



Media Release

EFG International announces the successful and timely closing of the acquisition of BSI

Zurich, 1 November 2016. EFG International announces that it has completed the acquisition of BSI for a preliminary purchase price of CHF 1,060 million. This transaction represents a milestone for EFG International's positioning and growth. The combined business will form a strong, solid pure play private bank of substantial scale and will provide an even broader and more attractive value proposition to clients and Client Relationship Officers. Total Capital Ratio under Swiss GAAP for the combined group at 19.4%¹.

Following receipt of all required regulatory approvals, EFG International announces that it has completed the acquisition of BSI from BTG Pactual.

EFG International becomes one of the largest private banks in Switzerland with approx. CHF148 billion^{2,3} in Assets under Management and just over 700⁴ Client Relationship Officers (CROs), gaining a significant competitive position in the growing global wealth management market. The combined group will benefit from a complementary geographic footprint and substantial scale, and it will offer an even broader and more attractive value proposition to clients and CROs.

The combined business will have a solid capital and liquidity position with a Swiss GAAP Common Equity Ratio (CET1) of 16.8%¹, Total Capital Ratio of 19.4%¹ and Liquidity Coverage Ratio of 219%¹.

Joachim H. Straehle, CEO of EFG International: "The closing of the acquisition marks a historic milestone for both EFG International and BSI. Together we are forming a leading pure play private bank with strong Swiss roots, a broad international presence and an entrepreneurial spirit. Over the coming months, we will jointly drive forward the integration to realise the full benefits of the business combination for our clients, employees and shareholders. The combined group will have a solid capital and liquidity position, which will support the further development of the business."

¹ Estimated regulatory ratios for the combined group as at 30 September 2016, adjusted to reflect closing related transaction impacts

² All BSI numbers have been provided by BSI; all numbers are provisional and unaudited

³ Estimate as of 31 October 2016

⁴ Estimate as of 31 October 2016, excluding BSI CROs that have resigned but are still on the payroll

Purchase price and financing

The total consideration of CHF 1,060 million for the purchase of 100% of BSI is made of CHF 575 million in cash, 86.2 million EFG shares valued at CHF 454 million⁵ and CHF 31 million of AT1 instruments issued by EFG International.

The purchase price compares with an estimated IFRS tangible book value (TBV) for BSI of approx. CHF 1,389 million as at the date of closing. The acquisition for a P/TBV of 0.76x will generate estimated negative goodwill of CHF 329 million⁶.

The consideration paid at closing includes preliminary downward-adjustments of CHF 217 million⁷, of which CHF 48 million relate to the reduction in BSI TBV versus CHF 1,437 million, and CHF 167 million reflect BSI negative net new money differences since 30 November 2015. The final consideration for the purchase of BSI will be subject to customary final audit and hence further potential post-closing adjustments.

After completion of the transaction, EFG International's capital ratios remain comfortably above regulatory requirements, with a Swiss GAAP Common Equity Ratio (CET1) of 16.8%¹ and Total Capital Ratio of 19.4%¹.

Following FINMA approval, regulatory capital ratios of the combined group will be monitored and reported under Swiss GAAP, as BSI has done in the past. In addition, EFG International will continue communicating to the market the Basel III fully applied⁸ Common Equity Ratio (currently at 14.7%¹) and Total Capital Ratio (currently at 17.6%¹), which is well-above the 15% Total Capital Ratio target previously communicated. EFG will continue to report its financial statements under IFRS.

De-risking of the acquisition

As previously announced, BTG Pactual has agreed to indemnify EFG International against certain known liabilities and damages relating to breaches of any representations and warranties, covenants, obligations and other matters related to specific legal cases.

As a security for potential indemnification claims by EFG International, 51 million EFG shares have been transferred into a Swiss escrow account and will be locked up for two years.

Shareholding and governance

The total number of EFG International shares in issue now amounts to 287.2 million. EFG Group remains EFG International's largest shareholder with a stake of 44.2%⁹ post-closing, while BTG Pactual will hold a stake of 30.0%⁹.

⁵ Applying EFG's closing price of CHF 5.27 on 28 October 2016 to the 86.2 million shares

⁶ Negative goodwill is estimated before finalising the purchase price allocation

⁷ Preliminary purchase price adjustment provided by BTG and unaudited

⁸ BIS EU

⁹ Based on total outstanding shares, excluding 30,195 treasury shares

Furthermore, with the completion of the transaction, Steve Jacobs, Vice-Chairman of BSI from September 2015 until closing, and Roberto Isolani, CEO of BSI from May 2016 until closing, have become members of EFG International's Board of Directors as representatives of BTG Pactual. Both had been elected at EFG International's Annual General Meeting on 29 April 2016, subject to the closing of the acquisition.

EFG International's Executive Committee with currently twelve members now reflects the new organisation and appointments announced on 5 July 2016, including five members joining from BSI. In addition, Marcelo Coscarelli has been appointed Head of Americas Region and a member of the Executive Committee effective 1 January 2017. Previously, Marcelo Coscarelli was at Citibank Latin America, serving as Managing Director for high-net-worth and affluent clients since 2012. From 2008 to 2012, he was Chief Operating Officer of Itaú Private Bank International in Miami.

Effective immediately, EFG International will exercise full management control of BSI. The Board of Directors of BSI consists of the following members: Joachim H. Straehle (Chairman), CEO of EFG International; Giorgio Pradelli, Deputy CEO and CFO of EFG International; Peter Fischer, Head of Strategy of EFG International; and Rudy Van Den Steen, former CFO of EFG International from 2000 to 2010. Furthermore, Thomas A. Mueller has been appointed CEO of BSI. Previously, Thomas A. Mueller was an Executive Committee member of various financial institutions, including of Banca del Gottardo from 2002 to 2005.

BSI will operate as a separate subsidiary within EFG International's holding structure for a limited time, until its full legal integration, expected in the second quarter 2017.

Integration process

The closing of the acquisition marks the beginning of the process to integrate BSI into EFG International. Preparations for the gradual integration have been driven by joint EFG and BSI teams and are well on track.

As previously announced, full operational integration of BSI in Singapore, by way of an accelerated asset deal, will take place by the end of November 2016. A review of clients has taken place (in conformity with FINMA and MAS rules), and the process of transfer of assets through client novation and transfer of CROs and other staff is in progress.

The BSI group of companies will be incorporated within EFG International through several legal mergers and asset deals, depending on the location of the business and other operating considerations. All necessary legal steps are expected to be completed in the second quarter 2017.

The migration of BSI's business to EFG's IT platform is expected to complete by year-end 2017.

Regarding the future brand of the combined business, a joint decision has been taken to follow a single brand strategy globally by building on the existing EFG name and renewing the current brand positioning and design to reflect the heritage, corporate values and visual identity of both EFG and BSI. The process of developing the renewed brand positioning and logo is ongoing and planned for completion by mid-2017.

EFG International intends to provide an update on synergies and will hold an analyst and investor call on Thursday, 8 December 2016. Details of the call will be provided in due course.

Third-quarter 2016 business update for EFG International and BSI

In the third quarter 2016, EFG International continued to make good progress in implementing its cost reduction programme. The number of FTEs was 2,016 at end-September 2016, versus 2,056 at end-June 2016. EFG International remains well on track to reach the target number of 1,990 FTEs at the end of 2016, and the targeted 12% reduction of its underlying cost base for the second half of 2016 compared to the prior-year period.

Net new assets were flat over the third quarter 2016, with continued positive trends in Continental Europe and the UK. Negative currency impact was driven mainly by the GBP depreciation over the period. Revenue-generating Assets under Management as at end-September 2016 were CHF 79.8 billion, versus CHF 80.6 billion as at end-June 2016.

Operating income and revenue margin (excluding life insurance) were stable in the third quarter of 2016, despite challenging markets. Underlying profitability continued to improve, reflecting the stable revenue streams in the core private banking business and the progress in reducing the underlying cost base.

IFRS net profit in the third quarter 2016 was further impacted by costs and provisions relating to the acquisition and integration of BSI, and a negative contribution from life insurance following premium increases from Transamerica, AXA and most recently from Lincoln. EFG International has now taken legal action to challenge the implementation of premium increases from Transamerica and AXA in US courts, and is currently assessing similar legal action against Lincoln.

At BSI, revenue-generating Assets under Management as at 30 September 2016 decreased to CHF 69.0 billion, from CHF 76.0 billion at the end of June. This was mainly due to negative BSI net new asset performance in the third quarter of 2016, which was particularly influenced by the announcements relating to the Malaysia matter in May. As continued discipline on costs led to a reduction of operating expenses, BSI's underlying profit was marginally positive in the third quarter of 2016.

Confirmation of medium-term targets

EFG International today confirms the previously communicated medium-term targets for the enlarged business, which will apply after completion of BSI's integration:

- Net new assets: continually grow revenue-generating Assets under Management with a targeted annualised growth rate of 3% to 6% on average (excluding the effect of market and FX movements);
- Revenue margin: achieve an annual revenue margin of at least 85bps;
- Cost-income ratio: target a cost-to-income ratio below 70% (excluding integration and restructuring costs relating to the acquisition).

Investor presentation with more detailed information

For more detailed information around the closing of the acquisition of BSI, please refer to the investor presentation, which can be found at EFG International's website:

http://www.efginternational.com/cms1/files/live/sites/efgi_public_site/files/investors/presentation/20161101_EFGI_Closing_Presentation_final.pdf

Contact

Investor Relations

+41 44 212 7377

investorrelations@efginternational.com

Media Relations

+41 44 226 1272

mediarelations@efginternational.com

About EFG International

EFG International is a global private banking group offering private banking and asset management services, headquartered in Zurich. EFG International's group of private banking businesses, including Lugano-based BSI, operates in around 40 locations worldwide, with circa 3,800 employees. EFG International's registered shares (EFGN) are listed on the SIX Swiss Exchange.

EFG International AG, Bleicherweg 8, 8001 Zurich, Switzerland

www.efginternational.com

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