

EFG HERMES EARNINGS RELEASE 2Q2018

INVESTOR RELATIONS

Cairo, August 15th, 2018

EFG Hermes reports second quarter 2018, with Group Earnings of EGP200 million on operating revenues of EGP1.0 billion. The Group Total assets stood at EGP33.4 billion at the end of 2Q18.

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LISTINGS & SYMBOLS

The Egyptian Exchange
Reuters code: HRHO.CA
Bloomberg code: HRHO EY
London Stock Exchange (GDRs)
Reuters code: HRHOq.L
Bloomberg code: EFGD LI

FINANCIAL PERFORMANCE

i. Key Financial Highlights

- ≡ Headline revenues suggest a flat Group revenues of EGP1.0 billion in 2Q18. Normalizing the revenues by adjusting for one-off gains of EGP225 million related to Credit Libanais's stake sale in 2Q17, Group revenues would be higher 28% Y-o-Y; supported by a strong contribution from the NBFi platform, particularly from the micro-finance player "Tanmeyah", and the buy-side;
- ≡ Fee and commission revenues, which accounted for 74% of the Group revenues in 2Q18, rose 17% Y-o-Y to reach EGP748 million, underpinned by revenue growth delivered by all business lines with the exception of Investment Banking - as the comparable quarter included very strong advisory fees;
- ≡ NBFIs continue to deliver strong results, with revenues up 92% Y-o-Y to EGP253 million in 2Q18, driven predominately by Tanmeyah, which outperformed in 2Q18. Buy-side revenues saw an increase of 64% Y-o-Y to EGP145 million, predominately on the back of higher management fees booked by FIM and Private Equity and higher incentive fees booked by FIM. Sell-side revenues declined 16% Y-o-Y to EGP351 million, as the decline in Investment Banking revenues overshadowed the increase in Brokerage commissions and margin income;
- ≡ Capital markets & treasury operations revenue, which represent the remaining 26% of the Group's revenue in 2Q18, declined 31% Y-o-Y to EGP256 million, as 2Q17 included Credit Libanais's sales proceed; which if excluded, capital markets and treasury revenue would be higher 74% on dividend income and treasury operations;
- ≡ Group operating expenses rose 27% Y-o-Y to EGP698 million in 2Q18, on 9% increase in the number of employees, salary increases and higher operating expenses required for the additional headcount, start-ups, geographical expansion set-ups and the additional expenses of FIM on a Y-o-Y basis. However, employee expenses to operating revenues came at 45% in 2Q18, below the 50% mark;
- ≡ The Group net profit after tax and minority interest came at EGP200 million in 2Q18, down 49% Y-o-Y. Normalizing the earnings by excluding the one-off gain related to Credit Libanais, the Group net profit would be higher 18% Y-o-Y, supported by NBFIs profitability, as the NBFi's contribution to the Group's overall results increased Q-o-Q, with the NBFi business contributing 21% and its net profits doubling Y-o-Y to EGP42 million in 2Q18.

ii. Group Financial Performance

<i>in EGP million</i>	Group Financial Highlights							
	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Group Operating Revenue	1,004	945	1,011	6%	-1%	1,949	1,959	-1%
Investment Bank	752	718	880	5%	-15%	1,470	1,727	-15%
NBFIs	253	227	131	12%	92%	479	232	106%
Group Operating Expenses	698	605	550	15%	27%	1,303	1,029	27%
Group Net Operating Profit	307	339	462	-10%	-34%	646	930	-31%
Group Net Operating Margin	31%	36%	46%			33%	47%	
Group Net Profit (Loss) After Tax & Minority Interest	200	249	395	-20%	-49%	449	761	-41%
Investment Bank	158	204	375	-23%	-58%	362	726	-50%
NBFIs	42	45	21	-8%	100%	87	35	146%

Source: EFG Hermes Management Accounts

A noticeable general improvement in revenue generation from operation was witnessed during 2Q18 and was reflected in the Investment Bank and NBFIs revenues growth Y-o-Y. Group operating revenues were reported flat Y-o-Y coming at EGP1.0 billion in 2Q18, however, excluding the one-off gains in 2Q17 related from Credit Libanais's (CL) exit, and totaling to EGP225 million, the Group operating revenues would be higher 28% Y-o-Y.

The NBFIs platform continued to deliver strong revenue growth, almost doubling Y-o-Y to reach EGP253 million in 2Q18. Meanwhile, the Investment Bank revenues recorded EGP752 million lower 15% Y-o-Y in 2Q18, and by stripping the one-off CL gain in 2Q17, revenues would be up 15% Y-o-Y, mirroring stronger revenue generated from core operations and treasury function.

Group operating expenses increased 27% to EGP698 million, mainly on the back of headcount increase and higher operating expenses related to business expansion. Thus, net operating profit reached EGP307 million, down 34% Y-o-Y in 2Q18, and reflecting a net operating profit margin of 31% in 2Q18.

The Group reported a net profit after tax and minority interest of EGP200 million in 2Q18, down 49% Y-o-Y, pressured by CL's stake sale proceeds included in the comparable quarter. Normalizing profitability, the Group would have reported a net profit after tax and minority interest higher 18% Y-o-Y supported by a growing NBFIs franchise with portfolio exceeding EGP4.8 billion by the end of 2Q18.

NBFIs, accounting for 21% of the Group's bottom line, delivered a net profit after tax and minority interest of EGP42 million in 2Q18, up 100% Y-o-Y; supported by Leasing and Tanmeyah, which saw their profitability increase three times Y-o-Y in 2Q18. However, losses from the start-up businesses valU and Factoring that weighted down on the NBFIs profitability.

The Group reported an operating revenue of EGP1.9 billion in 1H18, largely flat Y-o-Y; yet filtered into a net operating profit of EGP646 million in 1H18, down 31% Y-o-Y; and a net profit after tax and minority interest of EGP449 million in 1H18, lower 41% Y-o-Y. The Group's profitability was pressured by a one-off capital gain (CL sales proceeds) of EGP348 million in the comparable period and higher operating expenses as more costs are incurred to support business expansion and growth. Adjusting for the capital gain, our 1H18 net profit after tax and minority interest would be 9% higher Y-o-Y.

iii. Business Lines Financial Performance

<i>in EGP million</i>	Group Revenue by Platform							
	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Brokerage	270	266	236	1%	14%	536	502	7%
Investment Banking	81	50	183	62%	-56%	131	227	-42%
Sell-Side	351	316	419	11%	-16%	667	729	-9%
Asset Management	121	92	71	32%	72%	214	116	83%
Private Equity	23	24	18	-4%	33%	47	27	74%
Buy-Side	145	116	88	24%	64%	261	144	82%
Capital Markets & Treasury Operations	256	285	372	-10%	-31%	541	854	-37%
Total Investment Bank	752	718	880	5%	-15%	1,470	1,727	-15%
Leasing*	100	96	69	5%	45%	196	119	65%
Micro - Finance "Tanmeyah"	150	130	62	16%	141%	280	113	147%
Consumer - Finance "valu"***	2	1	0	85%	N/M	3	0	N/M
Total NBFIs	253	227	131	12%	92%	479	232	106%
Group Operating Revenue	1,004	945	1,011	6%	-1%	1,949	1,959	-1%
<i>Of Which:</i>								
Fee and Commission Revenue	748	659	639	13%	17%	1,408	1,105	27%
Capital Markets & Treasury Operations	256	285	372	-10%	-31%	541	854	-37%

*Reported leasing revenue is net of financing costs; Gross Leasing revenue reached EGP189 million in 2Q18

**valu revenue is based on total product sales of EGP30 million in 2Q18

Source: EFG Hermes Management Accounts

Fee and commission revenues, which accounted for 74% of the Group revenues in 2Q18 and record the business lines performance, rose 17% Y-o-Y to reach EGP748 million in the second quarter of the year, driven primarily by robust growth in the NBFIs and the buy-side revenues.

Another quarter of revenues doubling for the growing NBFIs platform, up 92% Y-o-Y to EGP253 million in 2Q18; with revenues driven by the micro-finance player "Tanmeyah" which saw revenues increase 141% Y-o-Y to EGP150 million, followed by the Leasing business which posted revenues of EGP100 million in 2Q18, higher 45% Y-o-Y. On total product sales of EGP 30 million, valu, our installment sales service which was launched earlier this year, saw revenues of EGP2 million booked in 2Q18, higher 85% Q-o-Q.

The buy-side revenues saw an increase of 64% Y-o-Y to EGP145 million in 2Q18. Asset Management revenues climbed 72% Y-o-Y to EGP121 million in 2Q18 on stronger management and incentive fees reported by our Regional Asset Manager FIM, Additionally, Private Equity revenue rose 33% Y-o-Y to EGP24 million in 2Q18, on higher Vortex management fees.

Sell-side revenues declined 16% Y-o-Y to record EGP351 million in 2Q18, predominately on stronger Investment Banking revenues booked in the comparable quarter. However, Brokerage revenues rose 14% Y-o-Y to EGP270 million on stronger revenues recorded from Egypt's margin trading, Frontier markets, KSA and Qatar (rebates). Meanwhile, Investment Banking revenues declined 56% Y-o-Y to EGP81 million in 2Q18 on strong 2Q17.

Capital markets & treasury operations revenue represented 26% of the Group's total revenues in 2Q18, with revenues declining 31% Y-o-Y to EGP256 million in 2Q18. Excluding the one-off gains realized from the sale of CL stake amounting to EGP225 million in 2Q17, capital markets

& treasury operations revenue would be 74% higher Y-o-Y.

In 1H18, the same remains valid, as fees and commissions which rose 27% Y-o-Y to EGP1.4 billion, continue to be driven by the NBFIs and the buy-side revenues, rising 106% Y-o-Y and 82% Y-o-Y to EGP479 million and EGP261 million, respectively. Tanmeyah led fees and commissions revenue growth with its growing portfolio that delivered revenues of EGP280 million, up 147% Y-o-Y in 1H18, followed by stronger management fees and incentive fees generated from FIM that underpinned its 83% Y-o-Y increase in revenues over 1H18.

Sell-side revenues was on the lower side, with revenues decreasing 9% Y-o-Y to EGP667 million in 1H18, on lower Investment Banking revenues, which declined 42% Y-o-Y. Meanwhile, Brokerage failed to off-set the sell-side decline as the division's growth in revenues was narrowed to an increase of 7% Y-o-Y, as higher margin income and commissions from KSA, Frontier and structured products were largely-offset by lower commission booked in Egypt, UAE and Kuwait.

In 1H18, capital markets & treasury operations revenue lost 37% Y-o-Y to EGP541 million. Excluding CL sales proceeds amounting to EGP348 million in 1H17, capital markets & treasury operations revenue would be 7% higher Y-o-Y, mainly on higher revenues from treasury operations and merchant banking activities.

iv. Group Operating Expenses

<i>in EGP million</i>	Group Operating Expenses							
	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Employees Expense	448	395	390	13%	15%	843	749	13%
Employees Expense/Operating Revenues	45%	42%	39%			43%	38%	
Employees Expense/Operating Expenses	64%	65%	71%			65%	73%	
Other Operating Expenses	249	210	160	19%	56%	460	281	64%
Other Operating Expenses/Operating Revenues	25%	22%	16%			24%	14%	
Other Operating Expenses/Operating Expenses	36%	35%	29%			35%	27%	
Total Operating Expenses	698	605	550	15%	27%	1,303	1,029	27%

Source: EFG Hermes Management Accounts

Group operating expenses rose 27% Y-o-Y to EGP698 million in 2Q18, on higher employee expenses and other operating expenses. However, employee expenses to operating revenues came at 45% in 2Q18; another quarter below the 50% mark.

Employee expenses, which represents 64% of total operating expenses, rose 15% Y-o-Y to EGP448 million in 2Q18, predominately on higher salaries as headcount expanded 9% Y-o-Y in line with the growing business operations together with the Y-o-Y increase in salaries in Egypt and the UAE. Other operating expenses rose 56% Y-o-Y to EGP249 million in 2Q18, on higher depreciation expense related to leasing operations as the portfolio grew Y-o-Y, higher rent expenses on the back of the sale and lease back as explained below, in addition to an increase in other operating expenses related to headcount expansion, start-ups and geographical expansion as compared to a year earlier.

Of other operating expenses, occupancy expense rose 105% Y-o-Y to EGP58 million in 2Q18 mainly on the back of higher rent expense related to completion of the 2nd tranche of the sale and leaseback of the Firm's headquarters. General expenses rose 74% Y-o-Y to EGP79 million in 2Q18, on higher depreciation expense related to Leasing operations. Consultancy and service fees expense rose 22% Y-o-Y to EGP24 million over the same period; on higher third party fees related to FIM. Travel expense increased 56% Y-o-Y to EGP17 million, as the quarter included a number of research roadshows, in addition to the higher corporate travel. Data communication expense increased 37% Y-o-Y to EGP39 million in 2Q18 and telephone/fax/mobile expenses was up 16% Y-o-Y to EGP4 million, mainly due to an increase in the number of employees. On the lower side, office expenses declined 18% Y-o-Y to EGP6 million and promotional and advertising expenses inched down 3% Y-o-Y to EGP13 million in 2Q18.

In 1H18, Group operating expenses rose 27% Y-o-Y to EGP1.3 billion, on higher employee expenses and other operating expenses. Employee expenses rose 13% Y-o-Y to EGP843 million, on higher salaries as the number of employees and salaries increased Y-o-Y. Despite this, employee expenses to operating revenues came at 43% in 1H18. Other operating expenses increased 64% Y-o-Y to EGP460 million in 1H18, mainly on the back of: (i) higher depreciation expense related to the Leasing growing portfolio; (ii) higher rent expense on the back of the sale and lease back; (iii) the consolidation of FIM, hence FIM related expenses; and (iv) set-up costs of the increasing number of employees and operations.

OPERATIONAL PERFORMANCE

i. Brokerage

Operational Performance Update

Regional markets, where we have on ground operations, took the back seat in 2Q18 as traditionally, markets encounter lower level of activities in Holy month of Ramadan. Most markets posted weaker performance on lower turnover, with the exception of Qatar, which saw a pick-up in activity. Accordingly, EFG Hermes total execution for MENA and Frontier markets reached USD9.1 billion in 2Q18, down 7% Q-o-Q. On a Y-o-Y basis, EFG Hermes executions increased 9% Y-o-Y in 2Q18, predominately on higher volumes in Qatar and the Frontier markets.

Reported revenues, which reflect MENA and Frontier markets' executions and structured products, reached EGP270 million in 2Q18, broadly flat Q-o-Q and higher 14% Y-o-Y, predominately on higher revenue generated from Qatar (which is booked in Egypt), Frontier, and KSA.

<i>in EGP million</i>	Brokerage Revenue							
	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Egypt	149	149	126	0%	18%	299	283	6%
UAE	34	33	32	5%	6%	67	82	-18%
KSA	16	18	9	-11%	76%	34	18	87%
Oman	5	5	6	12%	-10%	10	11	-10%
Kuwait	13	11	23	16%	-44%	24	54	-56%
Jordan	4	4	5	-4%	-28%	7	9	-21%
Pakistan	6	6	9	7%	-36%	12	19	-41%
Frontier	30	25	14	23%	110%	46	14	224%
Structured Products	12	17	11	-28%	12%	29	11	170%
Kenya	4	4	0	-2%	N/M	8	0	N/M
Total Revenue	270	266	236	1%	14%	536	502	7%

*Revenue highlighted above represents entities and not markets.

Source: EFG Hermes Management Accounts

In terms of pure market commissions, Egyptian equities contribution to the total commission pool remained the highest, however its contribution to total commissions declined to 33% in 2Q18, versus 42% in 1Q18. During the quarter, the revenue mix changed, with Qatar jumping to be the second largest contributor to the total commissions increasing to 13% in 2Q18 up from 6% in 1Q18. Furthermore, Frontier also grew its contribution to 11% in 2Q18 from 8% a quarter earlier.

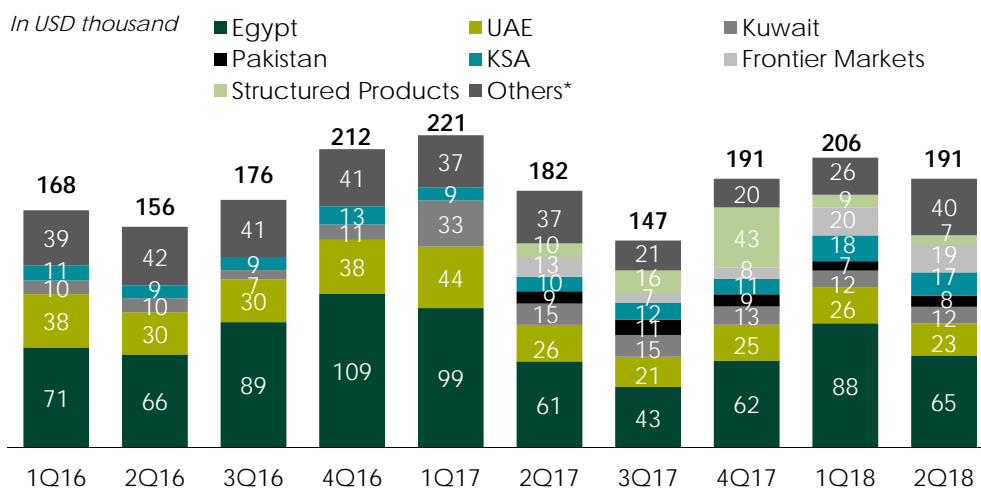
Commissions Breakdown by Market

Markets	2Q18
Egypt	32.9%
Kuwait	6.3%
KSA	8.5%
Oman	2.1%
DFM	5.7%
ADX	4.3%
Nasdaq Dubai	2.4%
Qatar	13.2%
Jordan	1.5%
Pakistan	4.1%
Kenya	2.0%
Frontier Markets	11.1%
Structured Products	3.5%
Others	2.5%
Total	100%

*Based on 2Q18 figures

The below chart highlights the average daily commissions generated by Brokerage and reported in USD. Aggregate average daily commissions for the Brokerage business decreased 7% Q-o-Q to reach USD191 thousand in 2Q18, yet increased 5% Y-o-Y on strong contribution from Frontier markets.

Average Daily Commissions



Brokerage Executions and Market Shares

<i>in USD million</i>	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Egypt*								
Market share	39.6%	46.2%	43.9%	-6.6%	-4.3%	43.2%	41.6%	1.6%
Executions	1,686	2,400	2,581	-29.8%	-34.7%	4,086	5,100	-19.9%
UAE - DFM								
Market share	21.0%	22.5%	15.2%	-1.4%	5.8%	21.8%	13.5%	8.3%
Executions	918	1,262	898	-27.3%	2.2%	2,181	2,580	-15.5%
UAE - ADX								
Market share	32.9%	36.4%	32.5%	-3.5%	0.4%	33.0%	27.3%	5.7%
Executions	773	893	966	-13.4%	-20.0%	1,667	2,103	-20.7%
UAE - Nasdaq Dubai								
Market share	64.3%	54.0%	56.8%	10.3%	7.5%	59.6%	57.1%	2.5%
Executions	481	810	397	-40.6%	21.3%	1,291	864	49.4%
KSA								
Market share	2.1%	2.7%	1.7%	-0.6%	0.4%	2.4%	1.4%	1.0%
Executions	1,370	1,725	835	-20.6%	64.1%	3,095	1,605	92.8%
Kuwait								
Market share	34.6%	28.0%	26.1%	6.7%	8.6%	31.1%	25.6%	5.5%
Executions	815	730	824	11.7%	-1.0%	1,545	2,844	-45.7%
Oman								
Market share	14.3%	21.4%	30.3%	-7.1%	-16.0%	17.2%	23.0%	-5.8%
Executions	107	113	134	-5.0%	-19.8%	221	280	-21.3%
Jordan								
Market share	8.9%	11.3%	11.5%	-2.5%	-2.6%	10.1%	19.5%	-9.4%
Executions	51	63	83	-18.8%	-38.4%	113	601	-81.1%
Pakistan								
Market share	5.5%	4.0%	3.4%	1.5%	2.1%	4.7%	N/A	N/M
Executions	245	203	296	20.6%	-17.3%	478	297	60.8%
Kenya								
Market share	9.8%	7.7%	0.9%	2.1%	8.9%	8.6%	0.4%	8.2%
Executions	35	47	4	-24.7%	778.0%	82	4	1944%
Frontier								
Market share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executions	281	280	56	0.3%	398.6%	578	56.8	916.4%
Structured Products								
Market share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executions	63	279	123	-77.5%	-48.9%	342	123	178.3%

*Market share calculation is based on executions excluding special transactions

** Executions in Qatar, Bahrain, Lebanon, UK(GDRs) and others represent an additional 28% of total Brokerage executions in 2Q18 and 20% in 1H18

Source: EFG Hermes and Regional Exchanges

Egypt

A weak quarter for Egyptian equities, with volumes declining 14% Q-o-Q and the Hermes Financial Index (HFI) losing 4.5% Q-o-Q in 2Q18. The weakness was largely due to the lack of catalysts in the market and local investors becoming net sellers triggered by margin calls.

EFG Hermes maintained its first place in the quarter in terms of executions on the EGX, with the Firm's market share (excluding special transactions) coming at 39.6% in 2Q18 from 46.2% a quarter earlier, thus taking 1H18 market share to 43.2%. EFG Hermes successfully captured 34% of the foreign flows in the market supported by passive flows during the MSCI and FTSE rebalancing, thus lifting the firm as the number one broker for foreign executions. EFG Hermes also maintained its strong footing in the retail business, ranked as the top broker for retail executions with a 12.8%.



UAE – Dubai

Another slow quarter for the Dubai Financial Market, with volumes declining 24% Q-o-Q and the DFMGI index weakening 9.2% Q-o-Q, as western institutions exited large cap. names in order to rotate into Saudi ahead of MSCI decision and Qatar to participate in the outperformance driven by the increase in FOLs. In addition to a series of outflows from passive trackers due to the risk-off in the EM space.

EFG Hermes maintained its first place on the DFM with a market share of 21.0% versus 22.5% a quarter earlier, supported by capturing a lot of the passive flows during FTSE and MSCI rebalancing events. For 1H18, EFG Hermes was the top ranked broker with a 21.8% market share.



UAE – ADX

Performance on the ADX was muted in 2Q18, with the ADI inching down 0.6% Q-o-Q and volumes slipping 4% Q-o-Q in 2Q18; as some news in selected stocks supported the market activity.

The Firm maintained a top ranking on the exchange (ADX) with a market share of 32.9% in 2Q18; this was partially attributed to getting most of the institutional flows during both the MSCI and FTSE rebalancing events. For 1H18, EFG Hermes was the top ranked broker with a 33.0% market share.





UAE – Nasdaq Dubai

EFG Hermes maintained its top ranking position on the exchange with a decent jump in market share to reach 64.3% in 2Q18 from 54.0% in 1Q18. Our market share was lifted by the accelerated book building that we co-led with Citi on Orascom Construction Ltd share, and which resulted in a cross of around USD50 million from Abraaj to a number of different western institutions, together with the USD34 million cross on DP World that we did for western institutions.



Saudi Arabia

The Saudi Market continued to strengthen in 2Q18, with the Tadawal All Share Index gaining 5.6% Q-o-Q, while turnover broadly unchanged Q-o-Q.

The QFI traded value during 2Q18 reached SAR14 billion (USD 3.73 billion) 2.9% of the market versus SAR10 billion (USD2.65 billion), an increase of 40% Q-o-Q ahead of KSA inclusion in MSCI and FTSE Emerging Indices.

EFG Hermes market share came at 2.1% in 2Q18 to reflect a 4th place ranking among pure brokers (non-commercial banks) and a 2nd place ranking among foreign brokers in 2Q18.



Kuwait

Turnover in the Kuwaiti market slipped 9% Q-o-Q and the All Share Index lost 2.2% Q-o-Q in 2Q18. However, EFG Hermes IFA’s market share and ranking improved Q-o-Q to reach 34.6% with a top ranked position versus 28.0% and a 2nd place ranking in 1Q18, as EFG Hermes captured over 60% of the foreign institutional flows during 2Q18. Foreign participation reached 14% during 2Q18, the highest foreign participation level reached in the past 3 years, amid enhanced sentiment ahead of the FTSE and MSCI Emerging indices inclusion.



Oman

The MSM Index lost 4.2% over the quarter; while the Omani market saw higher liquidity, up 46% Q-o-Q, as off-market transactions (crosses) executed in 2Q18 represent 50% of the turnover. EFG Hermes market share declined to 14.3% in 2Q18 from 21.4% in 1Q18 with a sixth place ranking, mainly as the executed crosses in the market were executed by other brokers thus pushing our market share downwards.



Jordan

The Amman Stock Exchange witnessed a weak quarter with the index declining 7.3% Q-o-Q in 2Q18 and volumes inching up 3% Q-o-Q. The quarter included, a block trade on Jordan Phosphate worth JOD91 million, excluding this trade the market's turnover in 2Q18 will be 8% lower Q-o-Q. EFG Hermes market share declined to 8.9% in 2Q18 from 11.3% in 1Q18 with a third place ranking in 2Q18.



Frontier

Frontier market reported good revenues despite the continued subdued trading volumes across all Frontier markets. The latter part of the quarter saw outflows from passive investors across a number of our markets. Nigeria fared well in terms of revenue generated from its market; this was generated through a number of significant block trades in the banks' shares. Kenya and Asian revenues remained steady despite diminished market volumes and negative sentiment.

Pakistan

The Pakistani market retreated in 2Q18 with the Karachi SE 100 Index falling 8% Q-o-Q and turnover declining 18% Q-o-Q, as investors' sentiment dampened mainly on the back of upcoming elections coupled with tightening monetary policy and a further 5% devaluation of the PKR against the USD.

EFG Hermes Pakistan market share rose to 5.5% (4.7% for all the trades executed via EFG Hermes Pakistan and 0.8% for the trades executed through other local brokers).





Kenya

A very weak quarter for the Kenyan market, with the Index losing 14.6% Q-o-Q and the volumes slipping 27% Q-o-Q, as activity from the local institutions decreased after a strong 1Q.

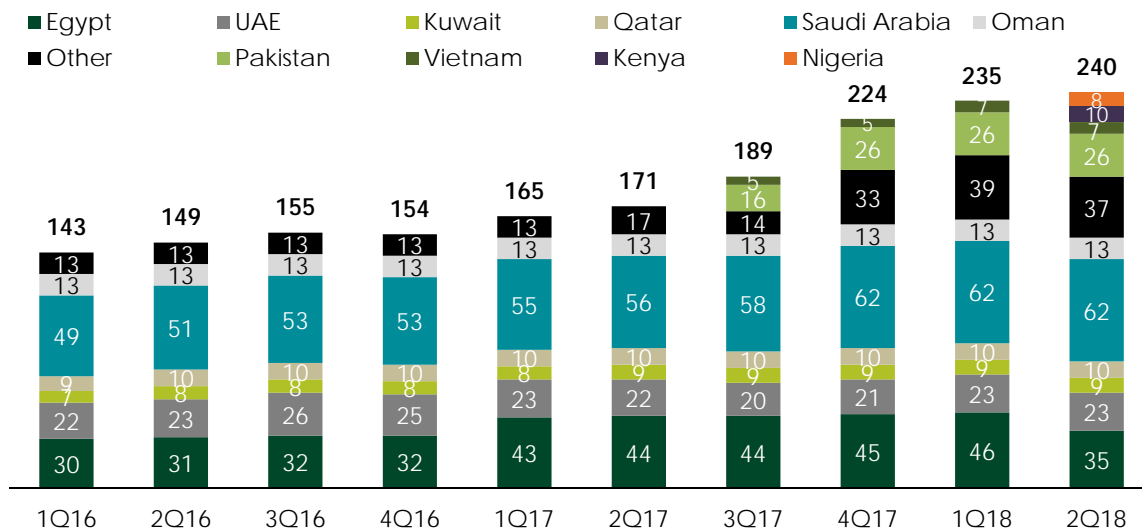
More corporate access, roadshows and research (initiation and updates) have been rolled out to both local and international clients over the quarter, and we are in final stages of onboarding a few other clients. EFG Hermes Kenya market share climbed to 9.8% in 2Q18 from 7.7% in 1Q18, with an eighth place ranking in the market, supported by an increase in international participation and the continued opening of new local accounts.



ii. Research

Research Coverage Universe

Number of Companies



Source: EFG Hermes Research

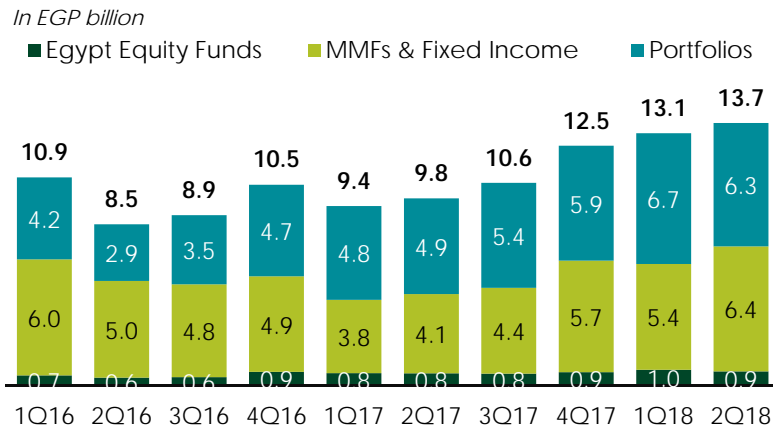
EFG Hermes Research came #2 in MENA and #1 in Frontier in the Extel results, with so many analysts improving Y-o-Y and with nine of the top twenty analysts in MENA coming from EFG Hermes.

For our Frontier research expansion plans, 2Q18 saw a large increase in frontier coverage, where we initiated coverage in two new countries – Rwanda and Botswana; thus covering in nine African countries (with more to follow in Ghana, Zimbabwe, etc.). Moreover, we initiated on a few key heavyweight African stocks and issued our first macro-strategy report in Bangladesh. In MENA, we saw a number of well received large sector reports especially our Saudi consumer and cement reports. Our ‘Index Matters’ reports on Kuwait were both out of consensus and correct as the market has significantly rallied on Kuwait being upgraded to EM by FTSE and being put on MSCI’s watch list.

The Research department coverage reached 240 companies at the end of 2Q18, distributed across the region (Egypt 45, UAE 23, KSA 62, Kuwait 9, Oman 13, Qatar 10, Lebanon 3, Morocco 4, Jordan 5, Pakistan 26, Kenya 10, Nigeria 8, Vietnam 7, Tanzania 4, Uganda 2, Mauritius 2, Bangladesh 2, Rwanda 1, Botswana 1, Netherlands 1 and United Kingdom 2).

iii. Asset Management

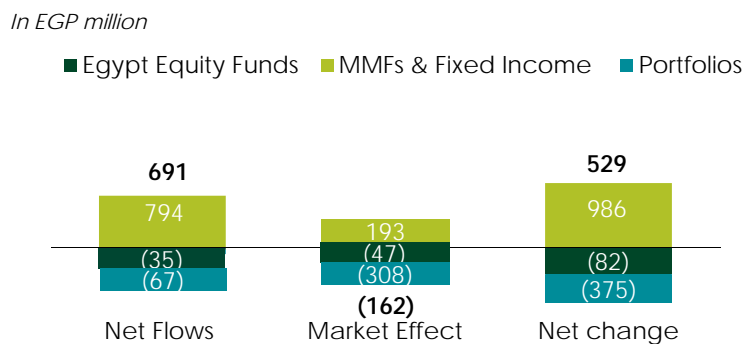
Egypt Assets under Management Evolution



Source: EFG Hermes Asset Management

EFG Hermes Egypt Asset Management AuMs reached EGP13.7 billion at the end of 2Q18, up 4.0% Q-o-Q, triggered by net inflows which overshadowed weaker equity markets. MMFs net inflows added 6.0% Q-o-Q to total AuMs base, while sluggish equity markets pulled 2% Q-o-Q of the AuMs base.

Quarterly Change in Egypt Mandates



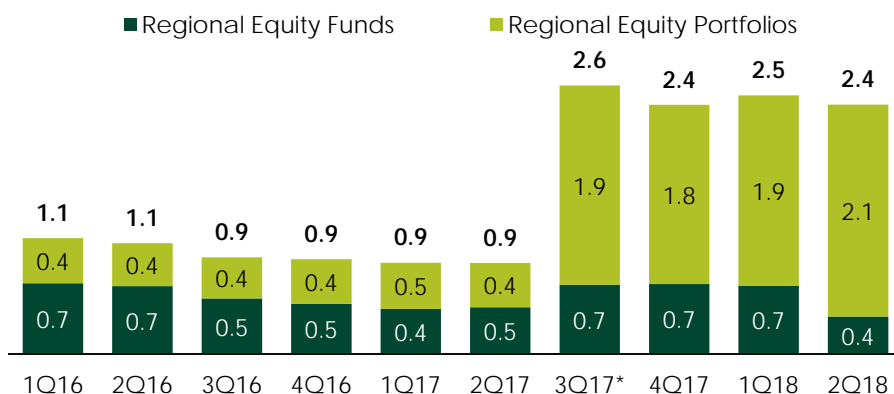
Source: EFG Hermes Asset Management

Fund Performance

The EFG Hermes Egypt Fund ended 2Q18 with a NAV of USD15 million versus a NAV of USD19 million at the end of 1Q18. The fund saw net redemptions of USD2.7 million. In terms of performance, the fund was down 6.5% versus the Hermes Financial Index (HFI), which declined 4.5% over the same period.

Regional “FIM” Assets under Management Evolution

In USD billion

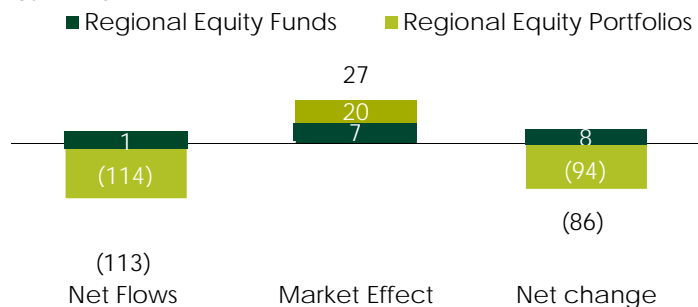


* 3Q17 AuMs reflect the addition of FIM’s AuMs post EFG Hermes’ completion of 50% investment in FIM
 Source: EFG Hermes Asset Management and FIM

EFG Hermes Regional Asset Management “FIM” AuMs’ declined 4.7% Q-o-Q to USD2.4 billion at the end of 2Q18, as net outflows exceeded funds/portfolios positive performance. The net outflows withdrew 5.8% of the AuMs, and was largely attributed to outflows in portfolios. However, funds/portfolios positive performance added 1.1% to the AuM base.

Quarterly Change in Regional Mandates

In USD million



Source: EFG Hermes Asset Management and FIM

Funds Performance

MENA Long Term Value Fund ended the quarter with a NAV of USD300 million at the end of 2Q18 versus USD305 million at the end of 1Q18. The Fund saw no subscriptions nor redemptions during the quarter.

EFG Hermes Saudi Arabia Equity Fund ended the quarter with a NAV of USD10 million unchanged Q-o-Q. The fund saw net outflows of USD1.0 million during the quarter.

FIM EM Frontier Fund ended the quarter with a NAV of USD115 million in 2Q18 versus USD121



million in 1Q18. The Fund saw minimal redemptions of USD0.3 million during the quarter. The Fund lost 6% over the quarter versus the MSCI FEM Index, which lost 12% over the same period.

FIM MENA Horizon Fund ended the quarter with a NAV of USD68 million in 2Q18 versus a NAV of USD54 million in 1Q18. The Fund saw net subscriptions of USD12 million during the quarter. The Fund gained 2% during the quarter versus the S&P Pan Arab Composite Index, which also rose 4% over the same period.



iv. Investment Banking

In 2Q18, EFG Hermes Investment Banking team successfully concluded 4 equity, M&A and debt transactions.

In UAE, the team acted as book runner in the USD52 million accelerated book build of Abraaj's stake in Orascom Construction.

In the M&A space, the department also acted as sell-side advisor to TMG Holding in the USD56 million sale of its portfolio of four schools.

On the debt front, the team executed two more debt transactions, acting as financial advisor to ADES on the USD450 million debt facility to support its acquisition plans; and as a lead arranger in the USD22.5 million acquisition finance facility to Social Impact Capital.

With the upturn in local demand and economic reforms, EFG Hermes' Investment Banking department continues to develop a robust pipeline of both M&A, equity and debt deals to be executed throughout 2018.

v. Private Equity

Infrastructure:

Vortex platform's AUMs and managed capacity at the end of 2Q18 remained at EUR 1.3 billion and 822MW, respectively, which includes (i) Vortex I, a 49% stake in EDPR France Wind Portfolio (334MW), completed in December 2014 (ii) Vortex II, a 49% stake in EDPR's Pan European Wind Portfolio (664MW in Spain, Portugal, France and Belgium) completed in June 2016; and (iii) Vortex Solar, a 100% ownership of a 365MW UK Solar PV portfolio, completed in May 2017. Vortex I and II are jointly owned by Beaufort (an EFG Hermes Holding subsidiary) and a Gulf SWF, with economic ownership at 5% and 95% respectively, whereas Vortex Solar is now owned by Beaufort (5%), Tenaga Nasional Berhad (50%) and KWAP (45%). Beaufort is the investment and asset manager of the entire Vortex platform.

On the operational front, the Wind Portfolio (Vortex I & II) during 2Q18 period generated EBITDA of c.EUR 30.7 million while Vortex Solar's EBITDA reached c.GBP14.0 million during the same period.

Education:

In May 2018, EFG Hermes entered into an exclusive partnership with GEMS Education (GEMS), the world's leading provider of K-12 education services, to establish an investment platform dedicated for investing in the vastly growing and significantly underserved Egyptian K-12 education sector.

The Platform already closed on 27 May 2018 its first investment in Egypt, acquiring a portfolio comprising 4 schools located East of Cairo with c.5k enrolled students from Talaat Mostafa Group Holding (TMGH).

vi. Leasing

EFG Hermes Leasing successfully diversified its portfolio in terms of asset type/ sectors/ funding channels. A more focused approach to increase the number of clients has been adopted since the beginning of 2018 in order to further diversify portfolio and concentration risk, amid turbulences seen in some sectors within the economy. Consequently, the team remained focused on widening its clients' base. In 1H18, the number of clients increased by 29%.

In May 2018, the SMEs program backed by vendor alliances and availability of subsidized funding agreements was launched with a target for SMEs to reach a 20% contribution to total portfolio by the end of 2018. During the quarter, SMEs contribution increased from 8% at the end of 1Q18 to 11% by end of 2Q18.

KPIs	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Number of new contracts	53	32	50	66%	6%	85	94	-10%
Total Leased Assets cost (EGP mn)	776	361	444	115%	75%	1,137	989	15%
Net financed amount for new contracts (EGP mn)	526	307	358	71%	47%	833	768	9%
Receivables value of new contracts (EGP mn)	833	462	593	80%	41%	1,295	1,267	2%

Source: EFG Hermes Leasing

Quarterly Performance

Over 2Q18, the number of contracts increased to 53 new contracts up from 32 new contracts in 1Q18 and 50 in 2Q17. In 1H18 the number of contracts declined 10% Y-o-Y, however, the size of the contracts was larger in the current period thus taking the total net financed amount to EGP833 million in 1H18.

This takes total number of contracts of the Leasing business to 487 contracts since inception with accumulated bookings value (NFA) of EGP3.1 billion and a net outstanding portfolio of EGP2.6 billion by the end of 2Q18.

The weighted average cost of debt (average interest rate) declined in 2018 as the team continues to diversify its funding. This underpins the Leasing business competitive advantage of offering lower rates. Additionally, average arrangement fees increased over 1H18 on the back of higher SMEs activity.

Market Share

The Financial Regulatory Authority, the regulator, did not publish the Leasing market shares and rankings for February to June up until this report was submitted. Thus, market share/ranking data for the quarter is unavailable.

vii. Micro-Finance “Tanmeyah”

Results in a Glance and Performance Review

The table below highlights the main KPIs:

KPIs	2Q18	1Q18	2Q17	Q-o-Q	Y-o-Y	1H18	1H17	Y-o-Y
Total Number of Active Borrowers	225,403	193,133	128,896	17%	75%	225,403	28,896	75%
Total Number of Processed Applications	88,626	77,398	46,934	15%	89%	166,024	88,293	88%
Total Number of Loans Issued	75,452	67,798	42,495	11%	78%	143,250	78,669	82%
Total Portfolio Outstanding (EGP mn)	2,205	1,747	847	26%	160%	2,205	847	160%
Total Branches - Egypt	195	171	133	14%	47%	195	133	47%
Tanmeyah Staff	3,057	2,534	1,967	21%	55%	3,057	1,967	55%

Source: Tanmeyah

Operational Update

Tanmeyah’s robust performance continued for another quarter, with the number of active borrowers, applications processed and loans issued increasing 17%, 15% and 11% Q-o-Q, respectively. Tanmeyah’s total outstanding portfolio reached EGP2.2 billion at the end of 2Q18, up 26% Q-o-Q; driven by higher productivity levels of loan officers as appetite for Tanmeyah’s products increased, in addition to the increase in the number of loan officers to service new branches opened. Tanmeyah opened 24 new branches during the 2Q18, to close the quarter with a total of 195 fully operational branches.

Tanmeyah’s annual Ramadan offers in May and June was a major success and resulted in the company’s record sales level in May 2018. The company’s average ticket size has also increased throughout the year as a result of inflation.

Tanmeyah continues to have a lower PAR 30+ than the industry standards as a result of the quality of its portfolio and loan approval process.

viii. valU

Introduction to valU

valU is the first FinTech consumer finance mobile application in the MENA region depending on automation and technology to provide customers with instant approval for installment sales where they apply through a few clicks and get their preferred product right away. It is a lifestyle enabling solution, which empowers customers shopping experience while ensuring convenience & ease of use while providing consumers with the latest offers in the market. The business model is built on the following four pillars:

- ≡ Installment Sales - a business-to-consumer solution providing installment sales plans for a variety of durable goods and commodities;
- ≡ FinTech - built on a light labor structure offering a top-notch digital platform that provides consumers with a one-of-a-kind experience that enables consumers to manage their desires and their purchase power;
- ≡ Mobility – Smartphone based mobile application that is available on Apple store & Google Play and can be downloaded anytime and anywhere to provide consumers with on-the-go purchase power and connectivity to a wide spectrum of retail stores network in a click of a button, faster than any other consumer-lending provider and with unmatched convenience;
- ≡ Convenience - Through convenient on-boarding process, automated underwriting & decision process and happy shopping experience.

Products Offering

valU offers its clients B2C and B2B, with the former focusing on acquiring customers through digital channel (Mobile app) to provide ease & convenience, while the latter offers finance to consumers of a partnered merchant with high-ticket size products through a manual credit underwriting process.

B2C enables customers to shop using smart phones through valU's agreement with certain merchants, with its product range spread across consumer electronics, furniture, speed boats, motorcycles, bicycles, apparel, tires, make-up..etc.

B2B is offered indirectly through a master agreement with merchants, by which end-to-consumer service and customer acquisition is carried out by the merchant while valU carries out the full credit underwriting. These products would include cars, solar panels, kitchens design, finishing products..etc

Operational Performance Overview

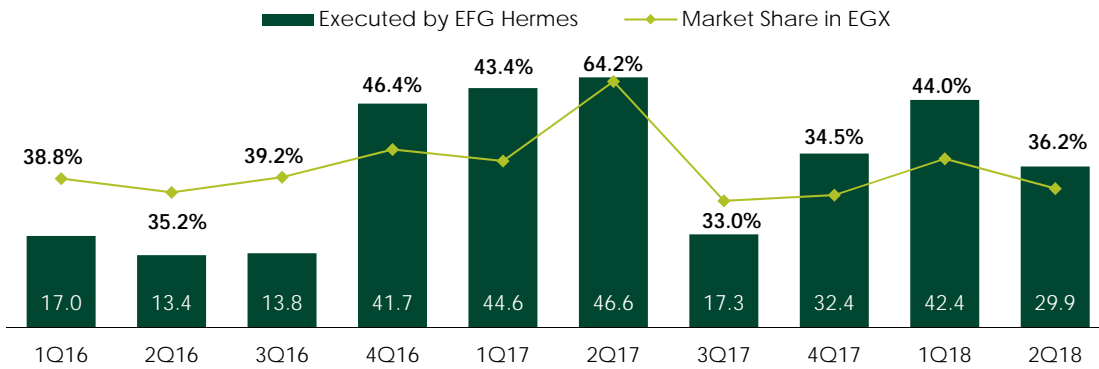
KPIs	2Q18	1Q18	1H18	Q-o-Q
Number of downloads	49,155	24,825	73,980	98%
Number of sign-ups	32,169	15,509	47,678	107%
Number of online applications completed	7,246	2,279	9,525	218%
Number of merchants	136	109	136	25%
Existing governorates	Cairo & Alex	Cairo	Cairo & Alex	

ANNEX

EFG Hermes Executions & Market Shares

Egypt

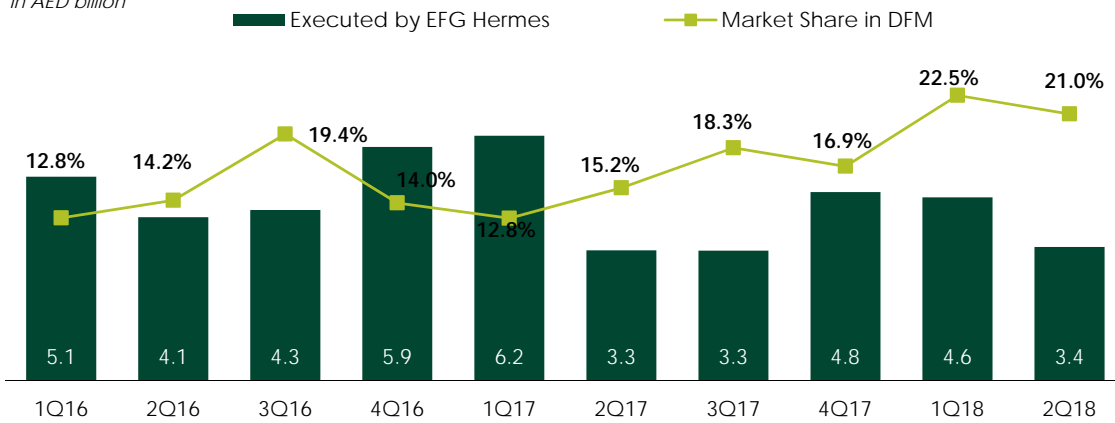
In EGP billion



*Market share calculation includes special transactions

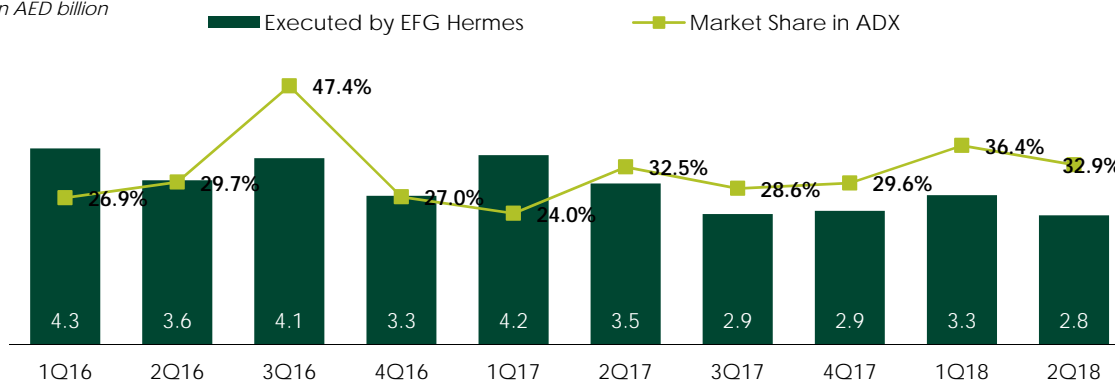
UAE- DFM

In AED billion



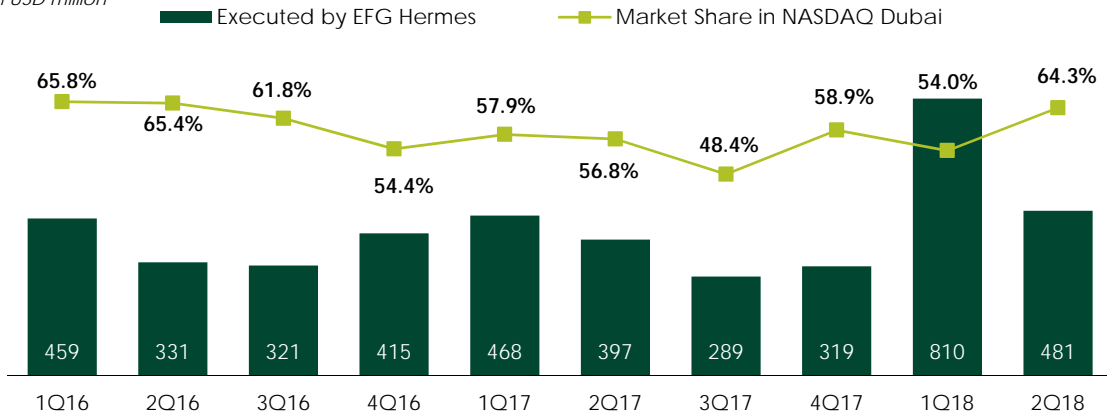
UAE - Abu Dhabi

In AED billion



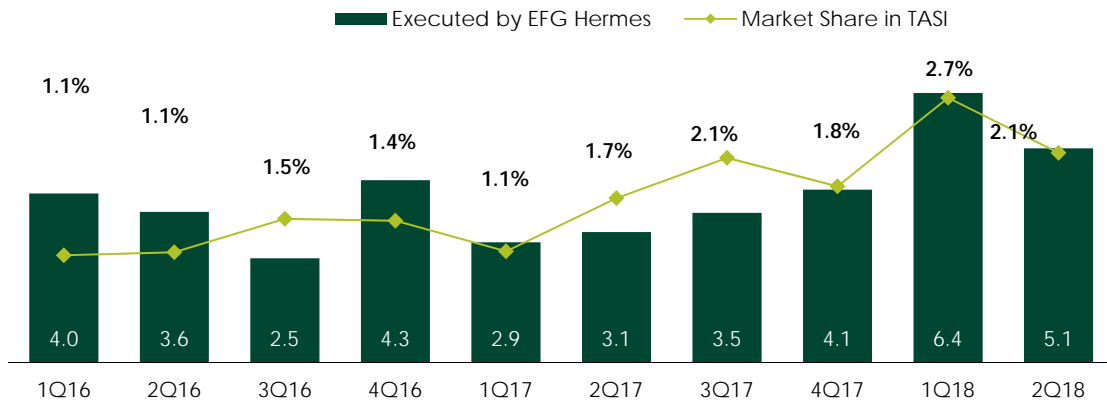
UAE – NASDAQ Dubai

In USD million



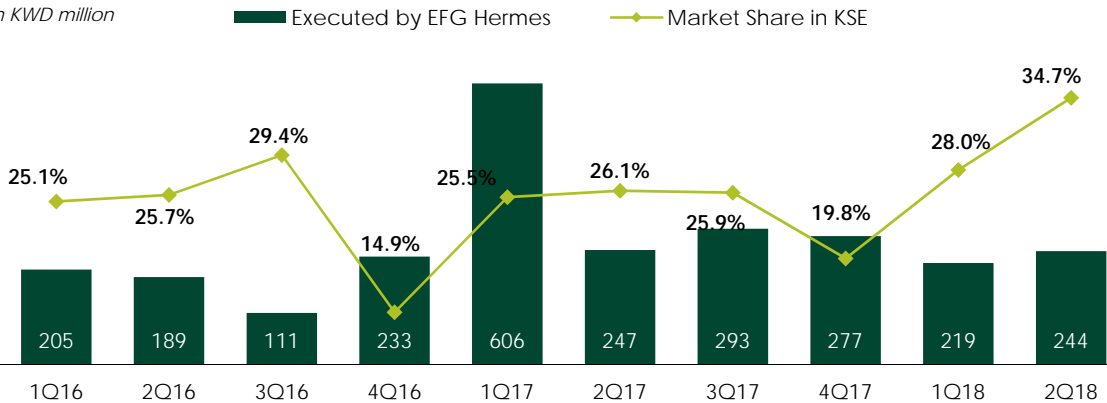
KSA

In SAR billions



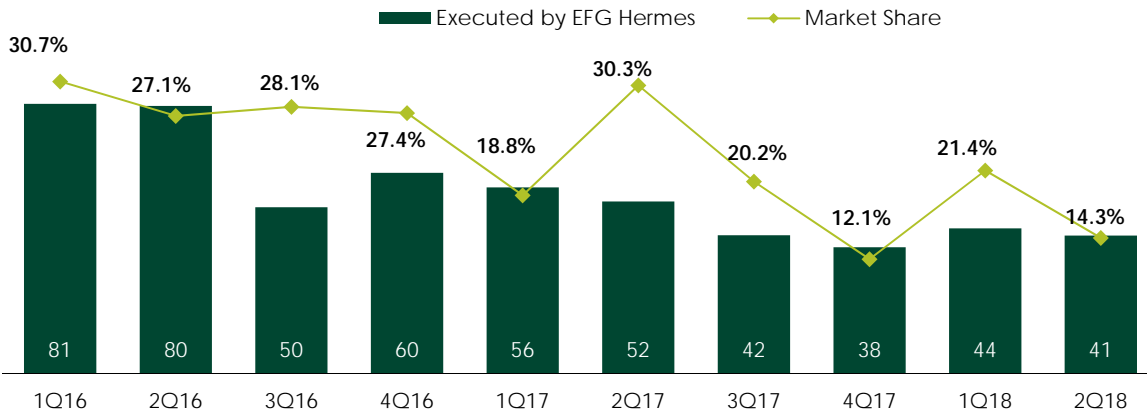
Kuwait

In KWD million



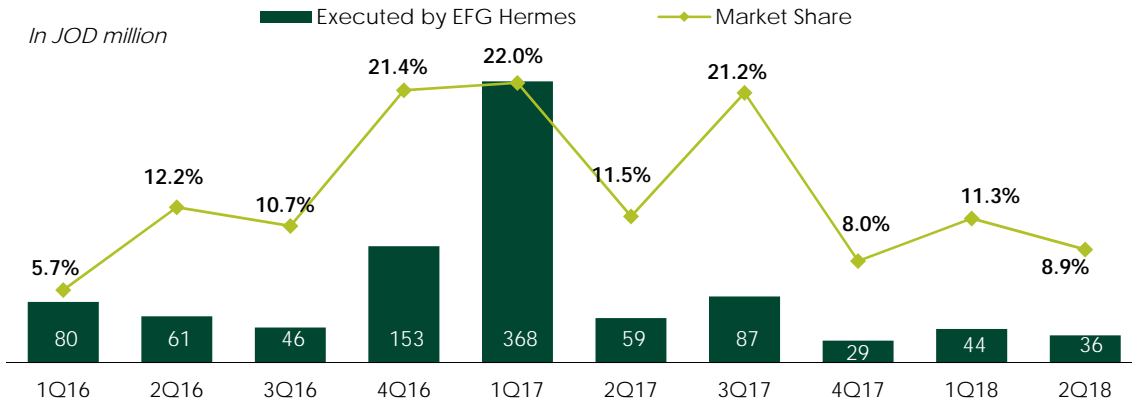
Oman

In OMR million



Jordan

In JOD million



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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 3,843,091,115

Listings & Symbols

[The Egyptian Exchange](#)

Reuters code: HRHO.CA

Bloomberg code: HRHO EY

[London Stock Exchange \(GDRs\)](#)

Reuters code: HRHOq.L

Bloomberg code: EFGD LI

Bloomberg page: EFGH

Reuters pages: .EFGS .HRMS .EFGI .HFISMCAP .HFIDOM

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