

EFG HERMES EARNINGS RELEASE 3Q2019

INVESTOR RELATIONS

Cairo, November 12, 2019

EFG Hermes reports third quarter 2019, with Group Earnings of EGP358 million on operating revenues of EGP1.2 billion. The Group Total assets stood at EGP39.6 billion at the end of 3Q19.

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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

- ≡ EFG Hermes posted another solid set of results reflecting its strong and diversified operations, with its Group revenues adding another 25% Y-o-Y to reach EGP1.2 billion in 3Q19; as both its Investment Bank and its NBFIs platforms reported strong Y-o-Y growth;
- ≡ Fees and commissions, which represents 74% of the Group revenues, rose 13% Y-o-Y to EGP872 million, on the back of higher Brokerage and Tanmeyah's revenues;
- ≡ The NBFIs platform continues to deliver strong results, with its revenues climbing 41% Y-o-Y to EGP299 million in 3Q19; underpinned by Tanmeyah's robust revenue growth, with its revenues rising 52% Y-o-Y to EGP252 million in 3Q19;
- ≡ Sell-side revenues gained 11% to reach EGP490 million in 3Q19, on higher Brokerage revenues generated from Egypt, KSA and Structured Products, and despite lower Investment Banking revenues as the comparable 3Q18 was very strong;
- ≡ Buy-side revenues declined 29% Y-o-Y to EGP84 million in 3Q19, on lower management fees booked by FIM. Meanwhile, Private Equity revenues came flat Y-o-Y in 3Q19;
- ≡ Capital markets & treasury operations revenue contribution to the Group's total revenues came at 26% in 3Q19, with its revenues increasing 79% Y-o-Y to EGP302 million. Revenues were supported by net interest earned and realized capital gains;
- ≡ Group operating expenses rose 20% to EGP721 million in 3Q19, mainly on the back of higher operating expenses related to Tanmeyah as its operations expanded Y-o-Y, and on higher variable expenses that increase in line with the increase in revenues. Moreover, the Investment Bank other operating expenses were broadly flat Y-o-Y;
- ≡ The Group net operating profit and the net profit after tax and minority interest climbed 34% Y-o-Y to EGP453 million and EGP358 million, respectively; as the increase in revenues outweighed the increase in expenses.

ii. Group Financial Performance

in EGP million	Group Financial Highlights							
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Group Operating Revenue	1,175	1,051	940	12%	25%	3,488	2,749	27%
Investment Bank	876	729	727	20%	20%	2,563	2,183	17%
NBFIs	299	322	212	-7%	41%	924	565	63%
Group Operating Expenses	721	672	600	7%	20%	2,189	1,758	24%
Group Net Operating Profit	453	379	339	20%	34%	1,299	990	31%
Group Net Operating Margin	39%	36%	36%			37%	36%	
Group Net Profit (Loss) After Tax & Minority Interest	358	304	267	18%	34%	1,034	715	45%
Investment Bank	288	204	210	42%	37%	781	566	38%
NBFIs	69	100	57	-31%	22%	253	149	70%

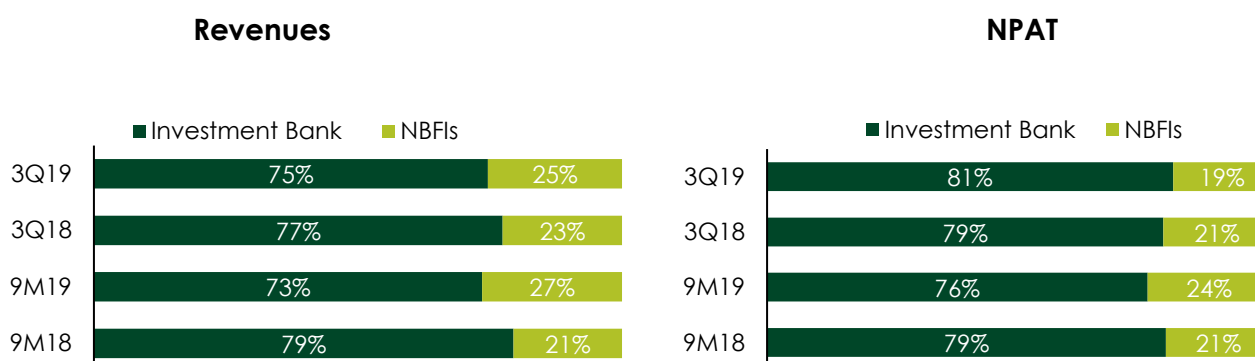
Source: EFG Hermes Management Accounts

Another strong set of results reported by EFG Hermes, with the Group revenues rising 25% Y-o-Y to EGP1.2 billion in 3Q19, underpinned by robust growth posted by the Investment bank and the NBFIs operations. Group expenses rose 20% Y-o-Y to EGP721 million in line with the growth in operation and the increase in revenues. The Group net operating profit and the net profit after tax and minority interest climbed 34% Y-o-Y to EGP453 million and EGP358 million, respectively; as the increase in revenues outweighed the increase in expenses.

The Group reported a top line growth of 27% Y-o-Y in 9M19, thus taking the reported revenues to EGP3.5 billion. The improvement in the Group revenues was supported by growth witnessed across the Investment Bank and NBFIs platforms. The Group operating expenses rose 24% Y-o-Y to EGP2.2 billion on higher employee expenses and higher other operating expenses, including loan loss provisions, posted by the NBFIs operation, particularly by Tanmeyah.

This filtered into a Group net operating profit of EGP1.3 billion, up 31% Y-o-Y; and a Group net profit after tax and minority interest of EGP1.0 billion in 9M19, up 45% Y-o-Y, with strong profitability reported by The Investment Bank and the NBFIs platforms.

Contribution by Platform



The NBFIs platform continues to grow, yet its contribution to the top line and the bottom line came at 25% and 19%, respectively, in 3Q19; as the Investment bank, which is a larger contributor to the Group's revenues and profitability, grew over 3Q19. The same stands correct for the 9M19, particularly with Vortex I & II exit in 1Q19.

iii. Business Lines Financial Performance

	Group Revenue by Platform							
<i>in EGP million</i>	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Brokerage	319	297	241	7%	33%	904	777	16%
Investment Banking	170	67	199	154%	-15%	273	330	-17%
Sell-Side	490	364	440	34%	11%	1,178	1,107	6%
Asset Management	61	71	95	-14%	-36%	212	304	-30%
Private Equity	23	27	23	-13%	2%	316	70	348%
Buy-Side	84	98	118	-14%	-29%	528	374	41%
Capital Markets & Treasury	302	267	169	13%	79%	858	702	22%
Total Investment Bank	876	729	727	20%	20%	2,563	2,183	17%
Leasing	39	39	42	0%	-8%	125	112	11%
Micro - Finance "Tanmeyah"	252	275	166	-8%	52%	780	446	75%
Consumer - Finance "valU"*	5	6	3	-17%	85%	14	6	125%
Factoring	2	2	1	0%	79%	6	1	387%
Total NBFIs	299	322	212	-7%	41%	924	565	63%
Group Operating Revenue	1,175	1,051	940	12%	25%	3,488	2,749	27%
<i>Of Which:</i>								
Fee and Commission Revenue	872	784	771	11%	13%	2,630	2,047	29%
Capital Markets & Treasury Operations	302	267	169	13%	79%	858	702	22%

*valU revenue is based on total portfolio of EGP256 million in 3Q19

Source: EFG Hermes Management Accounts

Group revenues rose 25% Y-o-Y to EGP1.2 billion in 3Q19, driven by an increase in sell-side, NBFIs and capital markets & treasury revenues.

Sell-side revenues added 11% Y-o-Y to EGP490 million in 3Q19, as the increase in Brokerage revenues overshadowed the decline in Investment Banking revenues. Brokerage revenues rose 33% Y-o-Y to EGP319 million, triggered by stronger revenues generated from Egypt, KSA and Structured Products. Meanwhile, Investment Banking division, which recorded the highest number of transactions in a single quarter, closing 8 transactions, revenues declined 15% Y-o-Y to EGP170 million; as the comparable quarter was a strong quarter.

The buy-side revenues declined 29% Y-o-Y to EGP84 million in 3Q19, on lower revenues generated by FIM. Private Equity revenues was broadly flat, up 2% Y-o-Y to EGP23 million in 3Q19 as management fees generated by the education fund replaced the loss of management fees from Vortex I & II, post their exit in 1Q19. Asset Management revenues declined 36% Y-o-Y to EGP61 million in 3Q19 on lower management fees booked by FIM.

NBFIs revenues continued to climb upwards Y-o-Y, rising 41% Y-o-Y to EGP299 million in 3Q19. Tanmeyah was the main contributor to this increase, with its revenues increasing 52% Y-o-Y to EGP252 million in 3Q19 on a larger portfolio. Leasing revenues declined 8% Y-o-Y to EGP39 million (IFRS 16 adjusted). valU, our installment sale services, revenues grew 85% Y-o-Y to EGP5 million in 3Q19, as the portfolio ramps up. Factoring which started operations late in 4Q18, booked revenues of EGP2 million in 3Q19.

Capital markets & treasury revenues contribution to the Group's total revenues came at 26% in 3Q19, with its revenues increasing 79% Y-o-Y to EGP302 million. The increase in revenues was predominately supported by strong net interest earned and realized capital gains.



For the 9M19, Group revenues rose 27% Y-o-Y to reach EGP3.5 billion, underpinned by revenue growth posted by all lines of business with the exception of Investment Banking and Asset Management.

The sell-side revenues added 6% Y-o-Y to EGP1.2 billion in 9M19, on higher Brokerage revenues. Brokerage revenues rose 16% Y-o-Y to EGP904 million, supported by revenues generated from KSA, Kuwait and Structured products operations. Investment Banking revenues declined 17% Y-o-Y to EGP273 million, as the comparable period was strong.

The buy-side revenues rose 41% Y-o-Y to EGP528 million in 9M19 on the back of incentive fees booked on Vortex I & II exit. Meanwhile, Asset Management revenues declined 30% Y-o-Y to EGP212 million on lower incentive fees booked by EFG Hermes Asset Management and FIM and on lower management fees booked by FIM.

The NBFIs skyrocketed in 9M19, up 63% Y-o-Y to record revenues of EGP924 million. This improvement in revenues is largely due to strong revenue growth posted by Tanmeyah, with its revenues rising 75% Y-o-Y to EGP780 million. Leasing revenues rose 11% Y-o-Y to EGP125 million on a larger portfolio.

Capital markets & treasury revenues added 22% Y-o-Y to EGP858 million in 9M19, mainly on higher interest received and treasury revenues.



iv. Group Operating Expenses

in EGP million	Group Operating Expenses							
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Employees Expense	516	472	436	9%	18%	1,593	1,260	26%
Employees Expense/Operating Revenues	44%	45%	46%			46%	46%	
Employees Expense/Operating Expenses	72%	70%	73%			73%	72%	
Other Operating Expenses	205	201	164	2%	25%	596	498	20%
Other Operating Expenses/Operating Revenues	17%	19%	17%			17%	18%	
Other Operating Expenses/Operating Expenses	28%	30%	27%			27%	28%	
Total Operating Expenses	721	672	600	7%	20%	2,189	1,758	24%

Source: EFG Hermes Management Accounts

Group operating expenses rose 20% Y-o-Y to EGP721 million in 3Q19, on higher employee expenses and other operating expenses. Employee expenses to operating revenues came lower than 2Q19 and 3Q18 at 44% in 3Q19.

Employee expenses rose 18% Y-o-Y to EGP516 million in 3Q19, on Tanmeyah's strong headcount expansion Y-o-Y, and on the Investment Bank headcount in new markets. Furthermore, on higher variable portion of the employees expenses related to revenues, including monthly commissions.

Other operating expenses increased 25% Y-o-Y to EGP205 million on higher operating expenses and loan loss provisions booked by Tanmeyah; to reflect the extensive Y-o-Y branch rollout and the portfolio size increase. Meanwhile, the Investment Bank other operating expenses was broadly flat Y-o-Y in 3Q19.

Of other operating expenses, General expenses rose 37% Y-o-Y to EGP37 million in 3Q19 mainly on the back of expenses related to the sale and leaseback of Tanmeyah's headquarters and higher subscriptions for Brokerage related services. Loan Loss provisions increased 116% Y-o-Y to EGP24 million on higher provisions booked by Tanmeyah. Data Communication expenses increased 18% Y-o-Y to EGP42 million in 3Q19, mainly on higher IT spending related to the Investment Bank and Tanmeyah. Promotional and advertising expenses increased 25% Y-o-Y to EGP17 million in 3Q19, mainly on higher marketing spending for valU and Tanmeyah. Office expenses added 45% Y-o-Y to EGP5 million mainly due to office supplies related to Tanmeyah. Occupancy expenses rose 7% Y-o-Y to EGP40 million, on higher rent, utilities and maintenance related to Tanmeyah's branch rollout. Travel expenses rose 15% Y-o-Y to EGP15 million, on higher travel expenses related to EFG Hermes London Conference.

Meanwhile, Consultancy & Service fees (-2%) and Tel., Fax & Mobile expenses (-3%) were broadly flat Y-o-Y.

Group operating expenses rose 24% Y-o-Y to EGP2.2 billion in 9M19, however, employee expenses to operating revenues came flat Y-o-Y at 46%. Employee expenses rose 26% Y-o-Y to EGP1.6 billion on salaries related to Tanmeyah and on higher variable costs related to the revenue generation. Other operating expenses increased 20% Y-o-Y to EGP596 million in 9M19, on the back of higher NBFIs operating expenses with the majority (81% of the increase) attributed to Tanmeyah. Meanwhile, the Investment Bank other operating expenses came flat Y-o-Y in 9M19.

OPERATIONAL PERFORMANCE

i. Brokerage

Operational Performance Update

The performance and the volumes of the markets we trade in was largely mixed in 3Q19 due to the seasonally slow summer period, however volumes in our largest market, Egypt, almost doubled Q-o-Q, thus supporting executions and commission for our Brokerage business. EFG Hermes Brokerage total executions, which reflect MENA and Frontier markets' executions, Structured Products and Fixed Income reached USD14.4 billion in 3Q19, slightly lower Q-o-Q, down 4%; yet up 65% Y-o-Y, mainly on higher executions in Egypt, KSA and Dubai.

This translates to a revenue of EGP319 million in 3Q19, up 7% Q-o-Q and 33% Y-o-Y. The quarterly increase in revenues reflects higher executions in higher commission rate markets, namely Egypt. This in addition to a growth in the Structured Products desk revenues, which rose 115% Q-o-Q on AuMs of USD274 million.

For the 9M19, Brokerage executions reached USD41.2 billion, up 50% Y-o-Y, driven predominately by stronger executions in KSA, Kuwait and Abu Dhabi, and a strong contribution from structured products. Reported revenues, mirrors the increase in execution rising 16% Y-o-Y to reach EGP904 million in 9M19.

in EGP million	Brokerage Revenue							
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Egypt	152	126	106	21%	44%	418	405	3%
UAE	31	41	33	-25%	-7%	105	101	4%
KSA	32	37	14	-13%	123%	88	49	82%
Kuwait	30	27	35	9%	-15%	90	59	53%
Oman	2	3	3	-15%	-27%	10	13	-27%
Jordan	3	4	4	-14%	-13%	9	11	-15%
Pakistan	3	2	3	61%	-19%	7	15	-50%
Kenya	9	9	4	-2%	148%	27	12	135%
Nigeria	6	22	0	-74%	N/M	33	0	N/M
Frontier	14	5	33	159%	-57%	33	79	-58%
Structured Products	36	17	5	115%	568%	72	34	110%
Fixed income	1	4	0	-72%	N/M	12	0	N/M
Total Revenue	319	297	241	7%	33%	904	777	16%

*Revenue highlighted above represents entities and not markets.
Source: EFG Hermes Management Accounts

Egypt moved back to be the highest contributor to the total commissions generated by the division in 3Q19 and 9M19. KSA and Kuwait maintained the second and third place with a contribution of 15.3% and 14.6% in 3Q19. Frontier markets (which includes Nigeria, Kenya, Pakistan & other Frontier executions) followed, with a contribution of 10.4% in 3Q19.

Commissions Breakdown by Market

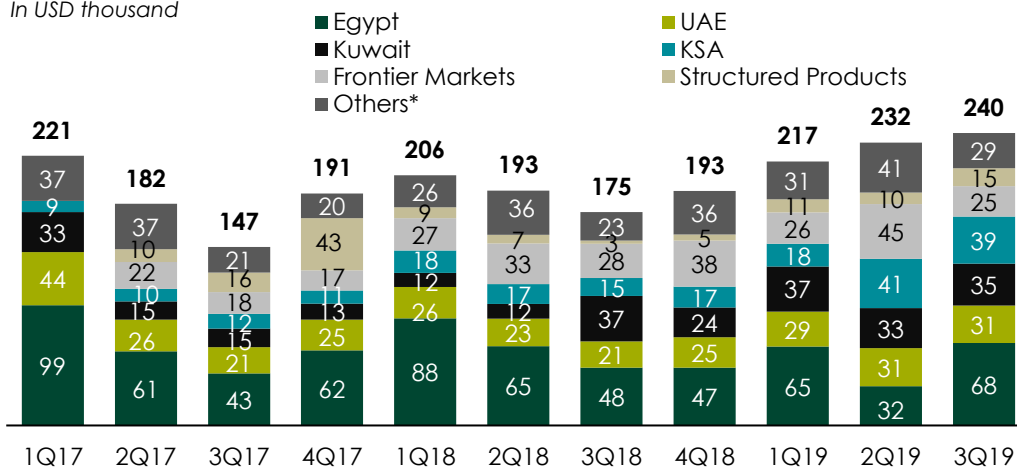
Markets	3Q19	9M19
Egypt	28.6%	23.9%
DFM	5.6%	5.3%
ADX	5.5%	6.0%
Nasdaq Dubai	1.8%	1.9%
KSA	15.3%	14.0%
Kuwait	14.6%	15.2%
Oman	1.3%	1.5%
Qatar	6.6%	8.9%
Jordan	1.1%	1.1%
Frontier Markets	10.4%	13.7%
Structured Products	6.2%	5.1%
Others	3.0%	3.3%
Total	100%	100%

Source: EFG Hermes and Regional Exchanges

The below chart highlights the average daily commissions generated by Brokerage and reported in USD. Aggregate average daily commissions for the Brokerage business increased 3% Q-o-Q to reach USD240 thousand in 3Q19, as higher commissions in Egypt offset lower commission booked in Frontier and Qatar. On a Y-o-Y, average daily commissions was 37% higher mainly on strong commissions generated by Egypt, UAE, KSA and Structured Products.

Average Daily Commissions

In USD thousand



*Others including; Qatar, Oman, Lebanon, Jordan, UK (GDRs)

Source: EFG Hermes and Regional Exchanges

Brokerage Market Share & Executions

<i>in USD million</i>	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Egypt*								
Market share	50.2%	47.8%	37.6%	2.4%	12.6%	47.6%	42.0%	5.6%
Executions	3,100	969	1,331	219.9%	132.9%	6,036	5,417	11.4%
UAE - DFM								
Market share	31.9%	27.7%	20.7%	4.2%	11.2%	30.5%	21.6%	8.9%
Executions	1,264	983	634	28.6%	99.5%	3,283	2,814	16.7%
UAE - ADX								
Market share	45.9%	39.2%	48.9%	6.7%	-2.9%	42.9%	39.2%	3.7%
Executions	1,425	1,650	1,102	-13.6%	29.3%	4,528	2,769	63.5%
UAE - Nasdaq Dubai								
Market share	72.0%	59.4%	72.2%	12.6%	-0.1%	63.5%	62.6%	0.9%
Executions	525	667	316	-21.2%	66.2%	1,647	1,607	2.5%
KSA								
Market share	5.9%	7.6%	2.8%	-1.8%	3.1%	6.2%	2.5%	3.7%
Executions	3,302	5,408	1,328	-38.9%	148.7%	10,905	4,423	146.6%
Kuwait								
Market share	30.3%	32.6%	41.2%	-2.3%	-10.9%	33.9%	36.2%	-2.3%
Executions	2,465	2,194	2,121	12.3%	16.2%	7,214	3,665	96.8%
Oman								
Market share	13.5%	19.8%	25.3%	-6.3%	-11.9%	19.2%	18.9%	0.3%
Executions	86	75	86	15.1%	0.2%	272	307	-11.5%
Jordan								
Market share	9.5%	11.7%	9.2%	-2.2%	0.3%	9.0%	9.8%	-0.8%
Executions	58	53	50	8.4%	14.9%	140	164	-14.4%
Pakistan								
Market share	10.7%	5.8%	3.5%	4.9%	7.2%	6.5%	4.4%	2.1%
Executions	157	122	145	28.9%	8.3%	400	623	-35.7%
Kenya								
Market share	41.1%	37.2%	14.2%	3.9%	26.9%	33.8%	9.9%	23.9%
Executions	122	119	45	2.4%	170.6%	312	127	145.2%
Nigeria								
Market share	25.6%	23.3%	22.4%	2.3%	3.2%	20.9%	13.3%	7.6%
Executions	131	249	121	-47.4%	8.1%	474	347	36.6%
Frontier								
Market share	N/A	N/A	N/A	N/M	N/M	N/A	N/A	N/M
Executions	141	172	181	-18.0%	-21.9%	459	532	-13.8%
Structured Products								
Market share	N/A	N/A	N/A	N/M	N/M	N/A	N/A	N/M
Executions	274	296	54	-7.4%	402.9%	832	396	110.1%

*Market share calculation is based on executions excluding special transactions

**Executions in Qatar, Bahrain, Lebanon, UK(GDRs) and others represent an additional 9% of total Brokerage executions in 3Q19 & 11% for 9M19

Source: EFG Hermes and Regional Exchanges



Egypt

A good quarter for Egyptian equities, with volumes almost doubling, up 94% Q-o-Q, meanwhile the Hermes Financial Index (HFI) slipped 2.7% Q-o-Q in 3Q19.

EFG Hermes successfully executed Fawry's IPO, three accelerated book build for Cleopatra Hospitals, Edita and Ibn Sina, and the mandatory tender offer on Global Telecom by Veon in 3Q19, thus cemented EFG Hermes first place ranking on the EGX for the quarter and the 9M19. The Firm's market share (excluding special transactions) came at 50.2% in 3Q19 from 47.8% a quarter earlier and reached 47.6% for the 9M19. Foreign participation increased to reach 37% of the market participation in 3Q19, whereas EFG Hermes has successfully captured 72%.

During the quarter, EFG Hermes held its 9th Annual EFG Hermes London Conference, the conference connected 360 fund managers and institutional investors managing USD14 trillion in assets with C-Suite executives at leading firms in 30 of the most dynamic emerging and frontier markets.

UAE – Dubai

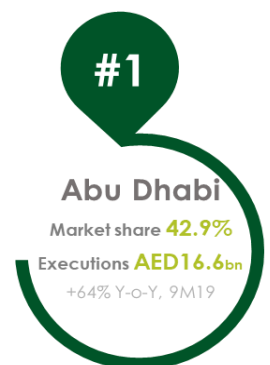
The DFM picked up in 3Q19 with the DFMGI adding 4.6% Q-o-Q in 3Q19 and the volumes increasing 10% Q-o-Q, this was mainly due to the churn in Emirates NBD and its positive performance, which resulted from the company announcing the opening of the foreign ownership limit from 5% to 20%.

EFG Hermes maintained its first place ranking on the DFM for the quarter and the 9M19 with a market share of 31.9% and 30.5%, respectively, backed by decent flow from foreign institutional investors. Foreign participation during the quarter came at 25%, of which EFG Hermes captured 47% of the total foreign participation in 3Q19.

UAE – ADX

A weak quarter for the ADX, albeit the ADI closing in the black. Volumes during the quarter declined 27% Q-o-Q, while the ADI gained 1.6% Q-o-Q. The decline in volumes was largely attributed to one stock, namely First Abu Dhabi Bank.

EFG Hermes maintained a top ranking position on the ADX with a market share of 45.9% in 3Q19 and 42.9% in 9M19, supported by strong foreign participation, which came at 45% in 3Q19, with EFG Hermes capturing 44% of these flows.





UAE – Nasdaq Dubai

Activity on DP World, which dominates trading on Nasdaq Dubai, weakened in 3Q19, however, EFG Hermes executed most of this flow to cement its top ranking position on the exchange with a market share of 72.0% in 3Q19 from 59.4% in 2Q19.



Saudi Arabia

The Tadawul market took the back seat in 3Q19, with the Tadawul All Share Index losing 8.3% Q-o-Q in 3Q19 and volumes declining 20% Q-o-Q. The QFIs flows continued to be high, coming at SAR115.5 billion during 3Q19 to account for 27.7% of the market volumes during 3Q19, on the back of MSCI phase II and FTSE phase IV inclusions in 3Q19.

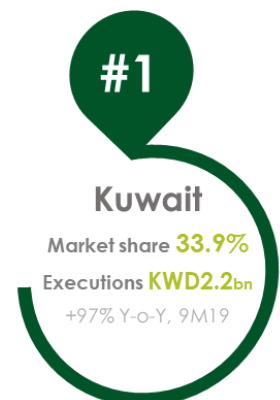
EFG Hermes market share came at 5.9% in 3Q19, reflecting a 5th place ranking among pure brokers (non-commercial banks) and a 4th place ranking among foreign brokers in 3Q19, thus taking 9M19 market share to 6.2%. Foreign institutions participation via participatory notes was minimal at 0.8% in 3Q19.



Kuwait

Volumes on the Kuwaiti market improved 12% Q-o-Q in 3Q19, while the main market Index slipped 2.6% Q-o-Q over the same period. Volumes were supported by foreign activity post the merger news of AUB and KFH, in addition to passive foreign flows amid the FTSE rebalancing event in September.

EFG Hermes IFA was ranked 3rd in 3Q19, with a market share of 30.3%. This decline in ranking was a result of a large bidding transaction worth USD500 million on a listed stock between two brokerage firms with each executing a leg of the transaction in July. The firm returned to its 1st place ranking in September following the transaction, which took place. Foreign participation came at 13% in 3Q19, of which the firm captured around 72% of this flow in 3Q19. For 9M19, EFG Hermes ranked 1st with a market share of 33.9%.

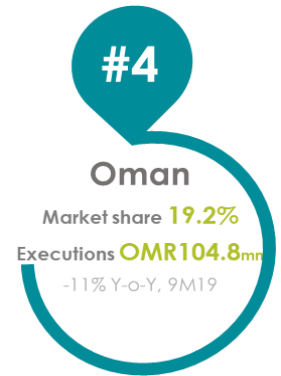




Oman

The Omani market bounced up, with the MSM Index adding 3.4% over 3Q19 and volumes almost doubling, up 99% Q-o-Q. The increase in volumes was mainly attributed to a special transaction that accounted for 59% of the market turnover.

EFG Hermes Oman's market share declined to 13.5% in 3Q19, as a result of a noticeable decrease in the GCC and foreign institutional activity. In terms of ranking, the Firm was ranked 3rd in 3Q19, and 4th in 9M19 with a market share of 19.2%.



Jordan

Activity improved on the Amman Stock Exchange in 3Q19, up 30% Q-o-Q, yet the index lost further ground down 2.8% Q-o-Q in 3Q19. The increase in volumes is mainly due to a number of block trades executed in the market.

EFG Hermes market share and ranking declined to 9.5% with a 7th place ranking in 3Q19, from 11.7% and a 4th place ranking in 2Q19, as 2Q19 include a special transaction that EFG Hermes Jordan executed. This took 9M19 market share to 9.0% with a fourth place ranking over the same period.



Pakistan

The Pakistani market had another tough quarter with the Karachi SE 100 Index losing 5.4% Q-o-Q in 3Q19 and turnover slipping 23% Q-o-Q, as macro-economic challenges persisted during the quarter; that included interest rate hikes, oil prices fluctuations and gas tariff hike.

EFG Hermes Pakistan market share rose to 10.7% in 3Q19 from 5.8% in 2Q19 as foreign investors were net buyers during the quarter. Moreover, on the local front, individuals remained the major buyers, whereas mutual funds turned up sellers. For the 9M19, EFG Hermes Pakistan market share increased to reach 6.5%.

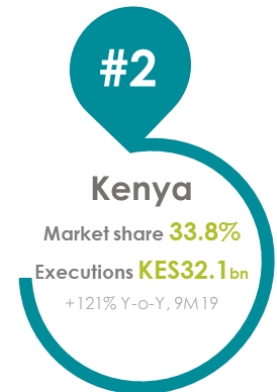




Kenya

Another slow quarter for the Kenyan market amid uncertainties regarding the Treasury proposal to repeal rate caps in the Finance Bill for the year 19/20, with NASI and NSE 20 declining 3.0% Q-o-Q and 7.7% Q-o-Q, respectively. The decline in the Indices was attributed to a decline in few of the heavy weight stocks. Moreover, volumes declining 2% Q-o-Q in 3Q19.

EFG Hermes Kenya market share continued to improve, reaching 41.1% in 3Q19 from 37.2% in 2Q19 and jumping to the 1st place ranking in 3Q19. This lifts 9M19 market share to 33.8% with a second place ranking over the same period.



Nigeria

A lackluster quarter for the Nigerian market, with the Index declining 7.8% Q-o-Q and volumes dropping 43% Q-o-Q in 3Q19, as unfavorable policies continue to linger and fuel investors' hesitation to buy equities and there was little to no reaction to decent half-year company results.

EFG Hermes Nigeria market share came at 25.6% during 3Q19 (23.0% for trades executed via EFG Hermes Nigeria and 2.6% through other local brokers), thus taking the Firm's ranking up to 3rd place during 3Q19. For the 9M19, EFG Hermes market share reached 20.9%, with a 3rd place ranking in the market.



Frontier

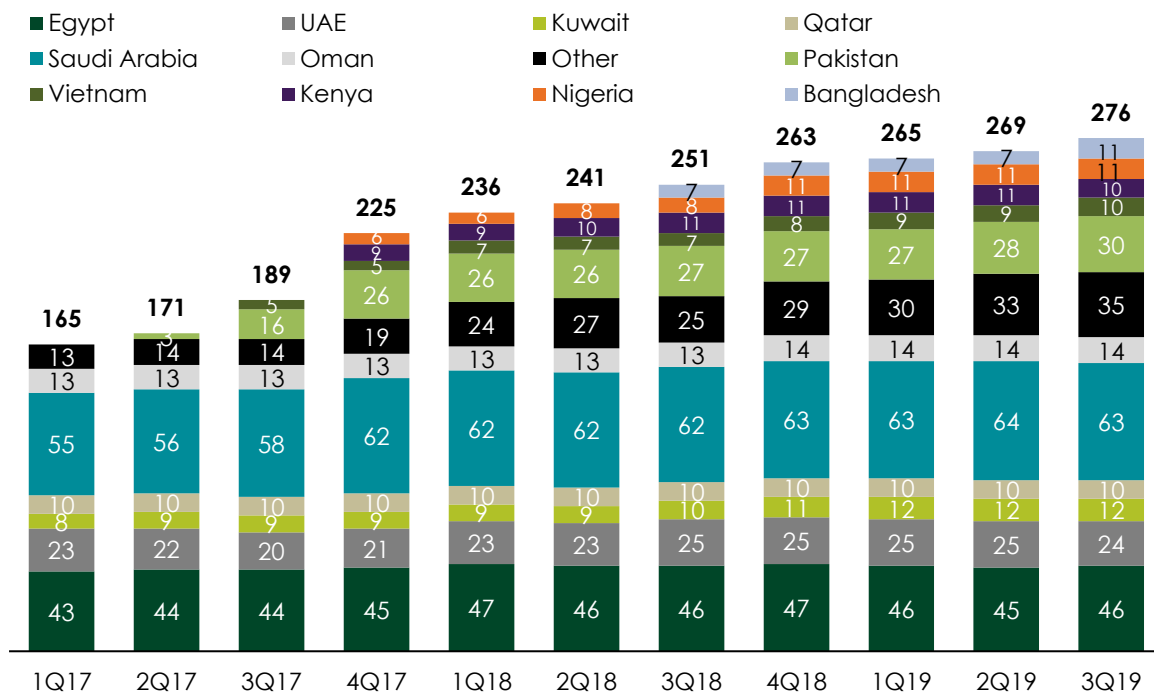
We continue to dominate in our core Asian markets and the team engaged a couple of key accounts to set up with us in Vietnam and India. Morocco is another market that is crucial to the franchise given its weight in the MSCI FEM Index, thus we are increasing our focus in terms of sourcing liquidity and improving client interaction.



ii. Research

Research Coverage Universe

Number of Companies



Source: EFG Hermes Research

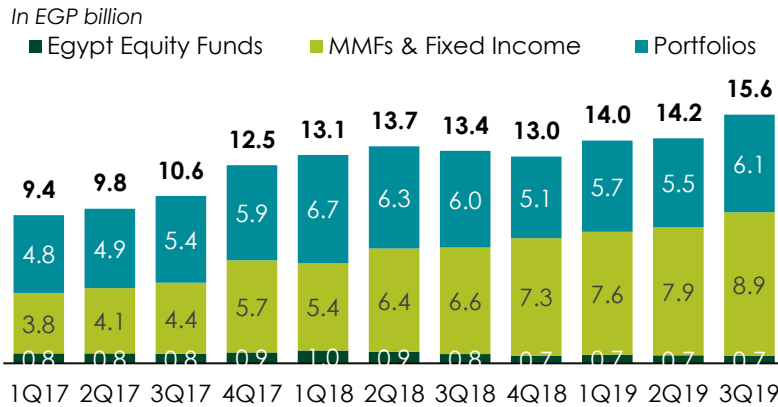
In 3Q19, in terms of individual companies, the team initiated coverage on QNB Alahli, a leading bank in Egypt, which complements Egyptian banks' deep coverage. The team also initiated coverage on Finablr Plc, a payments provider / FX business, and Arabian Centers, largest mall business in Saudi Arabia, after two successful IPOs, respectively. Further afield, the team initiated coverage of the Bangladesh banks sector (plus four Bangladesh banks) and Pakistan Power sector (initiated on two listed IPPs) in a very long and detailed report, which gives us better / more in depth coverage in what are interesting and quite well traded sectors. The team also added coverage of Tanzania Breweries (leading brewery in Tanzania) and Viejet Aviation (up and coming airline business in Vietnam), the latter has decent trading volume.

The macro team added a new market to our macro coverage, initiating coverage on Democratic Republic of Congo, a new and exciting market for EFG Hermes, and one that will be in the news more given the Helios Towers IPO. The research team have also been working on a number of IPOs during 3Q19.

We now cover 10 sectors, 38 industries and 26 markets, and ended 3Q19 with 276 stocks under coverage and we still plan to reach around 300 stocks by the end of 2019. This includes (Egypt 46, UAE 24, KSA 63, Kuwait 12, Oman 14, Qatar 10, Lebanon 3, Morocco 4, Jordan 6, Pakistan 30, Kenya 10, Nigeria 11, Vietnam 10, Tanzania 5, Uganda 3, Mauritius 2, Bangladesh 11, Rwanda 1, Botswana 1, Netherlands 1, United Kingdom 4, Georgia 2, and Ghana 3).

iii. Asset Management

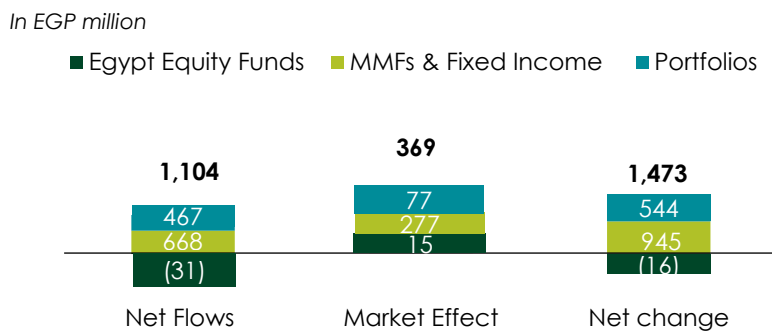
Egypt Assets under Management Evolution



Source: EFG Hermes Asset Management

A strong quarter for EFG Hermes Egypt Asset Management with AuMs increasing 10.4% Q-o-Q to close the quarter at EGP15.6 billion, driven by both net inflows and positive performance. Net inflows represented 7.8% of the AuMs, with inflows largely split between MMFs/FI funds and equity portfolios. Positive markets added another 2.6% to the AuMs in 3Q19, with MMFs and FI portfolios representing the markets appreciation.

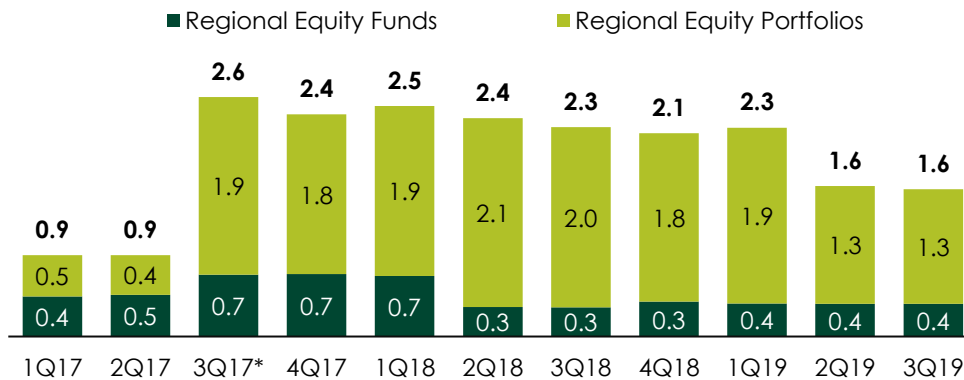
Quarterly Change in Egypt Mandates



Source: EFG Hermes Asset Management

Regional Assets under Management “FIM” Evolution

In USD billion

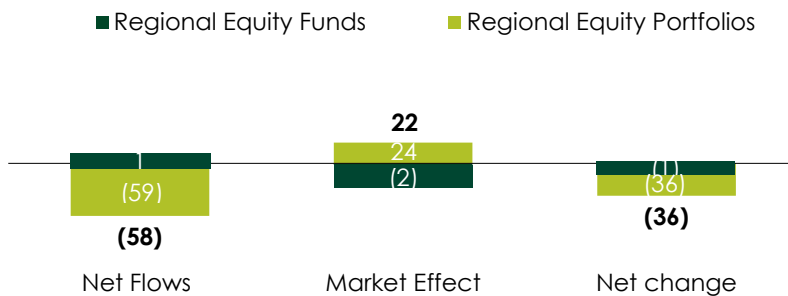


* 3Q17 AuMs reflect the addition of FIM's AuMs post EFG Hermes' completion of 50% investment in FIM
 **AuMs in 3Q19 includes USD164 million of committed capital, of which USD85 million is drawn down
 Source: FIM

EFG Hermes Regional Asset Management AuMs was largely flat down 2% Q-o-Q to stand at USD1.6 billion at the end of 3Q19. Markets appreciation added 1% to the AuMs as FIM outperformed all markets across its strategies, with notable strong performance in fixed income. Yet, net outflows, which represented 4% of the AuMs, overshadowed that increase. These outflows were predominantly due to investors taking profits and de-risking from MENA due to a spike in geopolitical tensions.

Quarterly Change in Regional Mandates

In USD million



Source: FIM

Funds Performance

MENA Long Term Value Fund ended the quarter with a NAV/share of USD2.29 versus a NAV/share of USD1.92 at the end of 2Q19. The Fund saw no subscriptions nor redemptions during the quarter.

FIM EM Frontier Fund ended the quarter with a NAV/share of USD932.74 versus a NAV/share of USD948.28 in 2Q19. The Fund saw no subscriptions nor redemptions during the quarter. The Fund lost 1.7% over the quarter versus the MSCI FEM Index, which declined 7.1% over the same period.



FIM MENA Horizon Fund ended the quarter with a NAV/share of USD259.30 versus a NAV/share of USD257.49 in 2Q19. The Fund saw redemptions of USD2 million during the quarter. The Fund added 0.7% during the quarter versus the S&P Pan Arab Composite Index, which lost 5.1% over the same period.

FIM Saudi Opportunities Fund ended the quarter at a NAV/share of USD1.253.00 versus a NAV/share of USD1,1194.59 at the end of 2Q19. The Fund saw redemptions of USD2 million during the quarter. The Fund added 4.9% during the quarter versus the M1SAP, which dropped 10% over the same period.

FIM MENA Credit Fund ended the quarter flat at a NAV/share of USD1,152.87 versus a NAV/share of USD1,094.69 in 2Q19. The Fund saw no subscriptions nor redemptions during the quarter. The Fund added 5.3% during the quarter versus the JPM MECIGCC, which rose 4.0% over the same period.

FIM Global Sukuk Fund ended the quarter flat at a NAV/share of USD1,084.83 at the end of 3Q19. The Fund saw no subscriptions nor redemptions during the quarter. The Fund added 3.6% during the quarter versus the Markit iBoxx Sukuk which rose 2.8% over the same period.



iv. Investment Banking

In 3Q19, EFG Hermes' Investment Banking division successfully advised on eight transactions, reaching the highest number of concluded transactions in a single quarter to date. The transactions amounted to USD1.4 billion, bringing the total number of equity, M&A, and debt transactions executed this year to 15 with an aggregate value of USD3.3 billion.

On the equity front, the team acted as a sole global coordinator and bookrunner on the USD99 million initial public offering of Fawry for Banking and Payment Technology Services. The transaction marked the first fintech and payment processing IPO on the Egyptian Stock Exchange as well as the first IPO in Egypt in 2019, following a period of turbulent market conditions.

Building on the department's strong track record in accelerated book-builds, the team concluded the advisory on a series of follow-on equity offerings on the EGX. The department advised Care Healthcare Ltd. on the sale of its 31.5% stake in Cleopatra Hospital Company, for a total value of USD158 million. Continuing its longstanding client relationship with Edita Food Industries, EFG Hermes also acted as a sole bookrunner on the accelerated equity offering of Chipita's 13.1% stake in the company amounting to USD97 million. Additionally, the team successfully concluded the advisory on the follow-on sale of 8.4% of Ibsina Pharma's shares for a total deal value of USD41 million.

In the M&A space, the team successfully acted as financial advisor to major shareholder Veon, on the acquisition of a 42% stake in Global Telecom Holding through a mandatory tender offer (MTO) amounting to USD590 million. The deal represented the largest MTO to date, which acted as a catalyst to the EGX, significantly enhancing liquidity in the Egyptian market.

On the debt front, the debt capital markets team successfully advised on the issuance of a securitization bond for the Egyptian government's New Urban Communities Authority (NUCA), for a total value of USD363 million. The bond proceeds will be used to finance the construction and development of Egypt's fourth generation urban development plan. Additionally, the team arranged a USD5.0 million debt facility for NBK Capital as well as issued a securitization bond for Talaat Mostafa Group amounting to USD30 million, further highlighting EFG Hermes' superior debt execution capabilities.

The department's exceptional performance in 9M19 showcases EFG Hermes' ability to create superior value despite evident global market slowdown. Supported by a robust pipeline of M&A, equity and debt transactions and recovering investor sentiment, the department is expected to sustain its strong performance going forward.

v. Private Equity

Vortex Solar

Vortex platform continues to manage Vortex Solar, a 100% shareholder of 365MW solar PV farm in the UK, which was completed back in May 2017. Vortex Solar is jointly owned by Beaufort Investments (5%) - a 100% owned subsidiary of EFG Hermes Holding, Tenaga Nasional Berhad (50%) and KWAP (45%). Beaufort is the investment and asset manager of the Vortex Energy platform. On the operational front, Vortex Solar's EBITDA reached c.GBP14 million in 3Q19, and c.GBP34 million in 9M19, overachieving its budget.

Egypt Education Fund

The Fund's education platform with Gems Education continued expanding in the Egyptian market with a new investment signed in August 2019 to develop a new international school in the city of Rehab with an estimated capacity of c. 1,400 students to bring the platform's aggregated capacity to c.9k students.

Several other acquisition opportunities are currently being pursued with a new investment targeted to close in 4Q19 to expand the platform's service offering range.

In addition to the expansion initiatives pursued, EFG Hermes and Gems Education continued to ramp up the platform's top management team in Egypt with several new hires completed in 3Q19. The core team building is expected to be finalized before end of 2019 in anticipation of the new acquisitions targeted to be completed over the coming 12 months.

vi. Leasing

Quarterly Performance

<i>In EGP</i>	KPIs							
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Number of New Contracts	33	25	48	32%	-31%	93	133	-30%
Total Outstanding Portfolio (mn)	3,408	3,349	2,806	2%	21%	3,408	2,806	21%
On-books Outstanding Portfolio (mn)	3,001	2,939	2,573	2%	17%	3,001	2,573	17%
NFA for New Contracts (mn)	309	464	390	-33%	-21%	1,110	1,223	-9%
Receivables Value of New Contracts (mn)	540	713	552	-24%	-2%	1,713	1,847	-7%

Source: EFG Hermes Leasing

EFG Hermes Leasing saw a strong third quarter, with additional bookings of EGP309 million in 3Q19, resulting in a total outstanding portfolio of EGP3.4 billion. On-books outstanding portfolio reached EGP3.0 billion (reflecting only on balance sheet contracts).

Net financed amount (NFA) reached EGP309 million in 3Q19, lower 33% Q-o-Q however, the number of contracts increased to 33 contracts in 3Q19 from 25 contracts a quarter earlier. This reflects an average ticket size of EGP9 million.

Accordingly, the receivables value of the new contracts (contract value + future interest payments) declined 24% Q-o-Q to reach EGP540 million. The number of clients rose in 3Q19 to reach 206 clients.

Furthermore, provisions booked during the quarter amounted to EGP1.0 million, thus taking the total provisions to EGP36.2 million, in line with the FRA provisioning methodology that reflects a coverage ratio of 1.07% to the overall portfolio.

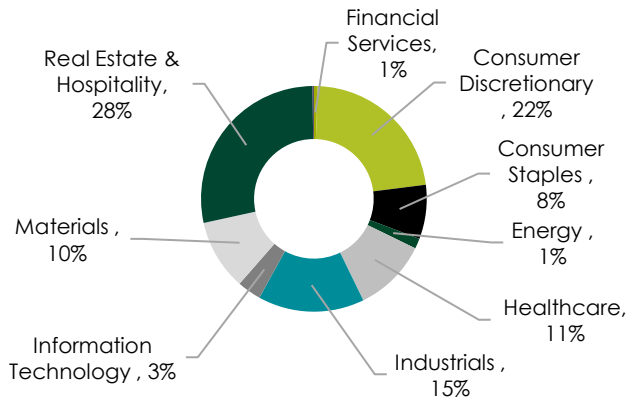
Total bookings for 9M19 reached EGP1.1 billion, lower 9% as compared to the same period of last year, as the team was focused on managing the quality of the portfolio. Additionally, the number of clients rose from 165 at the end of FY18 to 206 by the end of 9M19, reflecting the company's successful strategy in attracting new customers and diversifying its portfolio to lower the concentration risk.

Moreover, the on-books outstanding portfolio recorded an increase of 17% Y-o-Y; with total number of on-books clients having reached 193, an increase of 27 clients in 2019.

This takes total number of contracts to 730 of active contracts since inception with accumulated bookings (on and off books) value (NFA) of EGP6.0 billion of which EGP3.0 billion represents the on-books outstanding portfolio by end of 3Q19.



Clients Industry Analysis



Market Share

The Financial Regulatory Authority, the regulator, did not publish the Leasing market shares and rankings for first quarter up until this report was submitted.



vii. Micro-Finance “Tanmeyah”

Results at a Glance and Performance Review

	KPIs							
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y	9M19	9M18	Y-o-Y
Number of Active Borrowers	368,090	355,614	260,701	4%	41%	368,090	260,701	41%
Number of Processed Applications	102,232	107,721	93,488	-5%	9%	319,028	259,512	23%
Number of Loans Issued	87,112	93,438	80,513	-7%	8%	270,008	223,763	21%
Outstanding Portfolio (EGP mn)	3,262	3,240	2,562	1%	27%	3,262	2,562	27%
Total Number of Employees	4,354	4,198	3,556	4%	22%	4,354	3,556	22%

Source: Tanmeyah

Operational Update

Tanmeyah's growth trajectory continued in 3Q19, with its outstanding portfolio and active borrowers increasing 27% Y-o-Y and 41% Y-o-Y, respectively. However, on a Q-o-Q basis, sales slowed as a result of the traditional eid festive period slowdown in July and August.

However, it is important to note that the rate of growth of active borrowers and portfolio outstanding slowed down as compared to last year. This was mainly due to changes in Tanmeyah's accounting treatment, for its portfolio outstanding and sales, which lowered Tanmeyah's total portfolio by EGP440 million, as well as resulting in higher repayment values from previous year sales in comparison to current year sales.

Moreover, the Q-o-Q decline was attributed to a selective freeze of sales in certain branches that account for the higher portion in risk increase, thus affecting total production. While the risk levels remain within the global industry norms, the aforementioned freezes were meant to cement the company's aim to institutionalize a no risk tolerance culture amongst the new branches specifically (Tanmeyah's branch count rose by 126 branches in the past two years). This in addition to limiting the maximum ticket size for Tanmeyah's new loan officers as they undergo increased coaching and training to lower future delinquencies, as Tanmeyah continues to apply best practices in its leading role in the industry.

Tanmeyah opened 5 new branches during 3Q19, to close the quarter with a total of 264 branches. Tanmeyah's strong geographical presence across Egypt has allowed it to leverage its branches to partner up with a local insurance provider to arrange micro insurance services to its customers.

At the end of 4Q18, Tanmeyah began the rollout of the group lending product. Currently focused in the Greater Cairo area, the product is now available in 14 of Tanmeyah's branches. With the product offered solely to women, group lending has increased Tanmeyah's ability to achieve its social outreach goals.

During 3Q19, Tanmeyah increased its provision balance by EGP23 million to reach EGP110 million.

viii. Consumer Finance “valu”

After introducing services as part of the value proposition, the team focused on health and dental care services in 3Q19. Moreover, valu introduced its new payment plan “Hat-Trick” as well as enriching IKEA's proposition with a new interest bearing installments plan up to 48 months in parallel to our current offering of up to 24 months with 0% interest.

Results at a Glance and Performance Overview

In EGP	KPIs					Sep-19 BTD*	Jun-19 BTD*	Change
	3Q19	2Q19	3Q18	Q-o-Q	Y-o-Y			
Downloads	27,713	26,497	21,094	4%	26%	224,602	196,889	14%
Sign-ups	12,345	11,178	32,169	9%	-65%	134,993	122,648	10%
valu App Customers	9,636	8,906	7,716	8%	15%	51,685	42,049	23%
Limits Activated Value(mn)	135	107	57	21%	137%	549	414	33%
Outstanding Portfolio (mn)	256	216	64	19%	300%	256	216	19%
Number of Transactions	12,724	9,459	3,110	26%	309%	42,547	29,849	43%
UBER Cars Delivered	17	26	48	-35%	-65%	259	242	7%
Number of Merchants	74	52	147	30%	-50%	379	305	24%

*Business to date

Source: valu

App Business

In 3Q19, Valu's total outstanding portfolio grew 19% Q-o-Q, with a 20% Q-o-Q increase in valu app transacted customers and an 8% Q-o-Q increase of valu app customers. This pushed up the number of transactions by 26% Q-o-Q, and subsequently an increase in sales value by 13% Q-o-Q.

The number of app downloads increased by 4% Q-o-Q and sign-ups increased by 9% Q-o-Q, with the app reserving its place as one of the top downloadable apps under the finance category.

Venturing into converting valu to a payment solution, valu introduced its most recent plan Hat-trick that contributed in 10% incremental increase of total sales in its first month. Meanwhile, online business also contributed to around 4% of total sales, with an onboarding of 20 new websites during the quarter.

Moreover, valu recently received its second award, this time as the best payment solution during the last E-summit powered by Robusta.

Non-App Business

Currently, valu's total financed and delivered Uber vehicles reached 259 vehicles at the end of 3Q19, up from 242 financed vehicles at the end of 2Q19.

With the aim of maximizing number of beneficiaries and creation of more jobs, valu is currently working on introducing a newly revamped auto finance program with a more balanced pricing and smoother customer experience.



In addition, valU's first SWVL vehicle was financed and delivered in August.

Geographical Presence

3Q19	2Q19	3Q18
Greater Cairo	Greater Cairo	Greater Cairo
Alexandria	Alexandria	Alexandria
Hurghada	Hurghada	
Tanta	Tanta	
Mansoura	Mansoura	

Source: valU





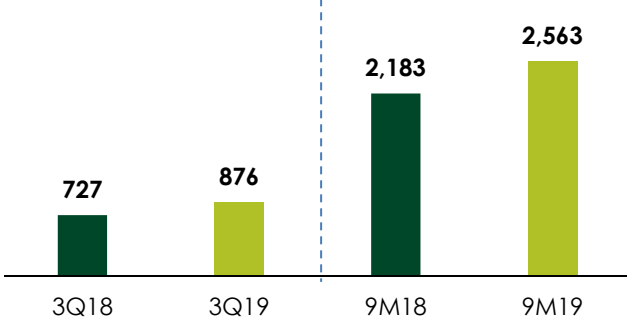
ANNEX

Contribution by Platform

Revenues

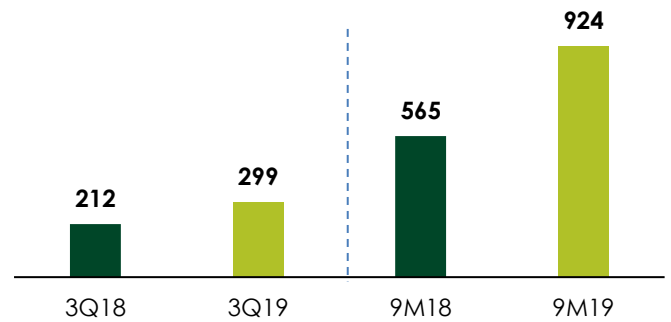
Investment Bank

In EGP Million



NBFIs

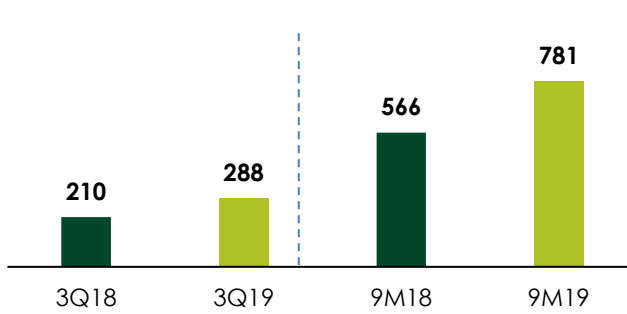
In EGP Million



NPAT

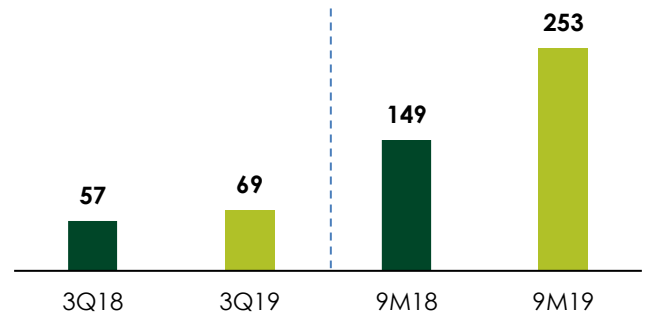
Investment Bank

In EGP Million



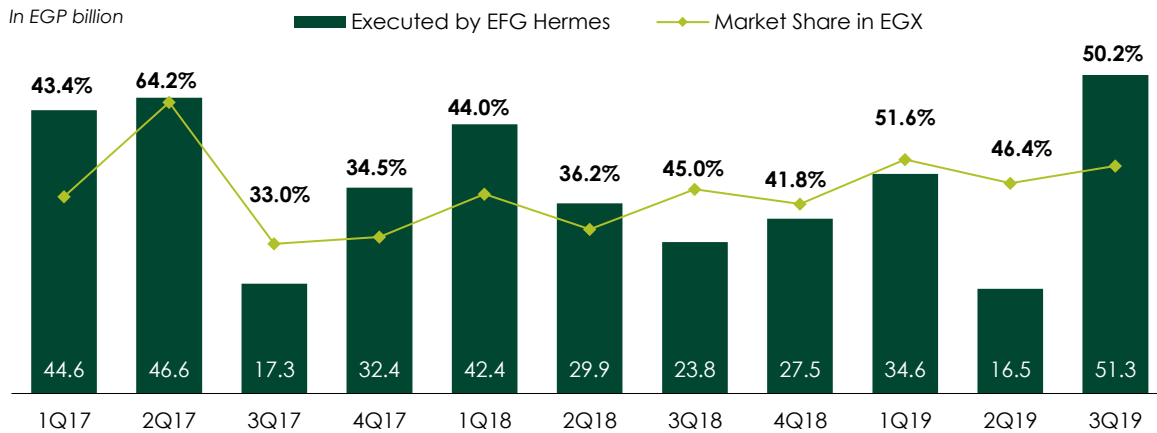
NBFIs

In EGP Million



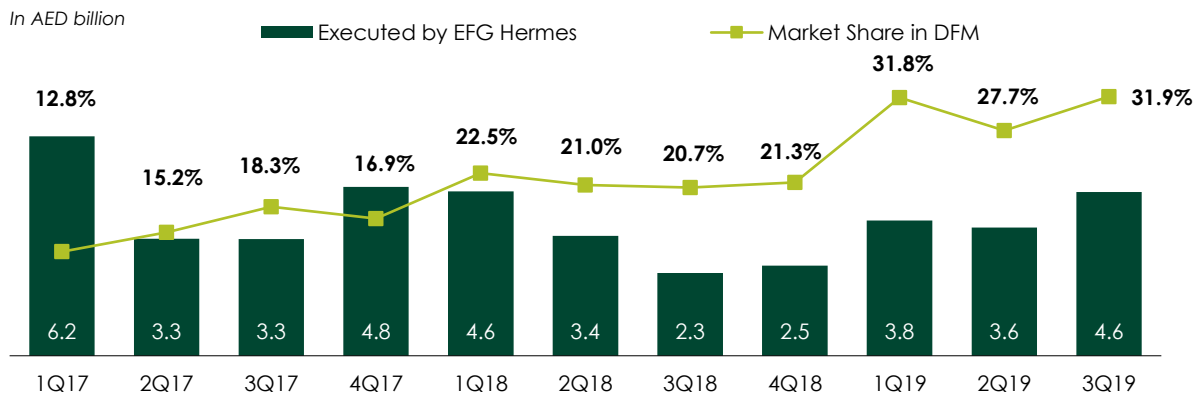
EFG Hermes Executions & Market Shares

Egypt:

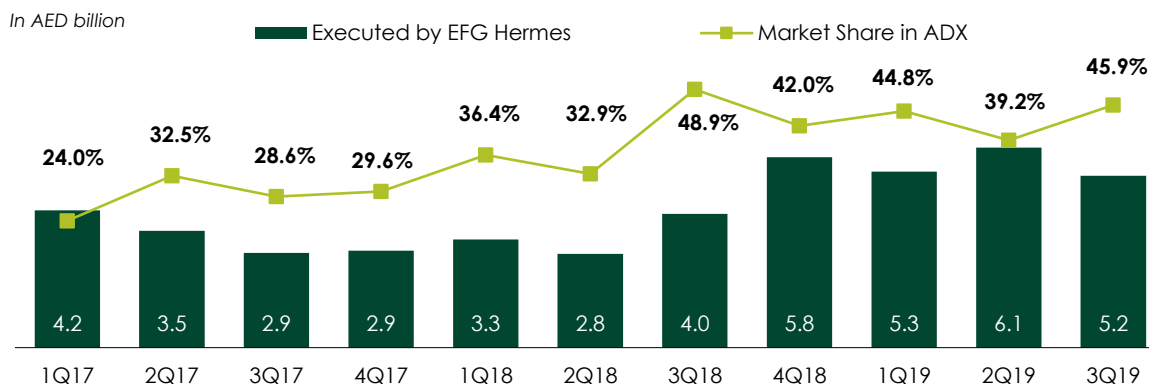


*Market share calculation includes special transactions

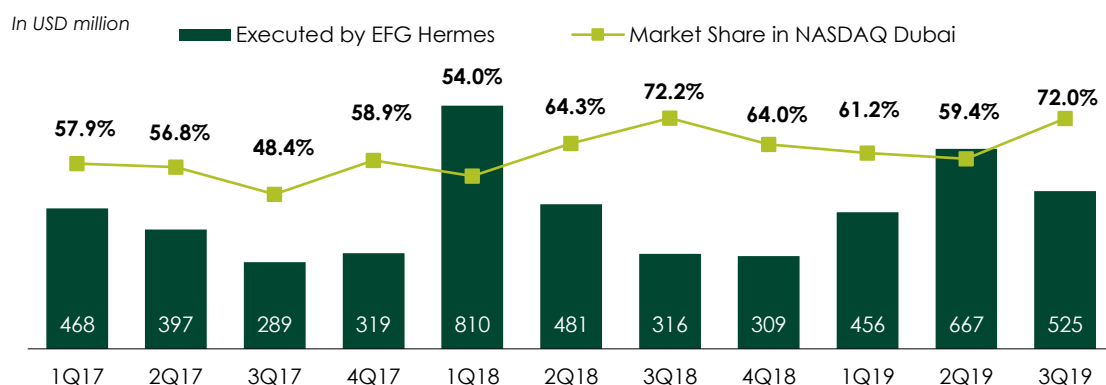
UAE- DFM



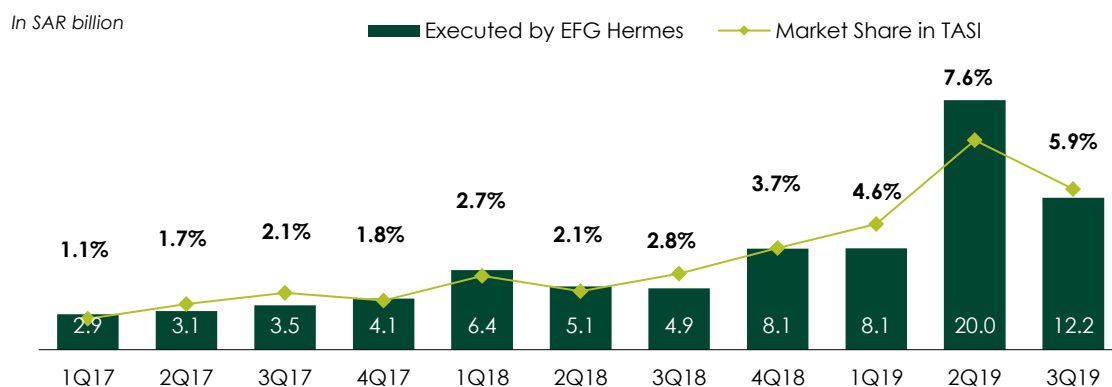
UAE – Abu Dhabi



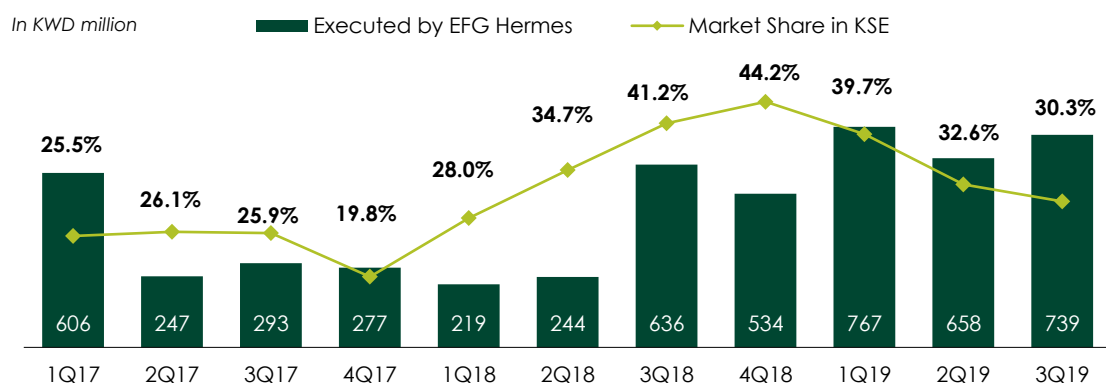
UAE – NASDAQ Dubai



KSA

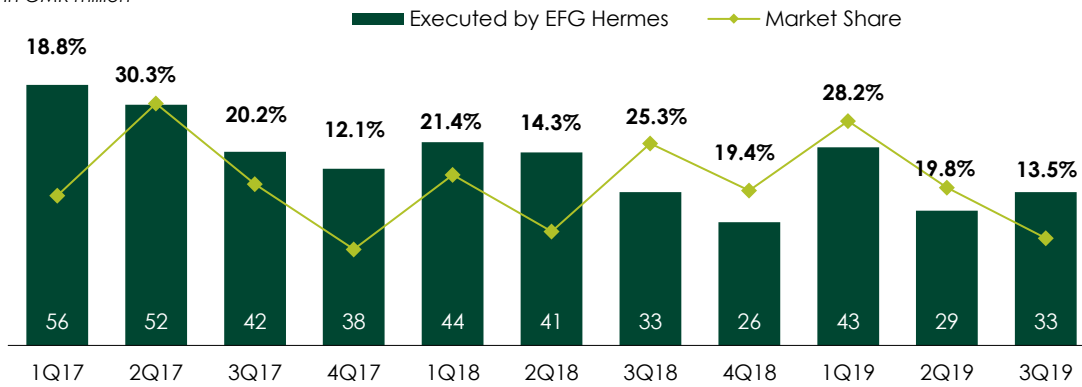


Kuwait



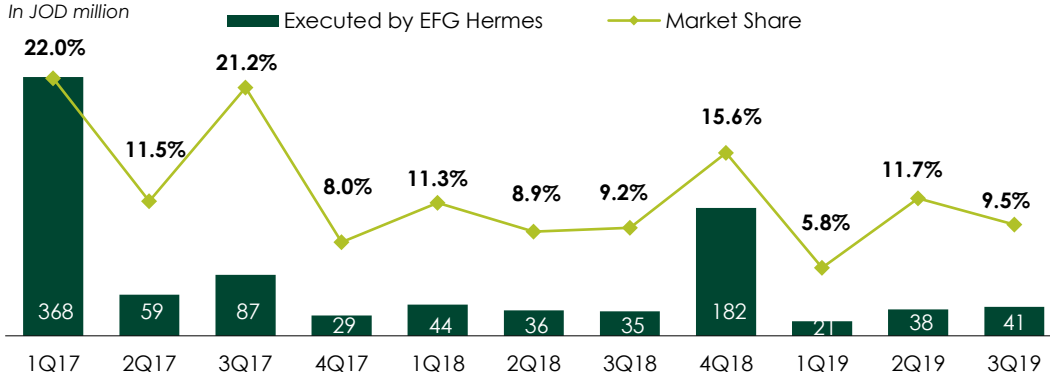
Oman

In OMR million



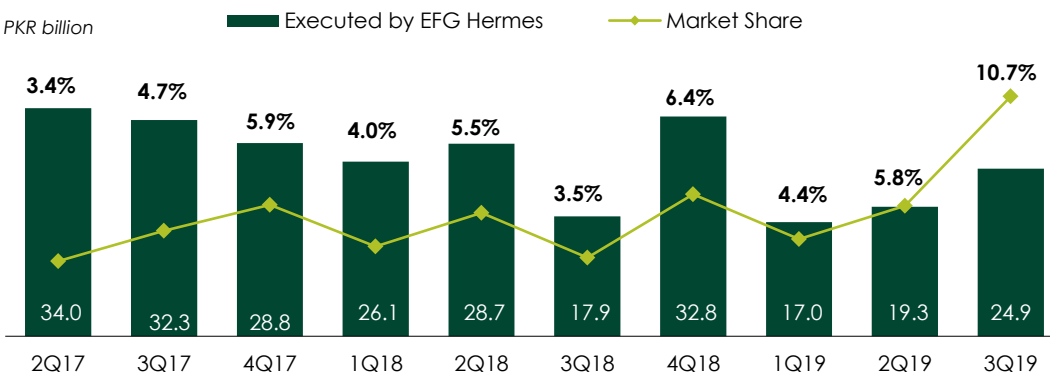
Jordan

In JOD million



Pakistan

In PKR billion



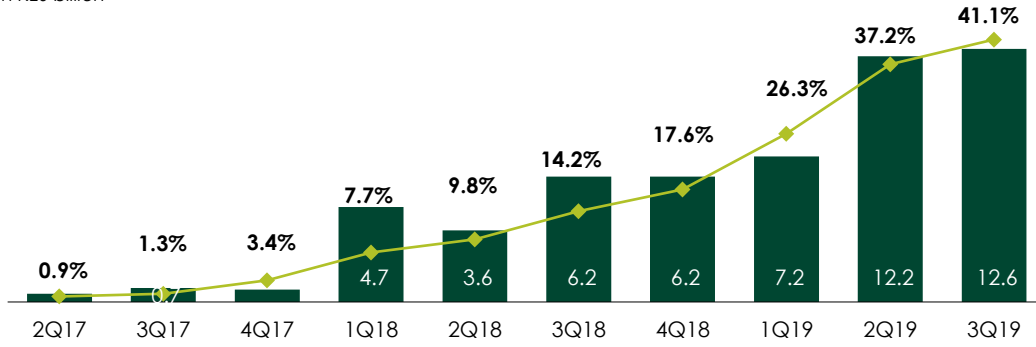


Kenya

In KES billion

Executed by EFG Hermes

Market Share



Disclaimer

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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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