | 56.3 | (179.9) | (191.2) | (57.5) |
| **AuMs (in CHF bn)** | **36.2** | **43.3** | **16.5** | **19.3** | **20.6** | **23.5** | **-** | **0.7** | **(18.0)** | **142.0** |
| **Underlying NNA (in CHF bn)** | **(0.1)** | **0.3** | **(1.3)** | **0.6** | **2.5** | **-** | **-** | **0.3** | **-** | **2.3** |
| CROs | 164 | 188 | 91 | 72 | 109 | 11 | - | 9 | - | 644 |
| Employees (FTEs) | 326 | 312 | 190 | 195 | 206 | 319 | 113 | 1,706 | - | 3,366 |

Note: Business segment Central Switzerland, Ticino & Italy includes Patrimony

# Segmental analysis 2016

| Performance summary in CHF m) | Switzerland | Continental Europe | Americas | UK | Asia | Investment & Wealth Solutions | Corporate center | BSI | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment revenues** | **142.7** | **118.8** | **101.2** | **157.0** | **129.7** | **140.6** | **(44.9)** | **84.9** | **(108.1)** | **722.0** |
| Segment expenses | (116.6) | (90.4) | (82.5) | (106.7) | (87.3) | (62.5) | (79.8) | (88.4) | 23.9 | (690.4) |
| **Pre-provision profit** | **26.1** | **28.4** | **18.7** | **50.4** | **42.4** | **78.1** | **(124.7)** | **(3.4)** | **(84.3)** | **31.7** |
| IFRS net profit | (61.3) | 17.6 | (31.5) | (4.3) | 36.1 | 75.9 | (131.0) | 407.9 | (84.3) | 225.3 |
| **AuMs (in CHF bn)** | **15.5** | **17.7** | **11.5** | **19.1** | **15.4** | **11.3** | **0.4** | **62.3** | **(8.7)** | **144.5** |
| **NNA (in CHF bn)** | **0.0** | **0.6** | **(0.7)** | **1.6** | **(1.8)** | **(0.4)** | **-** | **(4.9)** | **0.2** | **(5.4)** |
| CROs | 60 | 95 | 62 | 75 | 92 | 5 | - | 308 | - | 697 |
| Employees (FTEs) | 314 | 317 | 255 | 384 | 309 | 238 | 172 | 1,613 | (28) | 3,572 |

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