

17 August 2010

**Stock Exchange & Symbol**

**Cairo:** HRHO.CA  
**London:** HRHOq.L  
**Bloomberg:** EFGH  
**Reuters pages:**  
EFGS .HRMS .EFGI .HFISM CAP HFIDOM

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## Agreement to acquire Crédit Libanais S.A.L.

- Transformational step in commercial banking strategy implementation
- Significant and immediate financial benefits for EFG Hermes Holding shareholders

On August 17th, 2010 EFG Hermes Holding SAE (“EFG Hermes”) entered into an agreement with the existing majority shareholders to acquire a 65% interest in Crédit Libanais S.A.L.’s (“Crédit Libanais” or the “Bank”) share capital and a call option over an additional 25% interest. Closing is subject to the approval of the Central Bank of Lebanon and other standard conditions precedent. EFG Hermes will pay a cash consideration of US\$542 million for the 65% interest. The acquisition will be financed from EFG Hermes’ own cash resources and will not require any external funding. The call option over the additional 25% will be exercisable over the next two years at the sole discretion of EFG Hermes and at terms, including pricing, same as those applicable to the acquisition of the initial 65%.

The implied consideration of US\$834 million for 100% of the Bank’s share capital represents a transaction multiple of approximately 2x shareholders’ equity. The multiple is materially lower if the significant unrealised real estate and securities capital gains of the Bank are taken into account. Crédit Libanais recorded for the six months to June 30, 2010 net income of US\$36 million, implying a rolling price to earnings multiple of c. 11.5x on an annualised basis and a return on equity of c. 18%.



## Transaction Benefits

- **Transformational impact of the transaction**
  - EFG Hermes moves from an investment company with an investment banking platform into a universal bank,
  - Efficient capital allocation and investment size with US\$542 million initial investment and enhanced economics through the 2 year call option on 25% of the Bank's common shares at the same price.
- **Geographical and product revenue diversification**
  - Diversification of geographical presence with significant footprint in Lebanon and further expansion potential in the Levant area,
  - Wider product spectrum including retail banking, corporate banking, consumer finance, Islamic banking, and online banking,
  - Earnings diversification through the introduction of high quality sustainable commercial banking earnings stream.
- **High quality banking operation with significant standalone growth prospects**
  - Experienced and well-regarded management team,
  - Highly diversified loans and deposits portfolio with strong retail focus and the Bank ranking among the top 3 Lebanese banks in terms of distribution network,
  - Highly liquid balance sheet with c. 29% loans to deposits ratio and a strong capital position with 12.9% CAR (Basel II),
  - Track-record of market share gains and earnings growth.
- **Groupwide synergies through leveraging EFG Hermes IB and brokerage platform**

The transaction is expected to be earnings accretive from the first full year of the acquisition (i.e. 2011) before any synergy assumptions. Crédit Libanais has experienced over the last 4 years, on the basis of annualised 1H 2010 results, north of 30% net income growth driven by consistent customer deposits inflows. Crédit Libanais further benefits from outstanding earnings quality, with limited reliance on trading and non-recurring revenues and a healthy capital base.

Pro forma for the transaction, EFG Hermes will reach a total consolidated assets base of approximately US\$7.5 billion transforming its balance sheet into a universal banking one. With EFG Hermes shareholders' equity of c. US\$1.4 billion and significant liquid cash resources, EFG Hermes will continue maintaining significant excess capital after closing the transaction to enable financing internally the next steps of its regional commercial banking strategy.



## Crédit Libanais Overview

Crédit Libanais, established in 1961, is one of the largest banks in Lebanon and has the third largest distribution network in the country as at end 2009. With total customer deposits of US\$5,080 million, it has an overall market share of approximately 5%. Crédit Libanais has approximately 750,000 product relationships with 280,000 customers, including a well advanced retail lending network, one of the most functional Lebanese internet based banking products, and the oldest credit card in Lebanon. Crédit Libanais products also include a leading market share in payroll accounts.

As of June 30, 2010, Crédit Libanais had total net loans of US\$1,467 million resulting in a loans to deposits ratio of only 29%. The loan and deposit portfolios are highly diversified. In addition to its branch network Crédit Libanais operates an ATM network of 78 units and has a leading market share in merchant retail financing with over 8,000 POS units. Crédit Libanais has also branches in both Cyprus and Bahrain and a representative office in Canada, while it recently established a subsidiary bank in the Republic of Senegal.

The highly successful management team of Crédit Libanais will be retained...

### Crédit Libanais Selected Financials (IFRS)

<i>US\$mm</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>H1 '10</i>	<i>CAGR 07-H1 '10</i>
Net Loans	763	994	1,292	1,467	29.9%
Government Securities	1,305	1,873	1,940	1,961	17.7%
<b>Total Assets</b>	<b>3,776</b>	<b>4,454</b>	<b>5,482</b>	<b>5,743</b>	<b>18.3%</b>
Customer Deposits	3,276	3,885	4,845	5,080	19.2%
<b>Shareholders' Equity (excluding pref. shares)</b>	<b>315</b>	<b>340</b>	<b>377</b>	<b>388</b>	<b>8.7%</b>
Net interest Income	77.3	97.0	107.5	61.3	16.6%
Net F&C Income	17.1	17.8	24.8	16.3	24.0%
<b>Operating Income</b>	<b>99.8</b>	<b>131.9</b>	<b>141.8</b>	<b>81.9</b>	<b>18.0%</b>
Operating Costs	(58.8)	(70.2)	(75.4)	(39.3)	10.2%
<b>Net Income</b>	<b>29.5</b>	<b>50.4</b>	<b>51.1</b>	<b>36.0</b>	<b>34.6%</b>
Cost/Income	58.9%	53.2%	53.2%	48.0%	
RoE	9.4%	14.8%	13.6%	18.6%	

On the occasion of the announcement Mona Zulficar, Chairperson EFG Hermes Board of Directors, said:

“In less than a year after the profitable disposal of its stake in Banque Audi, EFG Hermes has secured a sizeable commercial bank at attractive terms and re-enters the Lebanese



banking market. Crédit Libanais has an outstanding franchise with comprehensive product capabilities, rich customer base, and a strong management team. Its acquisition will transform EFG Hermes and facilitate the expedient roll-out of our regional commercial banking strategy delivering significant benefits for our shareholders”.

EFG Hermes is being advised on the transaction by EFG Hermes, J.P. Morgan and Dewey & Le Boeuf.

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EFG Hermes Holding SAE has its address at Building No. B129, Phase 3, Smart Village – km 28 Cairo Alexandria Desert Road, 6 October and has an issued capital of EGP 1,939,320,000.

المجموعة المالية هيرميس القابضة شركة مساهمة القرية الذكية مبنى 129ب، المرحلة الثالثة، السادس من أكتوبر رأس المال المصدر: 1,939,320,000 جـم

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