

Press release

Zurich, 22 March 2017

Avaloq partners with Warburg Pincus to accelerate growth

- Warburg Pincus to acquire a ~35% shareholding in Avaloq
- Transaction values Avaloq in excess of CHF 1 billion

The Avaloq group, an international fintech company and a leader in integrated and comprehensive banking solutions, announces that it has entered into an agreement for Warburg Pincus, a global private equity firm focused on growth investing, to acquire a ~35% shareholding in the company from existing shareholders. The transaction values Avaloq in excess of CHF 1 billion.

Detailed financial terms are not being disclosed.

Under the agreement, Warburg Pincus will partner with Swiss-based Avaloq to accelerate the company's long-term growth and value creation strategy. Avaloq serves banks and wealth managers worldwide, having largely completed a transformation from a pure software company to an integrated service provider. The transaction allows the firm to rebalance its shareholding structure and bring in an experienced partner in Warburg Pincus to help facilitate the next phase of growth and value creation, with an investment horizon of 7 years.

Warburg Pincus is a leading investor in the financial services and fintech sectors, with over USD 10 billion invested in over 90 companies in these sectors (nearly 20 of which are banks). Warburg Pincus's notable financial services and fintech investments include: AllFunds Bank, Arch Capital, China Huarong Asset Management, FIS/Metavante, HDFC, Interactive Data Corporation, Mellon Bank, Network International, Elavon, Sterling Financial Corp, Santander Consumer USA, Wall Street Systems, Webster Bank and many others.

Shared vision for further growth

The market for Avaloq's products and services is due to grow significantly based upon increasing demand for digital banking, outsourcing, Software as a Service (SaaS) solutions and the overall development of the banking digital ecosystem. Avaloq and Warburg Pincus share the belief that a focus on Avaloq's customers and developing best in class technology will propel Avaloq to further strengthen its position as leading global services provider to the banking and wealth management industry. This transaction is the first step towards a potential public listing of Avaloq in the coming years.

As part of the transaction, Avaloq founder and Chief Executive Officer Francisco Fernandez will also assume the role of Chairman. Jürg Hunziker will serve as Deputy CEO and Group Chief Markets Officer (CMO).

Concurrent with the transaction, Avaloq is creating a European Advisory Board to support the company's strategic initiatives and growth. The European Advisory Board will include Jacques Aigrain, former Chief Executive Officer of Swiss Re and Chairman of LCH.Clearnet, Stefano Boccadoro, the former General Manager of Cassa Lombarda Bank and Chief Executive Officer of Santander Italy, Stefan Krause, former Chief Financial Officer of Deutsche Bank and BMW and Javier Marin, former Chief Executive Officer of Banco Santander.

Francisco Fernandez, commented: "I am delighted to welcome Warburg Pincus as shareholders in Avaloq and look forward to partnering with them as we accelerate the growth of the business. Their global presence, in the US, Europe and years of experience in Asia, combined with their extensive experience in financial services and software, and large network in the broader banking and wealth management industry will be invaluable as we enter a new stage in the development of Avaloq and its geographic expansion. While Avaloq's management, employees and current Board of Directors retain the majority by means of shares and governance, we will leverage Warburg Pincus' expertise to continue our path for capital market readiness."

Daniel Zilberman, a Managing Director and Head of Europe at Warburg Pincus, said: "With its focus on innovation, we believe that Avaloq is uniquely qualified to take advantage of growing demand for cutting edge software and outsourced services in the financial industry. We look forward to partnering with Francisco, Jürg and the rest of Avaloq's talented team as the company enters a new and exciting stage in its international growth path."

Terms of the transaction

As part of this transaction, an affiliate of Warburg Pincus will acquire a ~35% stake in Avaloq from the firm's founders, management and employees. Francisco Fernandez will retain a ~28% shareholding. Management and employees will retain an additional ~27% shareholding. This transaction does not affect the shareholding of the bank Raiffeisen Switzerland. The transaction values Avaloq in excess of CHF 1 billion. Detailed financial terms of the transaction are not being disclosed.

Closing of the transaction is expected in the second quarter of 2017. Upon closing, Warburg Pincus will nominate two individuals to join Avaloq's Board of Directors.

Adarsh Sarma, a Warburg Pincus Managing Director, said: "Avaloq benefits from best-in-class technology which will form the basis for future growth in the core wealth management and private banking business as well as in the broader retail and commercial banking sector. In partnering with Avaloq, we will draw upon our deep financial services and software experience to accelerate the growth of the company."

Jürg Hunziker, Deputy Chief Executive Officer and Group CMO of Avaloq, commented: "The technology and service market for the financial industry is growing rapidly and I believe that there are tremendous opportunities for further growth of the business. I look forward to continuing to drive Avaloq's international growth. In evaluating potential partners to support us with our growth strategy, we put special emphasis on company culture, and Warburg Pincus perfectly matches the Avaloq values. They will enable our team to provide the best possible digital banking technology and innovative services also in the future. Thanks to our very loyal

customers and highly committed employees we have achieved a leading position in the market and are now ready for the next step.”

Strong financial foundation

The transaction follows excellent financial results at Avaloq in 2016. The firm generated full year revenues of CHF 533 million¹ in 2016, an increase of 10% on a reported basis from CHF 485 million in the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 41% to CHF 82 million from CHF 58 million in 2015. EBITDA margin improved year over year by 3.4 points to 15.4%. The company enjoyed strong cash flows with net cash provided by operating activities increasing by 100% to CHF 62 million and an 8% year over year increase in cash on hand to CHF 63 million. ¹ Results subject to final audit.

Media Information

The latest press releases can be found at:

<https://www.avalog.com/nc/about-us/news/>

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About Avaloq: Essential for Banking

The Avaloq group is an internationally leading fintech company. With its core banking software, the Avaloq Banking Suite, and its international network of BPO centres, Avaloq brings trustworthy and efficient banking to the world, delivered through great user experience. With its integrated BPO services, Avaloq is the only independent provider for the financial industry to both develop and operate its own software.

Avaloq's growing ecosystem comprises:

- Over 2'000 employees (FTEs) from 66 nationalities;
- 3 R&D centres in Zurich, Edinburgh and Manila, and 3 BPO centres in Lugano, Singapore and Berlin;
- More than 500 third-party developers that co-innovate with Avaloq;

- 155 banks and wealth managers in the most important financial centres worldwide which have chosen Avaloq technology to manage client assets worth over 4'000 bn CHF;
- 270 Raiffeisen banks in Switzerland which are served by ARIZON, a joint-venture of Raiffeisen Switzerland and Avaloq with over 300 employees

Headquartered in Switzerland, Avaloq has branches in Berlin, Edinburgh, Frankfurt, Hong Kong, Leipzig, London, Lugano, Luxembourg, Madrid, Manila, Nyon, Paris, Singapore, Sydney and Zurich.

More information on www.avalog.com

About Warburg Pincus

Warburg Pincus LLC is a leading global private equity firm focused on growth investing. The firm has more than \$44 billion in private equity assets under management. The firm's active portfolio of more than 140 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 16 private equity funds, which have invested more than \$60 billion in over 780 companies in more than 40 countries. Warburg Pincus is a leading investor in the financial services and fintech sectors, with over USD 10 billion invested in in over 90 companies in these sectors (nearly 20 of which are banks). Warburg Pincus' notable financial services and fintech investments include: AllFunds Bank, Arch Capital, China Huarong Asset Management, FIS/Metavante, HDFC, Interactive Data Corporation, Mellon Bank, Network International, Elavon, Sterling Financial Corp, Santander Consumer USA, Wall Street Systems, Webster Bank and many others. The firm is headquartered in New York with offices in Amsterdam, Beijing, Hong Kong, London, Luxembourg, Mumbai, Mauritius, San Francisco, São Paulo, Shanghai, and Singapore. For more information please visit www.warburgpincus.com.