COMPANY STATEMENT

EFG Hermes Outlines its Road Map Following Credit Libanais Partial Exit

Throughout the execution of EFG Hermes's (the "Firm" or the "Company") Growth Strategy, most of our investors had questions regarding our stance towards the investment in Credit Libanais ("CL" or the "Bank"). While the investment has annually contributed both profits to the income statement and dividends to the cash flows of the Firm, it offered few opportunities for synergy creation especially in the absence of add-on acquisitions in Egypt, which never materialized, warranting a review of our universal banking strategy and the eventual disposal of the stake in CL. Valuation became the main impediment to the sale with the management of the Firm intent on the realization of certain multiples that can unlock value for our shareholders and provide us with enough ammunition to pursue our Growth Strategy.

On 16th March 2016, the Firm announced that it reached a deal to sell its stake in CL. The sale is structured to take place over two phases, with the immediate sale of 40% of CL upon the receipt of all regulatory approvals. Meanwhile, on 11 May 2016 the Firm's Board of Directors mandated Credit Libanais Investment Bank "CLIB" to sell the remaining 23.7% on a "best efforts" basis as a second phase. On 7th June 2016, EFG Hermes concluded the sale of 40% of CL shares and received phase one proceeds of EGP 2.7 billion that it intends to use for the following purposes:

- **Returning Excess Cash to Our Shareholders:** the Firm intends to recommend returning roughly EGP1,076 million (40% of the proceeds) to shareholders in the form of cash dividends and/or buybacks. This proposed distribution will be discussed and ratified by the shareholders in a General Meeting.

- **Settlement of Transaction Related Expenses:** the sale process involves a number of related expenses including: (i) placement fees related to the sale and paid to the placement agent (CLIB); (ii) a one-off fee paid to the employees of CL as an exit / change of control bonus (the "Employee Exit Bonus"), as per Lebanese banking sector M&A precedents; (iii) other related potential expenses.

- **Fortifying our Operating Subsidiaries:** we remain committed to our Investment Bank platform, which operates in six countries where we maintain a leading position and through which we cover most of the MENA region. To grow the business going forward, we will be required to enhance capital structure, meet capital adequacy requirements, and embrace opportunities as they appear, by injecting capital in our subsidiaries, including the operations of UAE, Kuwait and potentially Saudi Arabia especially in light of the recent activity this market is seeing. Moreover, we will further capitalize newly established businesses, namely EFG Hermes Leasing, which performed well in 2015 and continues to offer great potential but will need additional capital to fund its future growth. The capitalization process for some of these entities is expected to start immediately.

- **Expanding our Assets Under Management ("AUMs"):** one of our main objectives during the coming period will be to grow our AUMs (whether on the public or private front) to a level that is expected to generate a steady annual flow of management fees together with the upside potential of periodic performance fees;
    - ***Public Markets AUMs:*** over the past year, our Asset Management team launched a handful of new products, reached out to new clients and covered more markets than before. However, markets performance and unfavorable changes in the regulatory environment did not support AUMs growth. While continuing to push on all the above fronts to push organic growth, we will also look at expanding the business inorganically with the objective of adding scale to the existing business and enhancing our current product offerings, with several potential targets currently being assessed.

    - ***Private Markets AUMs:*** our private equity team has been systematically implementing a strategy that is focused on infrastructure plays that offer strong yield. During the past 10 months, the team has been successful in executing this strategy expanding its renewables investment portfolio and on its way to double its AUMs to around USD 1.1 billion. Given the search of MENA as well as European based pension funds for such tailored investment opportunities in Europe, we continue to believe that this is a highly scalable business that can significantly increase our AUMs over the coming few months. Implementing this plan will require capital allocation from the Firm; a move we believe we should pursue given the potential cash yields that this business generates for the Company on an annual basis in addition to the performance fees upside it holds making it a very lucrative from an ROE perspective. The team is currently studying several projects that, if successful, will require capital deployment from EFG Hermes in the coming months.

- **Transforming EFG Hermes into a Frontier House:** with a strong presence in the MENA region, the Firm wants to transform itself over the course of the coming two years into a "frontier house". This will entail expansion into a number of new markets which offer great potential and wider reach enabling us to better serve our clients and increase the potential for increased cross-selling activities. We have started a due diligence process for the acquisition of a Pakistani entity and we believe there are more geographies that could offer great opportunities, including Morocco, Vietnam, Bangladesh, Sri Lanka, and Kenya. A business plan for such expansions has been finalized with establishment and start of business in some of these markets expected to take place between 4Q2016 and 1Q2017.

- **Expanding EFG Hermes Finance platform:** in 2016, the Firm created a finance platform, which currently includes the leasing business and a Micro-Finance player "Tanmeyah" which was recently acquired. We are working diligently on growing the finance platform to offer a wider suite of products that would complement the existing businesses, with all such expansions targeting the Egyptian market. The Firm strongly believes that with an under-penetrated market that leverages on a population of 90+ million, Egypt offers great potential for non-banking finance and that the implementation of the right strategy in that field should help yield stronger profitability and strong return metrics for our shareholders in the future. The Firm has already carried out market studies for some of those new businesses with the launch of the first of them forecasted on or before year-end.

- **Adopting a Merchant Banking Model:** having a stronger, liquid balance sheet will also offer us ample opportunities to act as a merchant bank. Accordingly, we will start to pursue underwriting activities for both debt and equity as well as selectively taking pre-IPO positions in companies that are in need of capital to finance their final phase of growth before going public. Those activities should also help us secure more business for the Company while increasing our fee generating abilities. Ultimately, this is expected to help significantly increase our profitability while having a marked impact on our ROE metrics.

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