

## Resolutions for the Board of Directors Meeting Held on 13/04/2021

**Cairo, April 14<sup>th</sup>, 2021:** EFG Hermes S.A.E. Board of Directors convened on Tuesday 13/04/2021 at 12:00 p.m. (CLT) and:

**First:** Approval of the transaction to acquire 76% of the shares of the Arab Investment Bank, in a consortium with The Sovereign Fund of Egypt (TSFE), through a capital increase of the Bank's issued and paid capital to EGP 5 Billion, so that the shareholding percentage of EFG Hermes Holding becomes 51% and the shareholding percentage of TSFE, through a wholly owned sub-fund, 25%, while the National Investment Bank will maintain 24% after implementation of the capital increase .

The Board of Directors also approved the Fair Value Report of the capital increase shares to be issued by the Bank, in application of Article 44 of the Listing and Delisting Rules of the Egyptian Exchange. Such report has been prepared by the independent financial advisor, PricewaterhouseCoopers and FRA has issued a letter confirming that it conforms with the Rules of Evaluation of Establishments.

The Board further authorized the CEO to complete the negotiations in order to finalize the Subscription Agreement and sign all the relevant contract documents on behalf of the Company at the earliest opportunity. It should be noted that such signature will not result in the implementation of the acquisition transaction, until all the conditions precedent provided in the Agreement are satisfied, including obtaining the required approvals from the competent authorities, particularly the Central Bank of Egypt, and taking the required measures and procedures required for the execution of the acquisition transaction.

**Second:** Ratifying the details of the proposed ESOP contemplated to be applicable to employees, managers and executive board members of the Company and the template stock grant contract, as well as ratifying the related disclosure statement according to Article 50 of the EGX Listing Rules and Article 61 of their Executive Regulations as well as the related documents to be submitted to the EGX in preparation for submission to the Extraordinary General Assembly of Shareholders of the Company for final ratification. The Board also authorized the Chairperson to introduce any

changes required by the EGX on the above-mentioned disclosure statement, with the right to delegate any such authorities to any of the legal or financial advisors of the Company.

**Third:** Delegating the Chairperson to invite the Extraordinary General Assembly of the Shareholders of the Company, following the approval of the EGX on the publication of the disclosure statement related to the proposed ESOP program on the EGX screens, to be held within one month from the date of the publication of the disclosure statement, and to determine the date and location of the meeting and undertake the necessary procedures. The agenda of the said meeting will also include amending Articles 10, 16, 19, 37, 40 and 49 of the Statutes of the Company.

\*Also below is a summary report issued by PWC for an indicative fair value assessment on aiBank.

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## Indicative form of fair market value assessment

### 1. Brief about the Bank

- **Establishment & Shareholders:** aiBank was established in 1974 as an investment and commercial bank. aiBank was previously known as The Federal Arab Bank for Development and Investment. As at the valuation date, the bank's shareholders were National Investment Bank("NIB") (92.2%) and Federation of Arab Republics (7.8%)
- **Capital & Minimum Requirement:** aiBank paid up capital amounted to EGP 1.84B as at 30 Jun 2020. A subordinated loan from National Investment Bank was approved to be transferred to capital resulting in an increase in paid up capital to EGP 1.98B.
- **Headcount:** was 956 employees as at the valuation date.
- **Branches & Offering:** The bank currently operates through 31 branches (owned and leased), with two branches offering Islamic products; one based in Cairo and the other in Alexandria. The headquarters is currently located in downtown Cairo. However, it is planned to move to the new administrative capital after its construction completion which is currently in progress.
- **Historical financial information of the bank showing:**

#### Income Statement Key Points

EGP in 000s	2018	2019	YTD-20
Interest Income	4,265,228	3,458,202	1,632,535
Interest Expense	(3,668,988)	(2,832,677)	(1,248,032)
<b>Net Interest Income</b>	<b>596,240</b>	<b>625,525</b>	<b>384,503</b>
Net fees and commissions income	251,959	198,783	65,955
Impairment of credit losses	(78,648)	(101,267)	(47,000)
Operating Expenses	(727,879)	(716,919)	(305,998)
<b>Net Profit before tax</b>	<b>133,571</b>	<b>(4,157)</b>	<b>126,953</b>
<b>Net Profit after tax</b>	<b>(52,371)</b>	<b>(176,319)</b>	<b>4,820</b>

aiBank has incurred net losses in FY18 and FY19 due to (1) a low and fluctuating net interest margin, coupled with (2) an increase in impairment of credit loss, (3) a one-off legal provision formed in 2019 as well as (4) a reduction in net fees and commission income.

The decline in interest income & interest expense starting 2019 is in line with the reduction in Central Bank of Egypt Corridor, latest being 300 bps in Mar 2020.

OPEX comprised mainly of salaries and wages. In early 2019, a salary adjustment take place by changing the base exchange rates of salaries and wages in order to be closer to market norms.



### Balance Sheet Key Points

EGP in 000s	2018	2019	Jun-20
Cash and balances at CBE	2,919,444	1,733,167	275,554
Due from banks	9,844,889	9,023,826	6,558,786
Loans and credit facilities (Net)	8,014,913	7,596,705	9,439,761
Financial Investments	10,811,716	9,726,212	13,341,196
<b>Total Assets</b>	<b>32,598,968</b>	<b>29,839,300</b>	<b>31,524,578</b>
Due to banks	3,482,287	431,003	924,053
Customer Deposits	27,100,735	27,073,009	27,736,146
Other Borrowings	232,067	206,046	190,504
<b>Total Liabilities</b>	<b>31,244,008</b>	<b>28,328,195</b>	<b>29,578,558</b>
Shareholders equity	1,354,960	1,511,105	1,946,020
<b>Total Liabilities and Equity</b>	<b>32,598,968</b>	<b>29,839,300</b>	<b>31,524,578</b>

### Historical balance sheet highlights

Given the bank's CAR limitation to extend loans, management maintained an average loan to deposit ratio of c. 30% during the historical period, while 70% of the bank's funds were directed to different investments including T-Bills and Bonds, as well as deposits with other banks. The increase in loans in YTD-20 was driven by the increase in capital through equity injection from NIB coupled with a shareholder's loan that was transferred to capital.

Customer deposits have been the main source of funds for the bank over the historical period. As per discussions with management, aiBank has provided competitive rates historically which allowed the bank to increase its deposits base to EGP 38B by 31 Dec 20.

## 2. Independent Financial Advisor Report:

We were hired by the EFG Hermes Holding S.A.E. and Arab Investment Bank (the "Clients") to conduct this study in connection with the potential subscription for shares issued by aiBank (the "Purpose").

The principles and assumptions presented in this study are based on data and information provided to us by the Bank's Management.

It is worth noting that the future performance of the bank may vary from the estimates provided by the Bank's management as events and circumstances frequently do not occur as expected. We take no responsibility for the achievement of predicted results.

The report includes identifying the sources of information and the methodology used in the valuation.



This report has been prepared for the Board of Directors for guidance purposes only. Any investment decision remains solely a matter for the Board to assess based on the information, including the IFA Report, made available to them.

**3. Valuation Methodologies:**

We have used the Discounted Cash Flows (DCF methodology) based on the business plan provided by the target's management at an appropriate discount rate and applying appropriate adjustments.

For the market approach we have relied on all listed banks in the Egyptian stock exchange and have only excluded non-actively traded banks, we have also considered most recent market transactions.

Based on the above, the DCF approach resulted in a fair value range from EGP 1.1 billion million to EGP 1.2 billion, while the market approach resulted in a valuation range from EGP 0.8 billion to EGP 1.4 billion.

**4. Fair Value of the share**

The fair market value of the equity is estimated to be in the range of EGP 0.9 billion and EGP 1.2 billion with the estimated value being EGP 1.1 billion.