

## EFG HERMES REPORTS SECOND QUARTER 2017 GROUP EARNINGS FROM CONTINUED OPERATIONS OF EGP395 MILLION; ON OPERATING REVENUE OF EGP1.0 BILLION

**Cairo, August 15<sup>th</sup>, 2017** – EFG Hermes reported today net profit after tax and minority interest from continued operations of EGP395 million in 2Q17, up from EGP48 million in 2Q16. Operating revenue rose 252% Y-o-Y to EGP1,011 million in 2Q17. The Group total assets stood at EGP24.6 billion at the end of 2Q17.

### Key Highlights

#### 2Q2017

- ≡ EFG Hermes reported another strong set of results, with total revenues crossing the EGP1.0 billion mark in 2Q17, higher 252% Y-o-Y over the prior corresponding period. Results were supported by buoyant Investment Banking business, diversified Brokerage contribution, growing non-bank finance institution (NBFI) platform and better utilization of balance sheet;
- ≡ Fee and commission revenues rose 136% Y-o-Y to EGP639 million in 2Q17, fueled by higher revenue generated from all business lines. Investment Banking and Brokerage were the main drivers for fees and commissions increase, as Investment Banking executed a number of high profile transactions during the quarter, and Brokerage continued to trade new markets and launch new products. Furthermore, NBFI fared well in 2Q17, with Leasing and Tanmeyah more than doubling their revenues Y-o-Y;
- ≡ Capital markets and treasury operations revenue increased to EGP372 million in 2Q17, up from EGP17 million in 2Q16. If we exclude the eventually non-recurring capital gain realized from the sale of CL shares, revenue would increase by 782% Y-o-Y in 2Q17, driven by robust treasury operations;
- ≡ Another successful quarter for the Firm, managing to maintain its employee expenses/ operating revenues below the 50% mark, at 39% in 2Q17. Operating expenses rose 160% Y-o-Y to EGP550 million in 2Q17; mainly on higher overseas salaries post the EGP floatation, higher inflationary pressures, growth and addition of new operations and one-off expenses;
- ≡ The Firm reported a net operating profit of EGP462 million in 2Q17, up 507% Y-o-Y in 2Q17 and a net operating profit margin of 46% up from 26% a year earlier. This filtered into a Group net profit from continued operations of EGP395 million in 2Q17, up 718% Y-o-Y. Moreover, if we exclude the non-recurring gain realized from CL stake sale, the Group's net profit after tax and minority interest would be higher 252%Y-o-Y in 2Q17 at EGP170 million;
- ≡ We continue to divest our remaining stake in Credit Libanais post the sale of our majority stake in the Bank and its subsequent deconsolidation in 2Q16. In 2Q17, we offloaded an additional 3.65% of the Bank's shares, thus leaving the Firm with 9.46% stake at the end of the period. EFG Hermes realized a gain of EGP225 million from selling an additional stake in CL during the quarter and booked on the continued operations section of the income statement.

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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

I. FINANCIAL PERFORMANCE

i. Group Financial Performance

<i>in EGP million</i>	Investment Bank Financial Highlights							
	2Q17	1Q17	2Q16	Q-o-Q	Y-o-Y	1H17	1H16	Y-o-Y
Total Operating Revenue	1,011	948	288	7%	252%	1,959	688	185%
Total Operating Expenses	550	480	212	15%	160%	1,029	494	109%
Net Operating Profit	462	468	76	-1%	507%	930	194	379%
Net Operating Margin	46%	49%	26%			47%	28%	
<b>Net Profit After Tax &amp; Minority Interest (Continued Operations)</b>	<b>395</b>	<b>358</b>	<b>48</b>	10%	718%	<b>753</b>	<b>127</b>	494%
<b>Net Profit After Tax &amp; Minority Interest (Continued &amp; Discontinued Operations)</b>	<b>395</b>	<b>358</b>	<b>(70)</b>	10%	N/M	<b>753</b>	<b>(198)</b>	N/M

Source: EFG Hermes Management Accounts

EFG Hermes reported a total operating revenue of EGP1.0 billion, a 252% increase over the corresponding quarter of last year. Top line growth was supported by strong contribution from our traditional business; introduction of new revenue streams from Frontier markets & new products launch, the non-recurring capital gain from the sale of the additional CL stake together with enhanced utilization of balance sheet.

Total operating expenses increased 160% Y-o-Y to EGP550 million in 2Q17; derived by higher employee expenses and higher other operating expenses and reflecting to a large extend business expansion, higher revenues, higher inflation, the impact of the EGP floatation in November 2016, one-off expenses and an increasing Leasing depreciation expense as the portfolio grew Y-o-Y.

Net operating profit reached EGP462 million, up 507% Y-o-Y in 2Q17 to reflect a net operating profit margin of 46% in 2Q17. This filtered into a Group net profit after tax and minority interest from continued operations of EGP395 million in 2Q17, up 718% Y-o-Y. Moreover, if we exclude the gain realized from selling additional Credit Libanais's (CL) shares of EGP225 million during the quarter, the Group's net profit would be EGP170 million in 2Q17, up 252% Y-o-Y.

It is worth noting that, EFG Hermes remaining stake in CL will be reflected on the AFS line in 2Q17 financial statements, after EFG Hermes ownership declined to 9.46% and lost control/influence over the investment. In 2Q17, gains realized from selling additional CL shares is included as a gain in the Group's continued operations, as opposed to its earlier treatment as gain from discontinued operations. First quarter 2017 figures were also re-stated in that manner to allow for like for like comparison. Moreover, EFG Hermes extended CLIB's mandate to sell the remaining stake of CL shares on a best effort basis with a termination date ending 31<sup>st</sup> December, 2017.

The Group reported a net operating profit of EGP930 million in 1H17, up from EGP194 million a year earlier; and translating into a net profit after tax and minority interest from continued operations of EGP753 million in 1H17, up 494% Y-o-Y. This improvement portrays stronger contribution from core business operations and the ramping up of the Finance platform; and despite: (i) higher employee compensation as revenues grow; (ii) higher expenses on the back of EGP floatation; and (iii) higher inflation Y-o-Y. Moreover, if we exclude the gain realized from CL shares sale of EGP348 million, and the fx-gains in both periods; net operating profits would be EGP538 million in 1H17 versus EGP38 million Y-o-Y in 1H16.

## ii. Business Lines Financial Performance

<i>in EGP million</i>	<b>Investment Bank Revenue</b>							
	<b>2Q17</b>	<b>1Q17</b>	<b>2Q16</b>	Q-o-Q	Y-o-Y	<b>1H17</b>	<b>1H16</b>	Y-o-Y
<b>Brokerage</b>	<b>236</b>	<b>266</b>	<b>106</b>	-11%	122%	<b>502</b>	<b>216</b>	132%
Egypt	126	157	70	-20%	81%	283	144	97%
Regional	110	109	36	0%	201%	219	73	202%
<b>Asset Management</b>	<b>71</b>	<b>46</b>	<b>34</b>	55%	109%	<b>116</b>	<b>65</b>	78%
Egypt	38	6	9	491%	337%	44	18	147%
Regional	33	39	25	-17%	30%	72	47	52%
<b>Investment Banking</b>	<b>183</b>	<b>44</b>	<b>52</b>	321%	253%	<b>227</b>	<b>93</b>	143%
Egypt	38	10	52	277%	-27%	48	93	-48%
Regional	145	33	0	335%	N/M	179	0	N/M
<b>Private Equity</b>	<b>18</b>	<b>10</b>	<b>17</b>	80%	6%	<b>27</b>	<b>78</b>	-65%
<b>Leasing</b>	<b>69</b>	<b>50</b>	<b>26</b>	39%	169%	<b>119</b>	<b>46</b>	159%
<b>Micro - Finance " Tanmeyah"</b>	<b>62</b>	<b>51</b>	<b>37</b>	22%	70%	<b>113</b>	<b>37</b>	209%
<b>Fees and commissions</b>	<b>639</b>	<b>466</b>	<b>271</b>	37%	136%	<b>1,105</b>	<b>536</b>	106%
<b>Capital Markets &amp; Treasury Operations</b>	<b>372</b>	<b>481</b>	<b>17</b>	-23%	2129%	<b>854</b>	<b>152</b>	462%
<b>Total Operating Revenue</b>	<b>1,011</b>	<b>948</b>	<b>288</b>	7%	252%	<b>1,959</b>	<b>688</b>	185%

Source: EFG Hermes Management Accounts

The Firm reported a total revenue of EGP1.0 billion, up 252% Y-o-Y in 2Q17; bolstered by higher revenue generated by all business lines and stronger revenue contribution from capital markets and treasury operations.

Fee and commission revenues, which represent 63% of total operating revenue, rose 136% Y-o-Y to EGP639 million in 2Q17. Our sell-side business fared well during 2Q17, with Brokerage revenue rising 122% Y-o-Y to EGP236 million on higher revenue generated from our traditional markets (MENA), in addition to new markets and structured products contributions in 2Q17. Additionally, Investment Banking revenue rose 253% Y-o-Y to EGP183 million in 2Q17, as the team closed a number of high profile transactions.

On the buy-side, Asset Management revenue improved 109% Y-o-Y to EGP71 million in 2Q17 on higher incentive fees booked in Egypt. Private Equity revenue added 6% Y-o-Y to EGP18 million in 2Q17. The relatively muted performance for Private Equity is largely due to lower management fees resulting from our vintage fund ECP III no longer paying management fees starting August 2016.

Contribution from our NBFI platform continued to increase with its businesses, Leasing and Tanmeyah, gaining momentum and growing. The Leasing revenue rose 169% Y-o-Y to EGP69 million, as the portfolio increases. Micro-finance revenue rose 70% Y-o-Y to EGP62 million in 2Q17, as the business starts to operate more efficiently post the completion of its integration and the resolution of funding issues that hindered the business during most of 2016.

Capital markets and treasury operations, which represent 37% of the total operating revenue, increased to EGP372 million in 2Q17, up from EGP17 million in 2Q16. If we exclude the capital gain realized from the sale of CL shares, revenue would still increase by 782% Y-o-Y in 2Q17. The improvement in revenue is mainly due to strong revenue generated from treasury operations in 2Q17.

In 1H17, the Group's total revenue reached EGP2.0 billion, up 185% Y-o-Y, as all business lines (with the exception of Private Equity) posted higher revenues, together with a strong revenue contribution from capital markets and treasury operations. Fees and commissions revenue reached EGP1.1 billion, up 106% Y-o-Y in 1H17, to represent 56% of the Group's total revenue.

Brokerage revenue rose 132% Y-o-Y to EGP502 million 1H17, on higher brokerage executions as liquidity improved Y-o-Y and as new markets & products revenues started to kick-in. Investment Banking revenue soared 143% Y-o-Y to EGP227 million in 1H17, on higher advisory fees. Asset Management revenue grew 78% Y-o-Y to EGP116 million, mainly on higher incentive fees booked in Egypt in 2Q17. Leasing more than doubled its revenue in 1H17, reaching EGP119 million, up 159% Y-o-Y as the business continues to ramp up. Micro-Finance "Tanmeyah" reported a revenue of EGP113 million, versus EGP37 million in 1H16. Worth noting that Tanmeyah was consolidated in 2Q16, accordingly 1H16 includes only 2Q16 figures. Conversely, Private Equity revenue declined 65% to EGP27 million as 1H16 included fawry exit incentive fees, fx-gains and higher management fees.

Capital markets and treasury operation revenue reached EGP854 million, up 462% Y-o-Y in 1H17, as 1H17 included capital gains of: (i) EGP348 million from CL shares sale; (i) EGP103 million from redemptions of seed capital seen in one of our Asset Management funds, MLTV Fund; and (ii) EGP66 million from SNB exit, one of the Firm's Private Equity / merchant banking legacy co-investments. If we exclude the capital gains in 1H17, capital markets & treasury operation revenue would be up 122% Y-o-Y, mainly on strong and highly efficient utilization of our balance sheet in 1H17.

### iii. Investment Bank Operating Expenses

<i>in EGP million</i>	Investment Bank Operating Expenses							
	2Q17	1Q17	2Q16	Q-o-Q	Y-o-Y	1H17	1H16	Y-o-Y
Employee Expenses	<b>390</b>	<b>359</b>	<b>140</b>	9%	179%	<b>749</b>	<b>348</b>	115%
Employee Expenses/Operating Revenue	39%	38%	49%			38%	51%	
Employee Expenses/Operating Expenses	71%	75%	66%			73%	70%	
Other Operating Expenses	<b>160</b>	<b>121</b>	<b>72</b>	32%	123%	<b>281</b>	<b>146</b>	93%
Other Operating Expenses/Operating Revenue	16%	13%	25%			14%	21%	
Other Operating Expenses/Operating Expenses	29%	25%	34%			27%	30%	
<b>Total Operating Expenses</b>	<b>550</b>	<b>480</b>	<b>212</b>	15%	160%	<b>1,029</b>	<b>494</b>	109%

Source: EFG Hermes Management Accounts

Total operating expenses increased 160% Y-o-Y to EGP550 million in 2Q17, on higher employee expenses and higher other operating expenses. However, employee expenses/ operating revenues was kept below the 50% mark at 39% in 2Q17.

Employee expenses rose 179% Y-o-Y to EGP390 million in 2Q17 mainly due to more than 50% of the employee expenses are denominated in USD or USD pegged currencies and with the EGP floatation, those expenses doubled, and a relatively higher annual salary increases required to keep pace with the elevated inflation rate in Egypt, and additionally some one-off expenses incurred during the quarter. Moreover, monthly bonuses increased on the back of higher Brokerage monthly commissions as markets' executions improved Y-o-Y and higher Tanmeyah employees' monthly bonuses.

Other operating expenses rose 123% Y-o-Y to EGP160 million in 2Q17; mainly on higher depreciation expense directly related to Leasing operations, higher expenses when translated in EGP from regional office expenses post the EGP floatation, and an increase in the dollar based expenses in Egypt.

Of other operating expenses, occupancy expense rose 114% Y-o-Y to EGP28 million in 2Q17 mainly on the back of higher regional offices rental charges. Data communication expenses increased 114% Y-o-Y to EGP22 million as the majority of the services received are in USD or USD

pegged currencies. Telephone/fax/mobile expenses was up 59% Y-o-Y to EGP3 million, office expense added 125% to EGP14 million, travel expenses rose 149% Y-o-Y to EGP11 million, all reflecting higher inflation especially in Egypt. General expenses reached EGP48 million up 110% Y-o-Y, predominately on higher Leasing depreciation expenses Y-o-Y as the Leasing portfolio grows. Promotional and advertising expenses rose 141% Y-o-Y to EGP12 million on higher event expenses, which are all nominated in foreign currencies. Consultancy and service fees expense rose 202% Y-o-Y to EGP20 million mainly on higher third party fees related to new ventures including Frontier expansion.

In 1H17, total operating expenses rose 109% Y-o-Y to EGP1.0 billion, driven by higher employee expenses and higher other operating expenses. Employees expenses rose 115% Y-o-Y to EGP749 million largely on the back of USD or USD pegged salaries, salary increases due to inflation in Egypt and higher compensation provision to match increasing revenues. Moreover, other operating expenses increased 93% Y-o-Y to EGP281 million in 1H17, on higher inflation, higher regional office expenses (USD or USD pegged currency), higher dollar based expenses in Egypt post floatation of the currency and higher Leasing depreciation as the portfolio grew Y-o-Y.

II. OPERATIONAL PERFORMANCE

i. Brokerage

**Operational Performance Update**

Liquidity across our MENA traded markets declined in 2Q17 as compared to a strong 1Q17; meanwhile, markets’ performance ended mixed. EFG Hermes steadily increased its participation in Frontier markets in 2Q17 as research coverage initiated, key new hires came on board and the Frontier client base grew. In 2Q17, EFG Hermes began to execute across a host of new markets, with trades in Nigeria, Kenya, Bangladesh, Sri Lanka, Ghana, Rwanda, Uganda and Mauritius (Mauritius in July 2017). Moreover, our new product addition to the Brokerage platform contributed to 2Q17 commissions, with the team launching its first Structured Product earlier this year; accumulating USD123 million of AuMs in 2Q17.

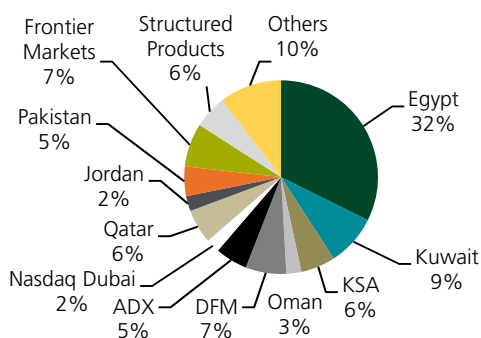
This resulted in EFG Hermes total executions reaching USD8.3 billion in 2Q17, up 15% Y-o-Y and down 18% Q-o-Q. Reported revenues, which reflect MENA markets’ executions, new markets and products, reached EGP236 million, up 122% Y-o-Y in 2Q17. However, revenues declined 11% Q-o-Q as MENA markets volumes slimmed Q-o-Q.

in EGP million	Brokerage Revenue							
	2Q17	1Q17	2Q16	Q-o-Q	Y-o-Y	1H17	1H16	Y-o-Y
Egypt	126	157	70	-20%	81%	283	144	97%
UAE	32	50	19	-35%	70%	82	40	106%
KSA	9	9	5	1%	73%	18	10	75%
Oman	16	5	4	219%	338%	22	7	211%
Kuwait	23	31	5	-26%	327%	54	9	485%
Jordan	5	4	3	16%	80%	9	6	58%
Pakistan	9	10	0	-9%	N/M	19	0	N/M
Frontier	14	0	0	N/M	N/M	14	0	N/M
<b>Total Revenue</b>	<b>236</b>	<b>266</b>	<b>106</b>	<b>-11%</b>	<b>122%</b>	<b>502</b>	<b>216</b>	<b>132%</b>

Source: EFG Hermes Management Accounts

In terms of pure market commissions, Egyptian equities contribution to the total commission pool remain the highest, coming at 32% in 2Q17, versus 44% in 1Q17. This decline in Egypt’s contribution was mainly due to a change in the revenue contribution mix, as new markets and products started to contribute to the commission pool; with Pakistan contributing 5%, offshore Frontier markets contributing 7% and Structured Products contributing an additional 6%.

**Commissions Breakdown by Market**

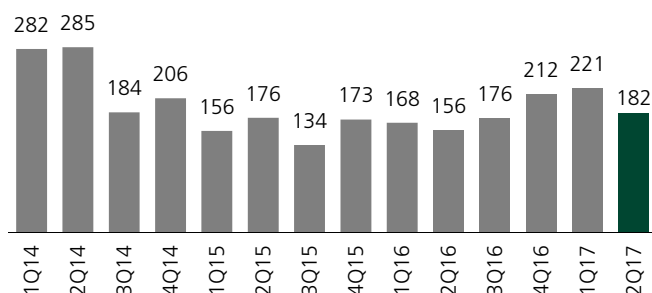


\*Based on 2Q17 figures

Brokerage averaged daily commissions came at USD182 thousands, down 18% Q-o-Q in 2Q17. Moreover, in an attempt to eliminate the impact of the EGP floatation and given that Egypt constitutes almost third of the commissions generated, we provide below two charts which split the average daily commissions generated from EGX (reported in EGP) and all other regional markets which we will continue to report in USD.

**Average Daily Commissions (ADCs)**

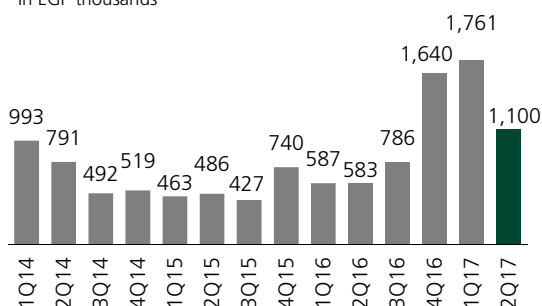
In USD thousands



Average daily commissions in Egypt declined 38% Q-o-Q to EGP1.1 million in 2Q17, mainly on the back of contracting market volumes in Egypt. On the regional side, average daily commissions was broadly unchanged at USD121 thousand in second quarter, despite the decline in MENA markets' volumes, as this was largely offset by commission kicking in from Frontier markets and Structured Products. Both Egypt and regional commissions were significantly up on a Y-o-Y basis.

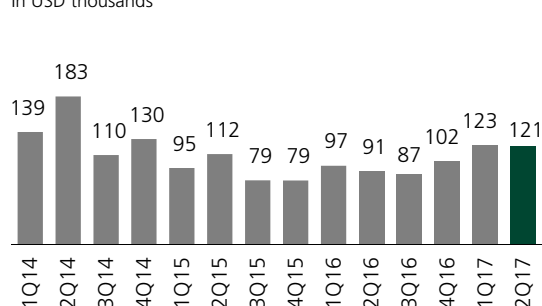
**ADCs (Egypt)**

In EGP thousands



**ADCs (All Markets ex- Egypt)**

In USD thousands



**Brokerage Executions and Market Shares**

<i>in USD million</i>	<b>2Q17</b>	<b>1Q17</b>	<b>2Q16</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>	<b>1H17</b>	<b>1H16</b>	<b>Y-o-Y</b>
<b>Egypt*</b>								
Market share	43.9%	40.0%	34.6%	3.9%	9.2%	41.6%	34.7%	6.9%
Executions	2,581	2,519	1,515	2.5%	70.4%	5,100	3,570	42.9%
<b>UAE - DFM</b>								
Market share	15.2%	12.8%	14.2%	2.4%	1.0%	13.5%	13.4%	0.1%
Executions	898	1,682	1,122	-46.6%	-20.0%	2,580	2,523	2.3%
<b>UAE - ADX</b>								
Market share	32.5%	24.0%	29.7%	8.5%	2.8%	27.3%	28.1%	-0.8%
Executions	966	1,136	983	-15.0%	-1.7%	2,103	2,157	-2.5%
<b>UAE - Nasdaq Dubai</b>								
Market share	56.8%	57.9%	65.4%	-1.1%	-8.6%	57.1%	65.6%	-8.5%
Executions	397	468	331	-15.2%	20.0%	864	790	9.4%
<b>KSA</b>								
Market share	1.7%	1.1%	1.1%	0.5%	0.6%	1.4%	1.1%	0.3%
Executions	835	770	952	8.4%	-12.3%	1,605	2,021	-20.6%
<b>Kuwait</b>								
Market share	26.1%	25.5%	25.7%	0.6%	0.4%	25.6%	25.3%	0.3%
Executions	824	2,021	629	-59.2%	30.9%	2,844	1,313	116.6%
<b>Oman</b>								
Market share	30.3%	18.8%	27.1%	11.6%	3.2%	23.0%	28.8%	-5.9%
Executions	134	146	208	-8.2%	-35.7%	280	418	-33.1%
<b>Jordan</b>								
Market share	11.5%	22.0%	12.2%	-10.5%	-0.7%	19.5%	11.8%	7.8%
Executions	83	519	86	-84.0%	-3.5%	601	198	203.1%
<b>Pakistan</b>								
Market share	3.4%	N/A	N/A	N/M	N/M	N/A	N/A	N/M
Executions	296	1	N/A	N/M	N/M	297	N/A	N/M

\*Market share calculation is based on executions excluding special transactions

\*Executions in Qatar, Bahrain, Morocco, Lebanon, Frontier, UK (GDRs) and others represent an additional 17% of total Brokerage executions in 2Q17 and 13% of total Brokerage executions in 1H17

**Egypt**

The EGX lost 30% of its liquidity in 2Q17 as compared to a quarter earlier; however, the HFI (Hermes Financial Index) closed in the green, up 4.2% Q-o-Q. EFG Hermes continued to grow its market share and leadership position on the EGX, remaining as the #1 ranked broker for the quarter and 1H17, with a market share of 43.9% and 41.6%, respectively, outperforming the following broker by 217%.





Foreign participation reached 33% of market turnover, of which EFG Hermes Brokerage successfully capturing 50% of this flow in 2Q17. The firm had also maintained its strong footing amongst retail investors and successfully captured around 12% of the retail business in the market.

During the quarter, the team successfully completed the placement of two IPOs and an equity raising for EDITA. EFG Hermes closed and placed EGP808 million IPO of Raya Contact Center on the EGX, the offering was 4.6x oversubscribed; with the institutional offering c.4.0x oversubscribed and the Egyptian retail offering 10.4x oversubscribed. Furthermore, EFG Hermes concluded ADES International Holding’s USD280 million IPO on London Stock Exchange, raising a total demand of c.USD526 million (c.2.0x). The firm also co-managed an accelerated book building for the sale of Actis’ 7.5% holding in Edita for Food Industries.

**UAE – Dubai**

Turnover dropped on DFM during 2Q17, down 55% Q-o-Q as markets slowed and retail activity declined principally as the Holy month of Ramadan falling this year in 2Q17. Performance weakened slightly on DFM, with the DFMGI losing 2.5% over the quarter.

Despite the decline in liquidity, the Firm’s market share rose to 15.2% from 12.8% in 1Q17, reflecting a 4th place ranking for the quarter. Consequently, this lifted the Firm’s 1H17 ranking to 5th place with a market share of 13.5%.

The improvement in market share is largely attributed to higher foreign activity in the market as May marks the rebalancing of the MSCI index, which involved higher foreign participation.



**UAE – ADX**

Similar to DFM, volumes on ADX declined, down 37% Q-o-Q, while the Index (ADI) inched down 0.4% in 2Q17. The Firm maintained its 1<sup>st</sup> place ranking in 2Q17 and 1H17 with a market share of 32.5% and 27.3%, respectively.

The increase in the Firm’s market share is largely attributed to higher foreign institutional activity, as the quarter witnessed the merger of FGB & NBAD and there was subsequent heavy trading on the new entity.



**UAE – Nasdaq Dubai**

EFG Hermes maintained its top ranking on NASDAQ Dubai with 56.8% market share in 2Q17 and 57.1% for 1H17.

The Firm’s long-established position as the brokerage house of choice for western institutions when seeking significant flow management has allowed us to dominate market share as NASDAQ Dubai tends to trade blocks by appointment.



**Saudi Arabia**

The Saudi Market and EGX were the only markets to close up in 2Q17, with the Tadawall All Share Index gaining 6.1% Q-o-Q. However, turnover declined 26% Q-o-Q, as traditionally, activity declines during the Holy month of Ramadan. EFG Hermes market share came at 1.7% in 2Q17, up from 1.1% a quarter earlier. This reflected a 6<sup>th</sup> place ranking among pure brokers (non-commercial banks) and a 3<sup>rd</sup> place ranking among foreign brokers. For 1H17, the Firm’s market share came at 1.4% with a 5<sup>th</sup> place ranking among pure brokers and a 2<sup>nd</sup> place ranking among foreign brokers.



The QFI investors business increased during the quarter and is expected to grow by faster pace after MSCI added Tadawul to the watch list in 20th of June review. The percentage of QFIs and foreign institutions participation via participatory notes was around 2.7% in 2Q17, which is slightly higher than their participation in 1Q17.

**Kuwait**

A very quiet quarter for the Kuwaiti market, with turnover dropping 64% Q-o-Q and the KSE Index losing 3.8% Q-o-Q. During 2Q17, EFG Hermes IFA’s market share including special transactions stood at 26.1%, up from 25.5% in 1Q17, with a 4<sup>th</sup> place ranking down from 2<sup>nd</sup> place a quarter earlier. The decline in ranking was mainly due to a few sizeable special transactions that were executed at their affiliate brokerage firms. It is worth noting that excluding special transactions the Firm’s ranking would climb to 2<sup>nd</sup> place in 2Q17.



As for the 1H17, the Firm’s market share came at 25.6% with a 2<sup>nd</sup> place ranking. Moreover, the Firm remains the top broker in terms of foreign institutional business in the market, capturing over 70% of foreigners’ flow at the end of 2Q17.

**Oman**

A weak quarter for the Omani market with volumes declining 39% Q-o-Q and the MSM Index losing 7.8% Q-o-Q in 2Q17. This came despite local institutions continuing to support the market to ease the selling pressure led by foreign and GCC institutions. EFG Hermes held a 2<sup>nd</sup> place ranking and a market share of 30.3% in 2Q17 mainly due to a noticeable increase in our local, foreign and GCC institutions activity during the quarter.



This lifted the Firm’s market share in 1H17 to 23.0% and a 3<sup>rd</sup> place ranking on the exchange.

**Jordan**

The Amman Stock Exchange saw volumes decrease during 2Q17, declining 40% Q-o-Q, while the Index lost 3.7% Q-o-Q. EFG Hermes market share declined to 11.5% in 2Q17, with a third place ranking. It is worth noting, the decline in market share is largely due to a special transaction executed in 1Q17, which inflated our market share. For 1H17, EFG Hermes’s market share reached 19.5% to reflect a 2<sup>nd</sup> position on the Amman Stock exchange.



**Pakistan**

The Pakistani market saw some volatility during 2Q17, with the KSE 100 Index closing the quarter down 3.3% Q-o-Q. However, turnover increased by c.50% Q-o-Q primarily due to Pakistan’s inclusion in the MSCI EM. The market traded an average of USD145 million in 2Q17 and EFG Hermes market share reached 3.4% in 2Q17.



It is worth noting that EFG Hermes completed the acquisition of 51% of Invest & Finance Securities Limited early March 2017 and the company was rebranded to ‘EFG Hermes Pakistan’.

**Offshore Frontier Markets**

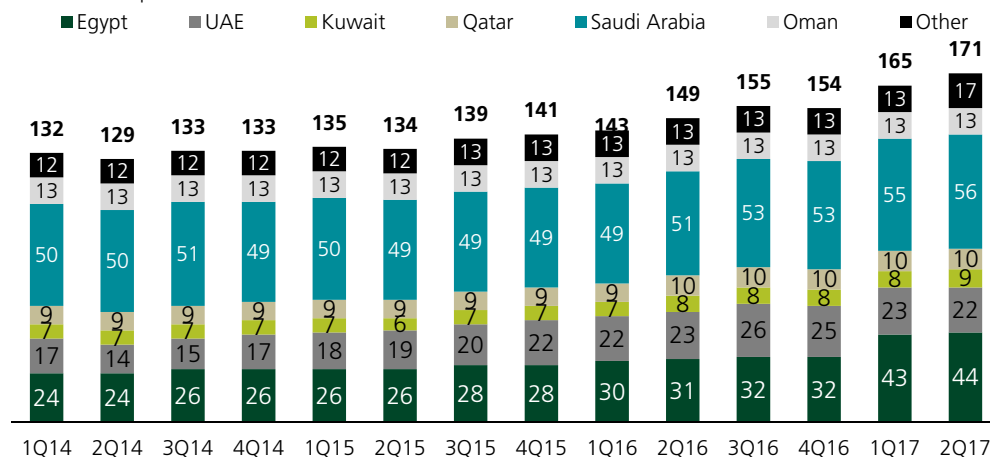
A strong quarter for Nigeria as the market traded an average daily volume of USD13 million in 2Q17, reflecting a Q-o-Q increase in total volumes of 18% and an index adding 26% Q-o-Q. This was largely due to investors returning to the market, after a long hiatus, on the back of the FX market beginning to function again via the NAFEX window. EFG Hermes was active in block trading, with USD11 million of Zenith being one of the largest block trades of the quarter.

Kenya traded an average daily turnover of USD7 million in 2Q17, with total volumes decreasing 9% Q-o-Q and the Index increasing 15% Q-o-Q. EFG Hermes did its first trades there in 2Q17 and in July EFG Hermes Kenya received a stockbroker license, granting it a seat on the Nairobi Stock Exchange to help access the market and the local institutional client base.

ii. Research

Research Coverage Universe

Number of Companies



Source: EFG Hermes

The Research department coverage reached 171 companies at the end of 2Q17, distributed across different markets (Egypt 44, UAE 22, KSA 56, Kuwait 9, Oman 13, Qatar 10, Lebanon 3, Morocco 3, Jordan 5, United Kingdom 2, Vietnam 3 and Netherlands 1). At the end of 2Q17, EFG Hermes covers 62% of the regional market capitalization.

2Q17 was an eventful and successful quarter for the research team with our best-ever survey results and expansion into frontier markets. EFG Hermes Research was ranked first in Institutional Investor’s 2017 MENA survey, the most respected global research survey, while we continued last years’ success in the MENA Extel survey and consolidated our 2<sup>nd</sup> place with the majority of our analysts in the top 30 places (3 analysts in the top 10). These achievements were made possible thanks to our focus on improving our research products’ quality and commerciality, enhancing clients’ interactions and introducing new products designed to meet our clients increasing needs.

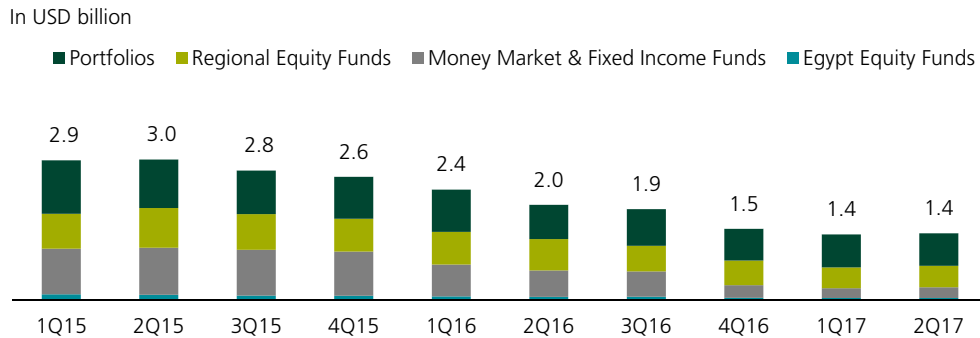
We kicked off our Frontier equity research in 2Q17 with coverage of Vietnamese banks, which was well received by clients, while our macro strategy team initiated coverage on Pakistan. Overall, we initiated coverage of six stocks in 2Q17, with a good coverage pipeline expected from Pakistan and Vietnam.

EFG Hermes Research played a significant role in providing investment research and pre-marketing roadshows for the Investment Banking’s Initial Public Offerings (IPOs) of ADES International Holding which started trading in 2Q17.

iii. Asset Management

EFG Hermes Assets under Management stood at USD1.4 billion at the end of 2Q17, inching up 2%Q-o-Q. We started in 4Q16 to report Egypt mandates separately from the Regional mandates to eliminate the impact of the Egyptian currency movement from funds/portfolios performance, as c.38% of the total asset base is denominated in Egyptian pound.

Development of Assets under Management



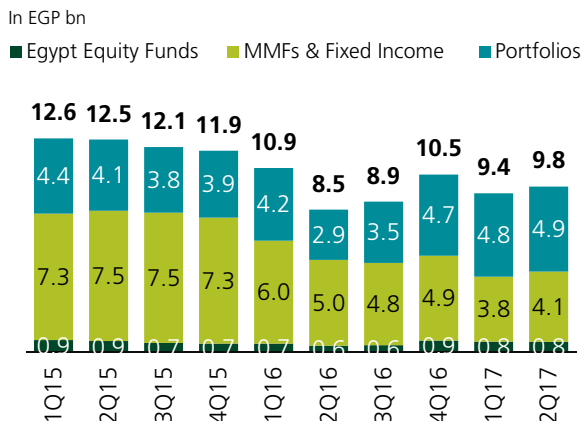
Source: EFG Hermes Asset Management

EFG Hermes Egypt based AuMs gained 4% Q-o-Q to reach EGP9.8 billion at the end of 2Q17. The Funds/portfolios saw minimal net inflows, yet positive markets performance was the main driver for this increase in AuMs, by adding 4% to the AuMs base in 2Q17.

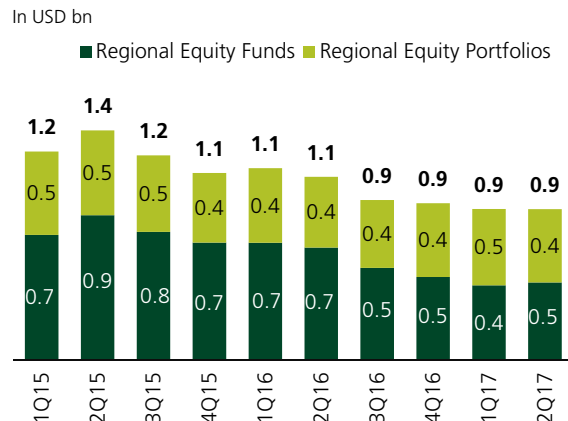
The inflows seen in Egypt based mandates were largely in MMFs, which saw net inflows and positive market performance. Egypt equity funds AuMs closed the quarter slightly lower, as positive markets impact was offset by redemptions. Equity/FI portfolios AuMs increased in 2Q17; supported by positive market performance.

EFG Hermes regional AuMs ended 2Q17 broadly flat Q-o-Q at USD0.9 billion, as positive performance which added 6% to AuMs, was wiped away by redemptions, which were predominately in regional equity portfolios, and to lower degree redemptions in KSA funds and portfolios.

Egyptian AuMs



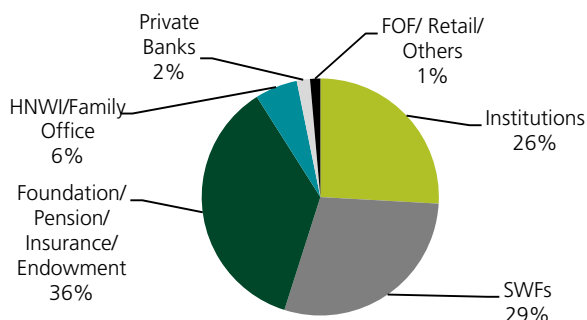
Regional AuMs



The Asset Management clients' base remained well diversified with special focus on long-term and institutional clients. During 2Q17 the clients' mix changed; with changes including: SWFs

clients now represents 29% of total AuMs versus 28% a quarter earlier, and Foundation/ Pension/ Insurance/ Endowment represent 36% of total AuMs versus 34% a quarter earlier. Alternatively, HNWI/Family Office now represent 6% of total AuMs versus 10% a quarter earlier.

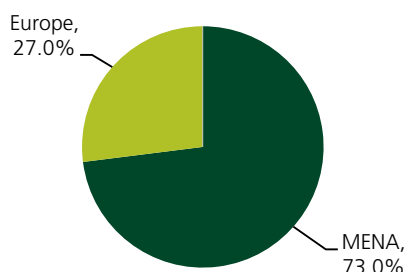
**Assets under Management by Type of Client**



Source: EFG Hermes Asset Management

In terms of funds origination, MENA clients’ contribution to total AuMs decreased to 73% in 2Q17 from 75% a quarter earlier, as European clients weight increased to 27% from 25% over the same period.

**Assets under Management by Geography**



Source: EFG Hermes Asset Management

**Funds/Portfolios Performance**

The EFG Hermes MEDA Fund ended the quarter with a NAV of USD35 million versus a NAV of USD33 million in 1Q17. The fund saw subscriptions of USD7.6 million and redemptions totaling to USD8.2 million during the quarter. In terms of performance, the MEDA fund gained 6.7% versus the S&P Pan Arab Composite LargeMid Cap TR Net USD Index, which added 2.3% in 2Q17.

The EFG Hermes Saudi Arabia Equity Fund ended the quarter with a NAV of USD9 million versus a NAV of USD8 million in 1Q17. The fund saw no subscriptions nor redemptions. Over the quarter, the fund gained 11.2% versus the Tadawul All Share Index, which was up 6.0%.

The EFG Hermes “Hasaad” Freestyle Saudi Equity Fund ended the quarter with a NAV of USD6 million versus USD5 million in 1Q17. The fund saw no subscriptions nor redemptions. Over the quarter, the fund gained 7.1% versus the S&P Saudi Shariah TR Index, which rose 5.7%.

The EFG Hermes Telecom Fund ended the quarter with a NAV of USD6 million in 2Q17, down from USD11 in 1Q17. The fund saw no subscription and redemptions totaled to USD4 million in 2Q17. The Fund lost 5.0% over the quarter versus MSCI EMEA Telecom Index, which gave up 4.6%.

The EFG Hermes Egypt Fund ended 2Q17 with a NAV of USD14 million versus a NAV of USD15 million at the end of 1Q17. The fund saw net redemptions of USD1.2 million. In terms of performance, the fund was up 5.8% versus the Hermes Financial Index (HFI), which returned 4.9% over the same period.

The MENA Long Term Value Fund ended the quarter with a NAV of USD319 million in 1Q17 versus USD292 million in 1Q17. The Fund saw no subscriptions nor redemptions during the quarter. The Fund rose 9.5% during 2Q17.

The UCITS Frontier Fund ended the quarter with a NAV of USD13 million in 2Q17. The Fund saw no subscriptions nor redemptions during the quarter. The Fund rose 10.5% during 2Q17 versus the MSCI FM Index, which added 5.4%.

For the equity, fixed income and balanced portfolios AuMs came at USD704 million in 2Q17 versus USD714 million at the end of 1Q17. During the quarter, total portfolios saw inflows of USD0.4 million and outflows of USD46.5 million, with the client base split between insurance companies, banks, regional HNWI/Family Office and SWF.

#### **Subsequent Event**

In July, a wholly owned subsidiary of EFG Hermes Holding has entered into definitive agreements to invest USD21.5 million in Frontier Investment Management Partners Limited ("FIM"). FIM will add USD 1.6 billion of Assets under Management ("AUMs"), and in order to achieve targeted synergies from this investment, EFG Hermes will also seek the consent of its clients to contribute its regional (non-Egypt related) portfolios and funds into FIM during the coming six months. Starting 3Q17, the FIM operations will be consolidated into the EFG Hermes regional asset management operations.

#### iv. Investment Banking

To date in 2017, the EFG Hermes Investment Banking division has successfully completed eight high profile transactions with an aggregate transaction value of c.USD802 million. During 2Q17, the team was able to close two initial public offerings, three accelerated book building transactions and one M&A transaction.

In May, the team closed a USD280 million offering of ADES International Holding on the London Stock Exchange. The IPO was one of the most notable equity offerings given the turbulent global energy sector backdrop. In spite of this, the offering was fully covered. Moreover, EFG Hermes became the first MENA-based bank to act as Sole Global Coordinator for an LSE offering.

The team also raised c.USD120 million for Al Imtiaz Investment in a secondary sale of a 10% stake in HumanSoft, one of the largest publicly listed education platforms in the MENA region. This transaction represented the first accelerated book build process on the Kuwait stock Exchange. In Egypt, the team raised c.USD50 million for Actis' remaining 7.5% shareholding in Edita, Egypt's largest snack foods company; the offering was successfully placed in under 48 hours. The secondary sale for Actis's 7.5% stake, represents the largest equity offering on the EGX since Domty's IPO in March 2016.

Furthermore, acting as Sole Global Coordinator and Bookrunner, the team completed the initial public offering of Raya Contact Center on the Egyptian Stock Exchange. Raya Contact Center is the largest business process outsourcing (BPO) company in Egypt and the first BPO to list its shares publically in the MENA region. The transaction size was c.USD45 million, representing the largest offering on the EGX year to date; the offering was 4.6x oversubscribed.

Lastly, EFG Hermes sold c.USD36 million of Global Telecom Holding shares in its third accelerated book building transaction.

Moving forward in 2017, the team expects to execute a pipeline of both equity as well as M&A transactions across several sectors in Egypt and the MENA region.



## v. Private Equity

### Infrastructure

Vortex platform's AUMs and managed capacity at the end of 2Q17 reached EUR1.3 billion and 822MW, respectively, which includes (i) Vortex I, a 49% stake in EDPR France (330MW), completed in December 2014 (ii) Vortex II, a 49% stake in EDPR's Pan European Portfolio (664MW in Spain, Portugal, France and Belgium) completed in June 2016; and (iii) Vortex Solar, a 100% stake in 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 GCC SWF, with economic ownership at 5% and 95% respectively, whereas Vortex Solar is currently owned 50/50 by Beaufort and Tenaga Nasional Berhad, one of the largest utility players in Asia. Beaufort is the investment and asset manager of the entire Vortex platform.

In terms of operational performance for 1H17, EDPR France and EDPR Participaciones (portfolio 49% owned by Vortex Platform) generated EBITDA of c.EUR75 million, broadly in line with budget.

Following the successful signing of the SPA of Vortex Solar in January 2017 and the satisfaction of the Conditions Precedent, the financial close took place on 11 May 2017, positioning Vortex amongst the top-ten European renewable energy investment managers. Shortly after completion, the team successfully closed a GBP337 million debt refinancing of the portfolio's existing debt with a club of eight leading European banks, delivering a subscription coverage of c 2.0x within a period of 10 weeks - considered a record for similar transactions in the market.

### Rx Healthcare Fund (RxHF):

The team is actively engaged in closing the Fund's first investment warehoused by EFG Hermes. The formal announcement of the Fund and launch of the investors' roadshow is planned to start before the end of 3Q17.

vi. Leasing

**Key highlights**

Another strong quarter for the Leasing business despite challenging macro environment, as the team managed to almost double its NFAs (Net Financed Assets) to reach EGP820 million in 1H17, and grow its client base by 56% over 1H17; thus taking its outstanding portfolio to EGP1.8 billion at the end of 1H17, up 64% as compared to year end 2016.

EFG Hermes Leasing was active in the process of rolling out the SMEs finance program. However, the outcome of the program was affected by the CBE consecutive corridor increases. The team is also working on another approach to increase the contribution of SMEs to the portfolio to mitigate rate hikes. This diversification in the company funding is expected to support the signed financing program with Karm Solar as well as several vendor programs in the medical & health care and transportation sectors, which are expected to be launched later in 2017.

**Market Share**

EFG Hermes Leasing held 6th place ranking in 2Q17 (June report has not been released yet) and 5th place in 1H17 (Year to end of May), with a market share of 6% and 9%, respectively. This came despite the fact that June included the registration of a number of contracts. On the other hand, the team remains focused on the collection process to ensure a healthy cash position, highly important during the current tough economic situation and the foreseen liquidity squeeze in the market.

**Contracts Booked 2Q2017**

	Company	Lease Value (EGP mn)	Market Share
1	GB Lease	966	17%
2	Nile Leasing	796	14%
3	Techno lease	743	13%
4	Al Ahly	714	13%
5	Corplease	512	9%
<b>6</b>	<b>EFG Hermes Leasing</b>	<b>441</b>	<b>8%</b>
7	Incolease	350	6%
8	QNB	220	4%
9	Al Tawfik Lease	142	3%
10	Global Lease	140	2%

**Contracts Booked 1H2017**

	Company	Lease Value (EGP mn)	Market Share
1	GB Lease	1,716	15%
2	Al Ahly	1,353	11%
3	Techno lease	1,303	11%
4	Corplease	1,269	11%
<b>5</b>	<b>EFG Hermes Leasing</b>	<b>1,105</b>	<b>9%</b>
6	Al Tawfik Lease	1,022	9%
7	Incolease	881	7%
8	Nile Leasing	796	7%
9	QNB	422	4%
10	Global Lease	389	3%

**vii. Micro-Finance “Tanmeyah”**
**Results in a Glance and Performance Review**

KPIs	2Q17	1Q16	2Q16	Q-o-Q	Y-o-Y	1H17	1H16	Y-o-Y
Total Number of Active Borrowers	128,896	113,760	91,318	13%	41%	128,896	91,318	41%
Total Portfolio Outstanding (EGP mn)	847.3	690.6	440.0	23%	93%	847.3	440.0	93%
Total Branches - Egypt	133	123	114	8%	17%	133	114	17%
Giza	3	3	4	0%	-25%	3	4	-25%
Cairo	2	2	3	0%	-33%	2	3	-33%
Delta	53	52	53	2%	0%	53	53	0%
Canal	6	4	0	50%	100%	6	0	N/M
Upper Egypt	69	62	54	11%	28%	69	54	28%
Total Tanmeyah Staff	1,967	1,945	1,603	1%	23%	1,967	1,603	23%

Tanmeyah’s performance continued to improve for another quarter, with the number of active borrowers, applications processed and loans issued increasing 13% Q-o-Q, 13% Q-o-Q and 17% Q-o-Q, respectively. This marked improvement in performance was as a result of exceeding all sales targets as loan officers productivity continued to increase Q-o-Q, as well as an increase in the average ticket size as a result of a management intervention to raise the ceiling on the initial ticket size.

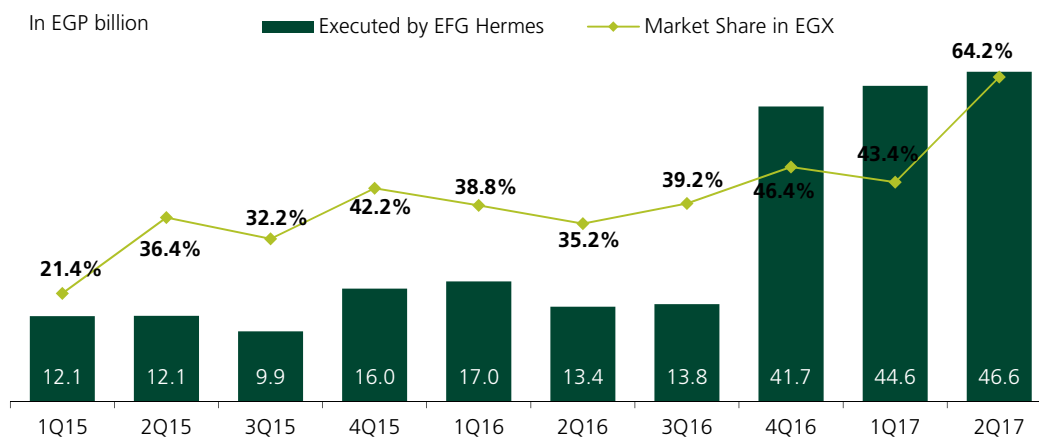
**Operational Update**

Ten new branches opened during 2Q17, an additional branch over the initial target of having 9 branches open by the end of 2Q17. The total number of employees increased 1% Q-o-Q to 1,967 employees, reflecting new opened branches during the quarter and the new functions/roles that were required to support business growth and enhance performance. Tanmeyah continues to face a loan officer deficit, with the total number of officers decreasing by 1% in spite of branch expansion during the quarter; thus the team is currently putting more effort in the hiring process and using new techniques, like social media and call centers, to facilitate the selection process which needs to be done on local/town level.

III. ANNEX

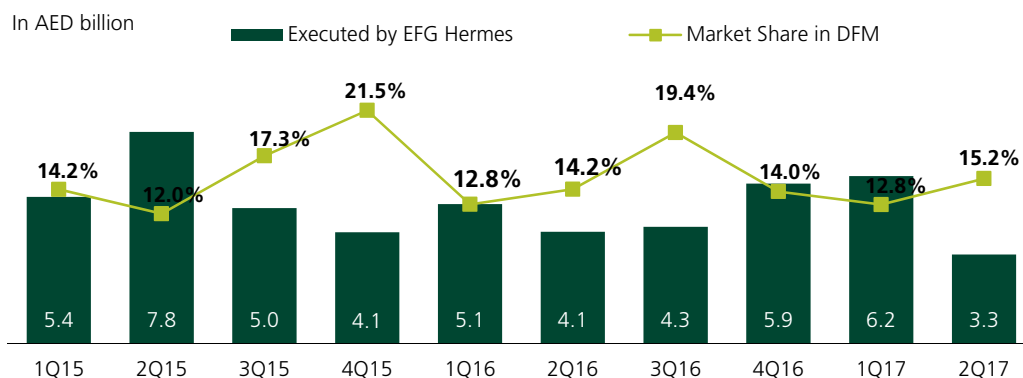
Markets Performance and EFG Hermes Executions & Market Shares

Egypt:

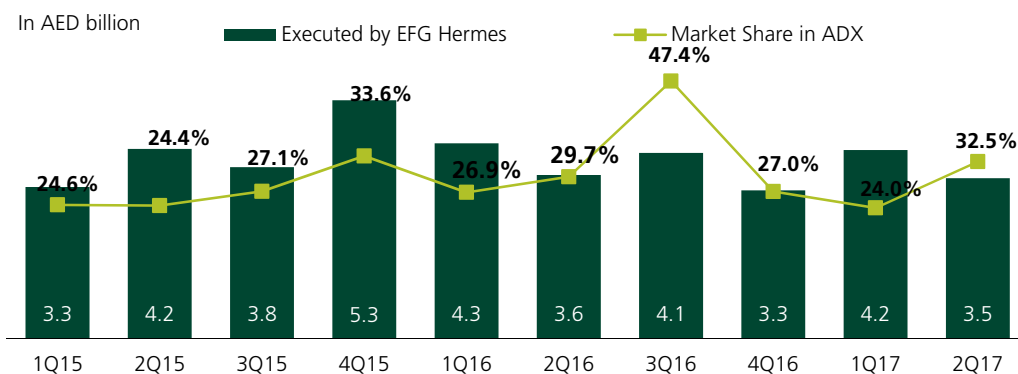


\* Market share calculation includes special transactions

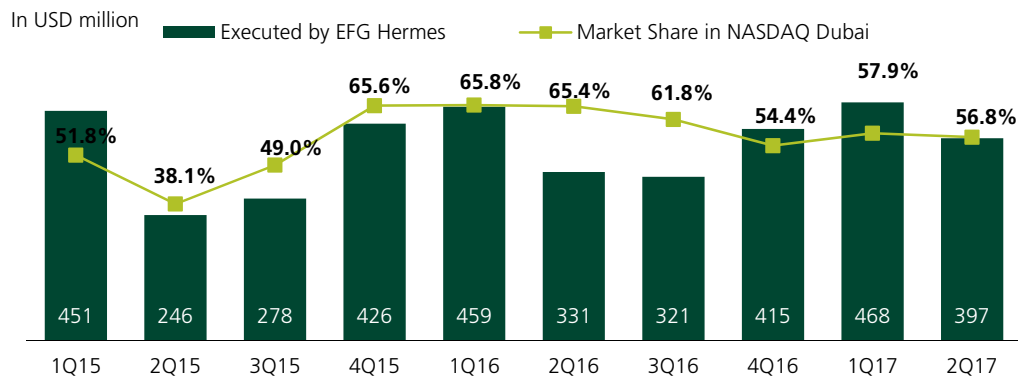
UAE- DFM



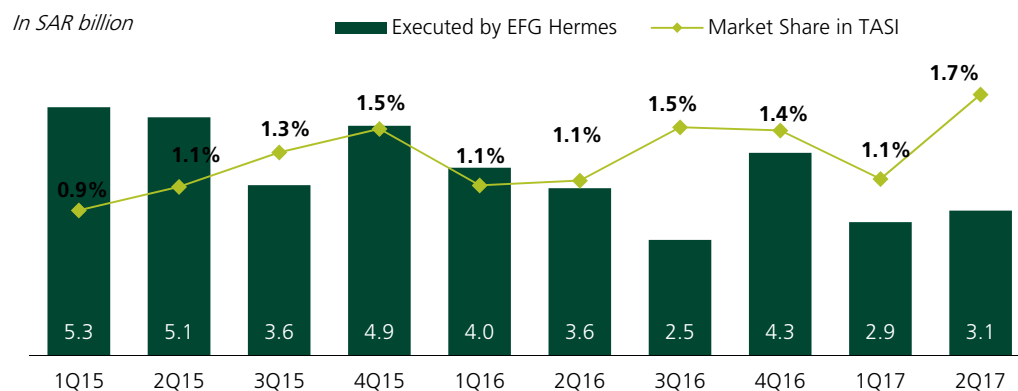
UAE – Abu Dhabi



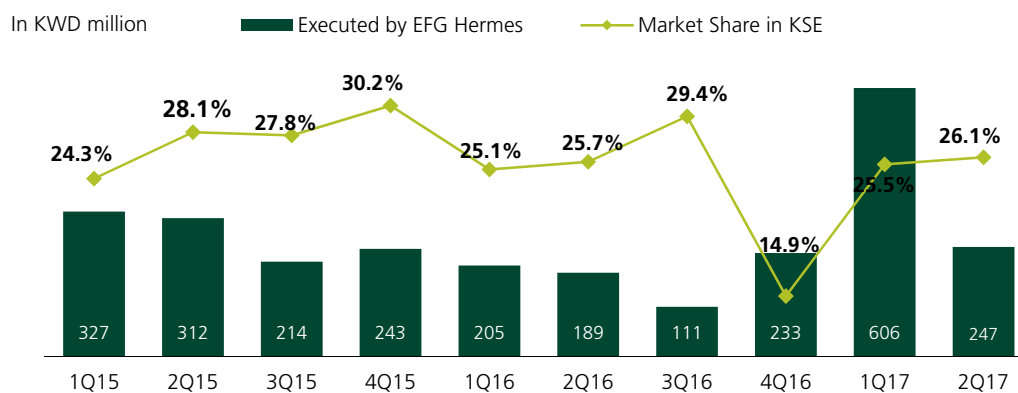
UAE – NASDAQ Dubai



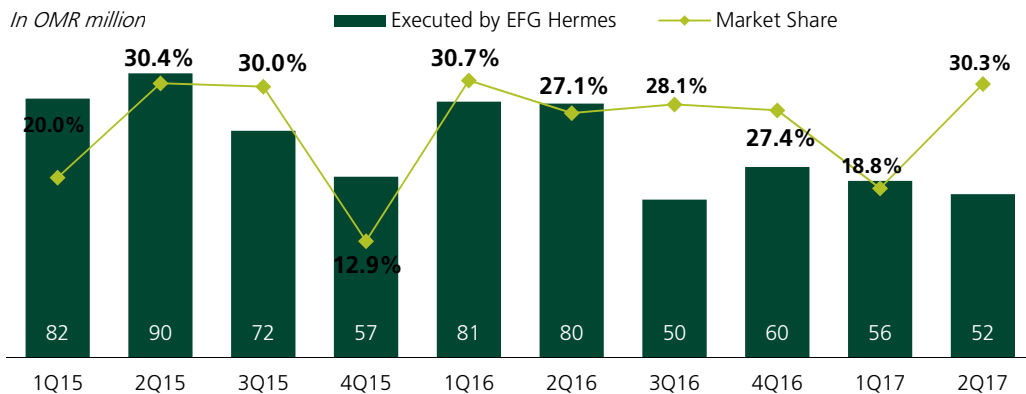
KSA:



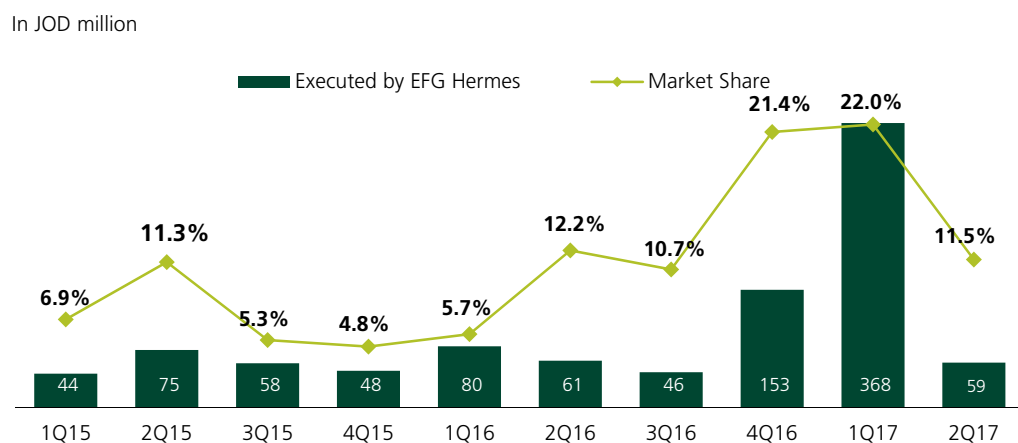
Kuwait:



Oman:



Jordan:



## Disclaimer

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In this earnings release EFG Hermes may make forward looking statements, including, for example, statements about future new product launches, future fund raising, investment banking transactions, private equity exits, non-bank finance business outlook and the overall business strategy of the firm. Such forward looking statements by their nature may involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by these statements. Examples may include financial market volatility; actions and initiatives taken by current and potential competitors; general economic conditions; and the effect of current, pending and future legislation, regulations and regulatory actions. Furthermore, forward looking statements contained in this document that reference past trends or activities should not be taken as a representation that such trends or activities will continue. EFG Hermes does not undertake any obligation to update or revise any forward looking statements.

Accordingly, readers are cautioned not to place undue reliance on forward looking statements, which speak only as of the date on which they are made.

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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 3,074,472,890

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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

Bloomberg page: EFGH  
Reuters pages: .EFGS .HRMS .EFGI .HFISMCAP .HFIDOM

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