

EFG HERMES REPORTS SECOND QUARTER 2016 GROUP EARNINGS FROM CONTINUING OPERATIONS OF EGP48 MILLION; ON OPERATING REVENUE OF EGP288 MILLION

Cairo, August 11th, 2016 – EFG Hermes reported today net profit after tax and minority interest from continuing operations of EGP48 million in 2Q16, broadly unchanged Y-o-Y. Operating revenue rose 10% Y-o-Y to EGP288 million in 2Q16.

Key Highlights

2Q2016

- ≡ EFG Hermes reported resilient set of results despite a relatively slow quarter, posting a net profit after tax and minority interest from continuing operations of EGP48 million, down 3% Y-o-Y in 2Q16;
- ≡ Our strategy to divest the majority of our stake in the commercial bank has been completed with the deconsolidation of Credit Libanais during the quarter and the refocus of the operations on the investment bank business;
- ≡ Our vision for building Egypt's premier non-bank finance institution is starting to take shape with both our Leasing business and Tanmeyah starting to have a recognizable contribution to our revenues during the quarter, a trend that we hope will increase during the coming quarter;
- ≡ EFG Hermes revenue increased 10% Y-o-Y to EGP288 million in 2Q16, on the back of higher fees and commissions, which rose 14% Y-o-Y to EGP271 million in 2Q16; predominantly on the back of higher revenue generated from the Leasing business and the additional revenue booked from the recently acquired micro-finance player "Tanmeyah";
- ≡ Total operating expenses rose 20% Y-o-Y to EGP212 million in 2Q16, largely to reflect the operational expenses related to the new businesses, the Leasing business and Tanmeyah. However, given the Firm's flexible cost structure, management successfully kept employee expenses/operating revenue, at 49% in 2Q16;
- ≡ Cash net operating profit (after excluding the Leasing business leased assets depreciation expense) increased by 11% Y-o-Y to EGP93 million in 2Q16;
- ≡ During the quarter, a gain of EGP525 million, which is necessary for returning capital to shareholders, was realized in relation to the sale of 44.3% of Credit Libanais's shares. This gain was recorded on EFG Hermes Holding standalone financial statements; yet it was not included in the consolidated figures examined below. However, a one-off Egypt related tax expense of EGP118 million associated with this gain, was recorded on the discontinued operations line in the consolidated statements.

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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

EFG Hermes completed the sale of 44.3% of Credit Libanais’s “CL” shares in 2Q16, leaving the Firm with a 19.5% stake. Subsequently, the Commercial Bank was deconsolidated and the Investment Bank represents the Group performance in 2Q16. Accordingly, we will review the Investment Bank financial and operational performance (continuing operations) to portray this quarter’s overall activity of the Firm.

i. Group Financial Performance

<i>in EGP millions</i>	Investment Bank Financial Highlights							
	2Q16	1Q16	2Q15	Q-o-Q	Y-o-Y	1H16	1H15	Y-o-Y
Total Operating Revenue	288	400	261	-28%	10%	688	508	35%
Total Operating Expenses	212	282	177	-25%	20%	494	337	47%
Net Operating Profit	76	118	84	-36%	-10%	194	172	13%
Net Operating Margin	26%	30%	32%			28%	34%	
Net Profit After Tax & Minority Interest (Continuing Operations)	48	79	49	-39%	-3%	127	116	9%
Net Profit After Tax & Minority Interest	(70)	79	49	N/M	N/M	9	116	-93%

Source: EFG Hermes Management Accounts

Generally, weak capital markets and continuous geopolitical headwinds had a direct impact on second quarter results. However, the Firm was able to book EGP 288 million of revenues during the quarter, a 10% increase over the corresponding quarter last year. The improvement in revenue was a result of deploying some of the excess capital in aggressively building our non-banking finance business in Egypt, a strategy that has started to bear some fruit. With the ramp up of those operations still a work in progress, operating expenses also increased during the quarter.

On the operational level, net operating profit declined 10% Y-o-Y to EGP76 million in 2Q16, as higher revenues failed to overshadow higher operating expenses. Higher revenues and expenses in 2Q16 reflect the inclusion of the two business lines, Leasing and the micro-finance “Tanmeyah”- which was recently acquired - as opposed to the same period of last year. However, the increase in the Y-o-Y operating expenses is mainly attributed to the Leasing business’s leased assets depreciation expense, which is a non-cash item. Cash net operating profits (excluding the leased assets depreciation expense) increased by 11% Y-o-Y.

Earnings from continuing operations were broadly unchanged at EGP48 million, down 3% Y-o-Y in 2Q16. It is important to note that a one-off gain of EGP525 million realized from the sale of 44.3% of Credit Libanias’s shares is recorded on EFG Hermes Holding standalone financial statements; however, a one-off Egypt related tax expense of EGP118 million, associated with this sale, is included and reflected in the consolidated statements on the discontinued operations line.

In 1H16 the Investment Bank reported a net operating profit of EGP194 million, up 13% Y-o-Y. It is important to note that, with the Leasing business being launched in June 2015 and Tanmeyah consolidated in 2Q16, the comparable period did not include both operations. If we exclude the non-cash depreciation expenses related to the leasing business, the cash net operating profit would have been up 30% Y-o-Y. This filters into a net profit after tax and minority interest from continuing operations of EGP127 million, up 9% in 1H16.

ii. Business Lines Financial Performance

<i>in EGP million</i>	Investment Bank Revenue							
	2Q16	1Q16	2Q15	Q-o-Q	Y-o-Y	1H16	1H15	Y-o-Y
Brokerage	106	110	100	-4%	6%	216	183	18%
Egypt	70	74	59	-6%	19%	144	109	32%
Regional	36	36	41	0%	-11%	73	75	-3%
Asset Management	34	32	36	7%	-6%	65	70	-6%
Egypt	9	9	8	-6%	3%	18	17	3%
Regional	25	22	28	13%	-9%	47	52	-9%
Investment Banking	52	41	72	26%	-28%	93	99	-6%
Egypt	52	41	72	26%	-28%	93	79	18%
Regional	0	0	0	N/R	N/R	0	20	N/R
Private Equity	17	62	27	-73%	-38%	78	50	55%
Leasing	26	20	2	26%	1323%	46	2	2448%
Micro - Finance " Tanmeyah"	37	0	0	N/R	N/R	37	0	N/R
Capital Markets & Treasury Operations	17	135	24	-88%	-32%	152	104	46%
Total Operating Revenue	288	400	261	-28%	10%	688	508	35%

Source: EFG Hermes Management Accounts

The Investment Bank revenue increased 10% Y-o-Y to EGP288 million in 2Q16, on the back of higher fees and commissions. Fees and commissions revenue, which represents 94% of the total Investment bank revenue, rose 14% Y-o-Y to EGP271 million in 2Q16, mainly on the back of higher revenue generated from the Leasing business and the additional revenue booked from Tanmeyah. Egypt operations contributed 77% to the total fees and commissions, while the region contributed the remaining 23%.

Brokerage revenue rose 6% Y-o-Y to EGP106 million in 2Q16, on the back of higher brokerage commissions. Asset Management revenue slipped 6% Y-o-Y to EGP34 million, on the back of lower management and incentive fees. Investment Banking revenue declined 28% Y-o-Y to EGP52 million on lower advisory fees. Private Equity revenue lost 38% Y-o-Y to EGP17 million, largely due to lower management fees. Leasing revenue rose to EGP26 million in 2Q16 from EGP2 million in 2Q15, as the leasing business was launched only in June 2015. Moreover, the recently acquired Tanmeyah, was consolidated in 2Q16 and started contributing to the top line, recording a revenue of EGP37 million in 2Q16. Capital markets and treasury operations revenue declined 32% Y-o-Y to EGP17 million, mainly as the comparable quarter included capital gains realized from sale of investments.

In 1H16, the Investment Bank revenue rose 35% Y-o-Y to EGP688 million, on the back of higher fees and commissions and higher capital markets & treasury operations revenue. Fees and commissions revenue, which represents 78% of the total Investment Bank revenue, rose 32% Y-o-Y to EGP536 million, on higher revenue generated from Brokerage and Private Equity combined with additional revenue generated from the two business lines, Leasing and Tanmeyah, in 1H16.

Brokerage revenue rose 18% Y-o-Y to EGP216 million in 1H16 on higher brokerage commissions. Private Equity revenue jumped 55% Y-o-Y to EGP78 million, predominantly on the back of incentive fees booked from Fawry exit and higher fx-gains. Asset Management revenue and Investment Banking revenue were slightly lower in 1H16, with the former losing 6% Y-o-Y to EGP65 million and the latter declining 6% Y-o-Y to EGP93 million. Moreover, the leasing business added EGP46 million in 1H16 versus EGP2 million in 1H15, and Tanmeyah contributed with EGP37 million in 1H16.

iii. Investment Bank Operating Expenses

<i>in EGP millions</i>	Investment Bank Operating Expenses							
	2Q16	1Q16	2Q15	Q-o-Q	Y-o-Y	1H16	1H15	Y-o-Y
Employee Expenses	140	208	125	-33%	12%	348	237	47%
Employee Expenses/Operating Revenue	49%	52%	48%			51%	47%	
Employee Expenses/Operating Expenses	66%	74%	71%			70%	70%	
Other Operating Expenses	72	74	52	-3%	38%	146	100	46%
Other Operating Expenses/Operating Revenue	25%	19%	20%			21%	20%	
Other Operating Expenses/Operating Expenses	34%	26%	29%			30%	30%	
Total Operating Expenses	212	282	177	-25%	20%	494	337	47%

Source: EFG Hermes Management Accounts

Total operating expenses rose 20% Y-o-Y to EGP212 million in 2Q16, on the back of higher employee expenses and other operating expenses.

Employee expenses rose 12% Y-o-Y to EGP140 million in 2Q16, largely due to: (i) an increase in the fixed portion of the employee expenses as second quarter included Tanmeyah's workforce of 1603 employees' salaries and the Leasing business team's salaries for the complete quarter; (ii) USD appreciation against the EGP which had impacted overseas salaries; and (iii) the Y-o-Y annual salary increases required to keep pace with inflation.

However, the Firm managed to keep the employee expenses/operating revenue, at 49% in 2Q16.

Other operating expenses rose 38% Y-o-Y to EGP72 million in 2Q16, primarily on depreciation expense of leased assets, and to a lesser degree, on provisions related to Tanmeyah's loan portfolio. It is important to note, that depreciation associated with the Leasing business leased assets and provisions related to Tanmeyah's loan portfolio will be included in other operating expense line as they are directly related to business operations. However, they are non-cash in nature. The depreciation expense reached EGP17 million and the loan portfolio provision reached EGP3 million in 2Q16. If we exclude these expenses, other operating expenses would be flat Y-o-Y.

Moreover, inflation took its toll on some of our expense items, with occupancy expenses up 31% Y-o-Y to EGP13 million, data communication expenses higher 19% Y-o-Y to EGP11 million and office expenses up 34% Y-o-Y to EGP6 million. Alternatively, Promotional and advertising expenses declined 31% Y-o-Y to EGP5 million, as the comparable year 2015 included more events, which were amortized over the year. Travel expenses declined 26% Y-o-Y to EGP4 million, as the comparative quarter, 2Q15, included extensive IBD deal roadshows. Consultancy and service fees declined 30% Y-o-Y to EGP7 million, on lower consultancy fees Y-o-Y. Telephone/fax/mobile expenses decreased 6% Y-o-Y to EGP2 million, and general expenses were flat Y-o-Y at EGP3 million.

In 1H16, total operating expenses rose 47% Y-o-Y to EGP494 million, on the back of higher employee expenses and other operating expenses.

Employee expenses rose 47% Y-o-Y to EGP348 million in 1H16, as the fixed portion of the employee expenses rose in 1H16, largely on the back of higher salaries, as 1H16 salaries included Leasing's 1H16 and Tanmeyah's 2Q16 salaries. Moreover, the EGP devaluation and the Y-o-Y increase in salaries exerted further pressure on the employee expenses.

Other operating expenses rose 46% Y-o-Y to EGP146 million in 1H16, predominantly on depreciation expense of leased assets. If we exclude leased assets depreciation expense of EGP29 million together with Tanmeyah's loan provisions of EGP3 million, other cash operating expenses would be 14% higher Y-o-Y. Moreover, consultancy and service fees were exceptionally higher in 1H16, as 2Q included legal and consultancy expenses related to Tanmeyah's acquisition.

II. OPERATIONAL PERFORMANCE

i. Brokerage

Muted performance and lower volumes were the main characteristics of regional markets in second quarter 2016, as the Holy month of Ramadan fell within the last month of the quarter. Markets of Dubai, Abu Dhabi, Saudi Arabia, Kuwait and Jordan saw volumes contract, meanwhile volumes in Oman were higher, and Egypt witnessed a slight decline Q-o-Q.

This resulted in EFG Hermes total executions reaching USD7.3 billion in 2Q16, lower 22% Y-o-Y and 19% Q-o-Q. Meanwhile, Brokerage revenues declined 4% Q-o-Q, yet rose 6% Y-o-Y to EGP106 million over the same period.

In 1H16, Brokerage executions came at USD16.3 billion, lower 5% Y-o-Y and filtering into a revenue of EGP216 million, up 18% Y-o-Y.

in EGP millions	Brokerage Revenue							
	2Q16	1Q16	2Q15	Q-o-Q	Y-o-Y	1H16	1H15	Y-o-Y
Egypt	70	74	59	-6%	19%	144	109	32%
UAE	19	21	22	-8%	-14%	40	41	-2%
KSA	5	5	5	3%	10%	10	10	9%
Oman	4	3	4	18%	-6%	7	7	0%
Kuwait	5	4	7	39%	-27%	9	13	-30%
Jordan	3	3	2	-11%	16%	6	4	42%
Total Revenue	106	110	100	-4%	6%	216	183	18%

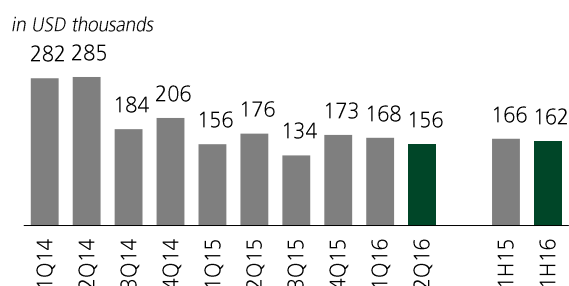
Source: EFG Hermes Management Accounts

In terms of pure market commissions, Egyptian equities continued to be the largest contributor to the commission pool, representing 41%; followed by commissions generated from the DFM, which represented 10%. Commissions' contribution from KSA, Kuwait, ADX, Qatar and Oman to the total pool was broadly equal, around 5-6%.

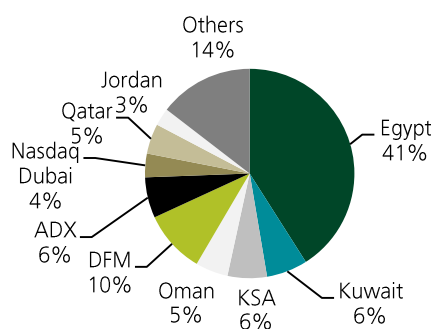
Average daily commissions declined 7% Q-o-Q and 11% Y-o-Y to USD156 thousand in 2Q16. For 1H16, average daily commissions was broadly flat, slipping 2% Y-o-Y to USD162 thousand.

Worth highlighting that, the improvement in the Y-o-Y revenue of 1H16 was not reflected in average daily commissions, which was broadly flat Y-o-Y. This is largely attributed to the Firm reporting the average daily commissions in USD and with the EGP devaluing against the USD in 1Q16 and with Egypt representing more than 40% of the total commission pool; this exerts pressure on the total average daily commissions reported for the division.

Average Daily Commissions



Commissions Breakdown by Market



*Based on 2Q16 figures

<i>in USD million</i>	Brokerage Market Share & Executions							
	2Q16	1Q16	2Q15	Q-o-Q	Y-o-Y	1H16	1H15	Y-o-Y
Egypt*								
Market share	34.6%	34.7%	32.5%	-0.1%	2.2%	34.7%	30.0%	4.7%
Executions	1,515	2,055	1,871	-26.3%	-19.0%	3,570	3,302	8.1%
UAE - DFM								
Market share	14.2%	12.8%	12.0%	1.4%	2.3%	13.4%	12.8%	0.6%
Executions	1,122	1,400	2,124	-19.9%	-47.2%	2,523	3,597	-29.9%
UAE - ADX								
Market share	29.7%	26.9%	24.4%	2.9%	5.3%	28.1%	24.5%	3.6%
Executions	983	1,174	1,140	-16.3%	-13.8%	2,157	2,051	5.2%
UAE - Nasdaq Dubai								
Market share	65.4%	65.8%	38.1%	-0.3%	27.3%	65.6%	46.0%	19.6%
Executions	331	459	246	-27.9%	34.5%	790	698	13.1%
KSA								
Market share	1.1%	1.1%	1.1%	0.0%	0.0%	1.1%	1.0%	0.1%
Executions	952	1,069	1,354	-10.9%	-29.7%	2,021	2,765	-26.9%
Kuwait								
Market share	25.7%	25.1%	28.1%	0.6%	-2.4%	25.3%	26.0%	-0.7%
Executions	629	684	1,048	-7.9%	-40.0%	1,313	2,157	-39.1%
Oman								
Market share	27.1%	30.7%	30.4%	-3.6%	-3.3%	28.8%	24.3%	4.5%
Executions	208	210	233	-0.8%	-10.6%	418	446	-6.1%
Jordan								
Market share	12.2%	11.4%	11.3%	0.8%	0.9%	11.8%	9.1%	2.7%
Executions	86	112	106	-23.5%	-18.6%	198	168	17.9%

*Market share calculation is based on executions excluding special transactions

Executions in Qatar, Bahrain, Morocco, Lebanon, UK(GDRs) and others represent an additional 20% of total Brokerage executions in 2Q16 and 1H16

Source: EFG Hermes and Regional Exchanges

Egypt: Egyptian equities weakened during 2Q16, with the HFI retreating 6.9% Q-o-Q and volumes slipping 4.2% Q-o-Q in 2Q16. However, EFG Hermes maintained its leadership position with a #1 ranking on the EGX in 2Q16 and 1H16; and a market share of 34.6% and 34.7%, respectively (excluding special transactions). EFG Hermes total executions were 58% higher than the following broker in 2Q16.

Foreign participation came at 20% in 2Q16, with EFG Hermes successfully capturing 35% of the foreign business in the market. The market remained dominated by retail investors who captured over 58% of the market volumes in 2Q16. EFG Hermes maintained its strong footing capturing around 11% of the retail business, coming in the 1st place in capturing most of the retail volume in the market.

During 2Q16, EFG Hermes successfully advised on Cleopatra Hospital Company S.A.E.'s Initial Public Offering on the Egyptian Exchange, offering 34 million shares to international institutional investors and a further 6 million shares to Egyptian retail investors. The transaction's institutional offering was 6.73x oversubscribed and the Egyptian retail offering was 28.6x oversubscribed. In total, the offering was 10.0x oversubscribed, generating demand for 400.3 million shares. Cleopatra shares closed up 7% in its first day of trading.

UAE – Dubai: The DFM market was largely muted during 2Q16, with the DFMGI losing 1.3% Q-o-Q; however, volumes dropped 29.3% Q-o-Q as rights issues of some of the major stocks digested most of the market liquidity. The Firm's market share rose to 14.2% in 2Q16 up from 12.8% in 1Q16, ending the quarter with a 2nd place ranking, up from 6th place in 1Q16. Moreover, the Firm's market share for 1H16 was 13.4%, reflecting a 5th place ranking.

The overall improvement in the market share was driven by an increase in institutional business participation led by higher foreign investors' activity. During 2Q16, the institutional volumes in the market increase to 28.4% up from 22.2% in 1Q16. While the retail investors business declined to 71.6% in 2Q16 from 77.8% in 1Q16. Accordingly, the foreign participation in the market had also increased in 2Q16 to reach 18.3%

up from 16.4% in 1Q16. The Firm managed to successfully capture 47% of the foreign investors flow in the market, higher 8% than a quarter earlier.

UAE – ADX: Similar to DFM, ADX liquidity dropped 24.9% Q-o-Q in 2Q16 and the ADI lost 2.4% Q-o-Q. However, EFG Hermes continued to dominate the market, with a 1st place position in 2Q16 and 1H16. During 2Q16, the Firm's market share rose to 29.7% versus 26.9% in 1Q16, thus taking 1H16 market share to 28.1%.

The improvement in the market share was mainly due to increased foreign institutional activity, as institutional flow reached 51.3% of the market turnover up from 44% in 1Q16. Furthermore, foreign participation in the market increased to 30.6% in 2Q16 from 29% a quarter earlier, largely attributed to the announced merger between First Gulf Bank and National Bank of Abu Dhabi in June. It is worth noting that the institutional investors' participation rate reached 60% in June; the highest recorded YTD on the back of the merger announcement.

UAE – Nasdaq Dubai: The Firm maintained its top ranking in 2Q16 and 1H16, with a market share of 65.4% and 65.6% respectively.

Saudi Arabia: The Saudi Market gained some ground during 2Q16, with the Tadawal All Share Index adding 4.4% Q-o-Q; however, turnover slipped 13.2% Q-o-Q as most the Holy month of Ramadan, which is seasonally a slow month, fell in 2Q16. EFG Hermes market share came at 1.1%, with a 5th place ranking among pure brokers (non-commercial banks) and a 1st place ranking among foreign brokers, both for 2Q16 and 1H16. The market continues to be dominated by retail investors, with the percentage of foreign institutions participation via participatory notes not exceeding an average of 1.0% in 2Q16. The QFI participation was very low, 0.10% of the market turnover.

Currently, EFG Hermes KSA Brokerage and Asset Management KSA are exploring financing solutions for brokerage clients to increase the local clients' base, as they are represent around 85% of the Saudi market. Moreover, the division continue to target GCC HNW, institutional clients as well as QFI clients who seek a one-stop shop in the MENA markets.

Kuwait: Kuwaiti equities saw the KSE Index rising 2.6% Q-o-Q, yet turnover contracted 10.4% Q-o-Q as investors opted to stay on the sideline due to the lack of any catalyst to re-enter the market. The Firm maintained its #1 position in 2Q16 and 2H16, with a market share of 25.7% and 25.3%, respectively, as the Firm remained the preferred broker for foreign institutional investors in Kuwait, capturing around 71% of their business in 2Q16 and 68% of their business in 1H16.

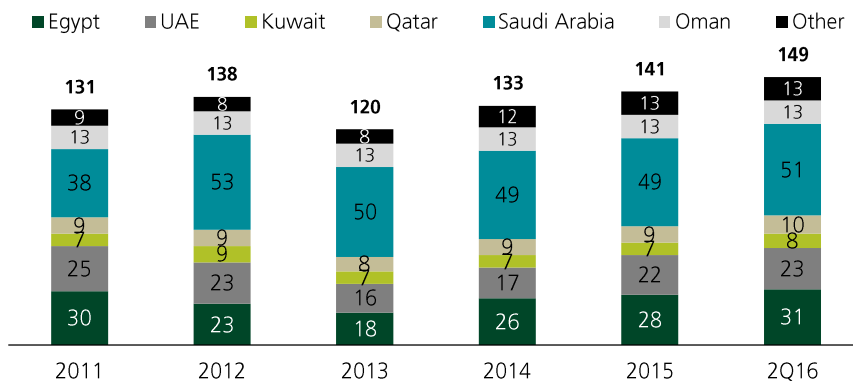
The firm is well positioned to continue growing its market share given the healthy mix of its client base as well as its expertise in dealing with all the potential new trading tools to be deployed as well as its strong share of foreign institutional business.

Oman: Second quarter was a good quarter for the Omani market, with the MSM Index gaining 5.7% Q-o-Q and the liquidity improving 12.5% Q-o-Q, as local institutions continued to support the market. EFG Hermes market share declined to 27.1% with a second place ranking in 2Q16, mainly as a result of a noticeable decrease in foreign and GCC institutions activity during the quarter. However, the Firm managed to keep 1st place ranking for 1H16 with a market share of 28.8%.

Jordan: A slow quarter for Jordan that saw muted performance and low liquidity, with the Index slipping 2.8% Q-o-Q and the turnover falling 26.5% Q-o-Q for 2Q16. EFG Hermes market share reached 12.2% in 2Q16 from 11.4% a quarter earlier, mainly on the back of an increase in the foreign investors' participation especially during April and May of the quarter. In terms of ranking, the Firm maintaining a 3rd place ranking for 2Q16 and 1H16.

ii. Research

Research Coverage Universe



Source: EFG Hermes

The Research department coverage reached 149 companies at the end of 2Q16, distributed across the region (Egypt 31, UAE 23, KSA 51, Kuwait 8, Oman 13, Qatar 10, Lebanon 3, Morocco 3, Jordan 5, Netherlands 1 and United Kingdom 1). Currently, EFG Hermes covers 60% of the regional market capitalization.

The research department covers 9 economies from a macro level and 9 countries in terms of regular strategy notes. In addition, the research team issues regular publications, including daily morning round-ups, after end of session wrap-ups and a regional monthly product.

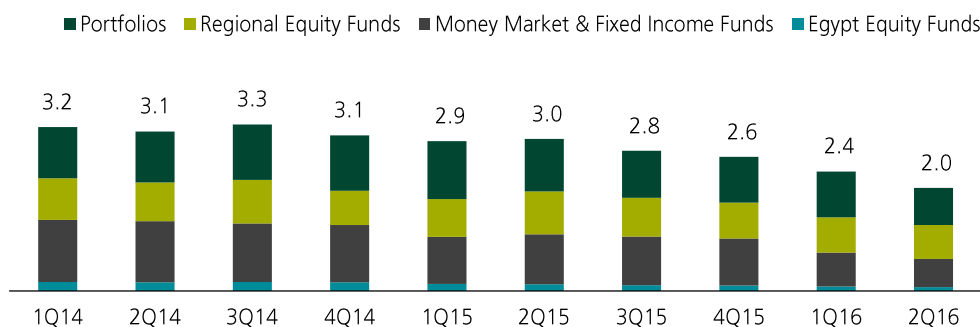
EFG Hermes Research offers investors the research portal. Available to EFG Hermes clients, Research Online provide both simple and advanced search functionality and access to EFG Hermes Research’s full three-year product archive.

EFG Hermes Research played a significant role in providing investment research and marketing roadshows for the Investment Banking’s Initial Public Offerings (IPOs) of Cleopatra Hospital Company made during the quarter.

iii. Asset Management

Development of Assets under Management

in USD billion



Source: EFG Hermes Asset Management

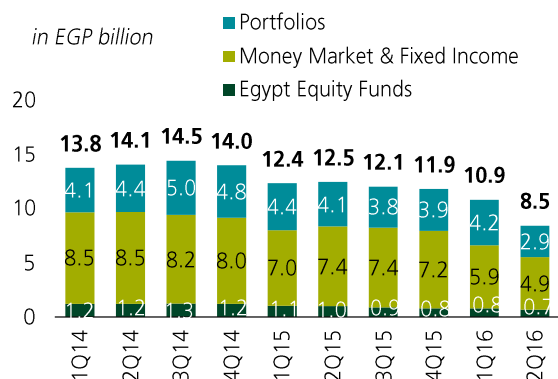
EFG Hermes Assets under Management stood at USD2.0 billion at the end of 2Q16, down 13.7% Q-o-Q. Net outflows reflected the decline in AuMs, despite a slight market appreciation (0.4%).

The majority of the outflows during the quarter were Egypt centric, with Egypt outflows representing c.80% of the total outflows seen during the quarter. This was mainly attributed to: (i) one of our portfolio clients decided to manage their money in-house to save management fees; and (ii) outflows in MMFs. Moreover, the remaining outflows seen during the quarter were on the back of redemptions in the KSA IPO funds and regional equity portfolios.

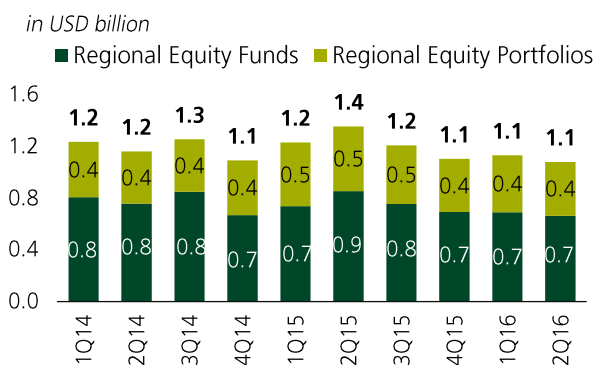
Over 1H16, AuMs declined 22.5%; with outflows representing 17.1% of total AuMs and markets weakening representing the remaining 5.4%. Outflows in Egyptian MMFs together with redemptions in Egypt portfolios in 2Q16, reached 17.1% of total AuMs in 1H16. Moreover, 1H16 saw inflows in regional equity funds and portfolios that were off-set by outflows in KSA equity funds and portfolios, thus had a zero impact on AuMs size over the period.

Additionally, around 50% of the total asset base is denominated in Egyptian pound, thus the EGP devaluation which occurred during 1Q16, negatively impacted the size of the AuMs given that we report our AuMs in USD. The below charts highlighting AuMs evolution for Egypt and the region separately, to eliminate the impact of the devaluation on reported AuMs. Egypt based AuMs declined 22% Q-o-Q on outflows, and declined 29% over 1H16 on outflows and weak markets. Meanwhile, regional equities lost 5% Q-o-Q, and were broadly flat over 1H16, down 2%.

Egyptian AuMs

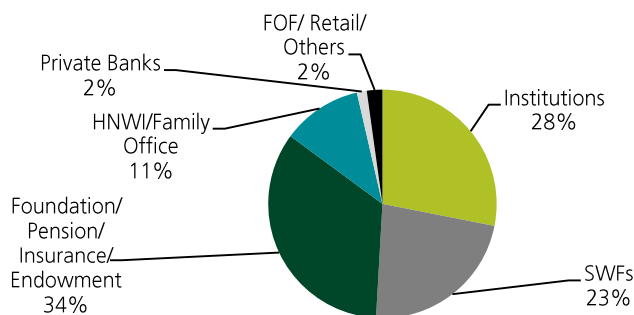


Regional AuMs



The Asset Management clients' base remained well diversified with special focus on long-term and institutional clients. During 2Q16 major changes included: SWF clients, which represented 22.8% of total AuMs versus 17.5% a quarter earlier. Alternatively, Foundation/ Pension/ Insurance/ Endowment represented 34.2% of total AuMs versus 38.2% a quarter earlier.

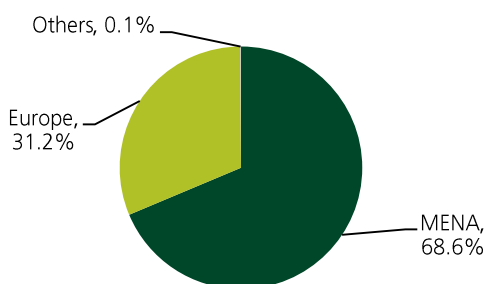
Assets under Management by Type of Client



Source: EFG Hermes Asset Management

In terms of funds origination, MENA clients' contribution to total AuMs increased to 68.6% from 73.7% a quarter earlier, as European clients weight increased to 31.2% from 26.2% 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 USD55 million versus a NAV of USD56 million in 1Q16. There was no subscriptions to the fund and redemptions totaled to USD1.3 million during the quarter. In terms of performance, the MEDA fund gained 1.2% versus the S&P Pan Arab Composite LargeMid Cap TR Net USD Index which added 2.3% in 2Q16.

The EFG Hermes Saudi Arabia Equity Fund ended the quarter with a NAV of USD15 million versus a NAV of USD14 million in 1Q16. The fund saw no subscriptions nor redemptions. Over the quarter, the fund added 3.5% versus the Tadawul All Share Index which rose 4.5%.

The EFG Hermes "Hasaad" Freestyle Saudi Equity Fund ended the quarter with a NAV of USD15 million versus USD16 million in 1Q16. The fund saw no subscriptions while redemptions amounted to USD1.4 million. Over the quarter, the fund gained 5.0% versus the S&P Saudi Shariah TR index which rose 8.6%.

The EFG Hermes Telecom Fund ended the quarter with a NAV of USD15 million in 2Q16, unchanged Q-o-Q. The fund saw redemptions of USD0.3 million in 2Q16, gaining 5.0% over the quarter versus MSCI EMEA Telecom Index which was up 0.8%.

The EFG Hermes Egypt Fund ended 2Q16 with a NAV of USD23 million versus a NAV of USD24 million at the end of 1Q16. The fund saw no subscriptions in 2Q16 while total redemptions reached USD0.4 million. In terms of performance, the fund lost 6.6% versus the Hermes Financial Index (HFI), which declined 7.8% over the same period.

The MENA Long Term Value Fund ended the quarter with a NAV of USD417 million, unchanged Q-o-Q. No new subscriptions or redemptions were made during the quarter. The Fund ended broadly flat, down 0.1% in 2Q16.

For the equity, fixed income and balanced portfolios AuMs were USD749 million versus USD911 million at the end of 1Q16. With the client base split between insurance companies, banks, regional HNWI/Family Office and SWFs.

iv. Investment Banking

During 2Q16, the Investment Banking team successfully closed certain high profile equity offerings as well as M&A transactions.

Acting as the Sole Global Coordinator & Bookrunner for the offering, the Investment Banking Team successfully closed Cleopatra Hospital Company S.A.E's USD41 million Initial Public Offering on the Egyptian Stock Exchange. Cleopatra Hospital Company's IPO is the team's second healthcare IPO in one year, following Abraaj's Integrated Diagnostics Holdings on the London Stock Exchange. The offering comprised of 34 million shares being offered to institutional investors as well as 6 million shares to retail investors. The transaction's institutional offering was 6.7x oversubscribed while the retail offering was 28.6x oversubscribed; in total, the offering was 10.0x oversubscribed, generating USD406 million in total demand. EFG Hermes' ability to attract such high levels of both institutional and retail demand is underpinned by the firm's ongoing efforts to issue high quality paper to the market, while maximizing investor demand tension.

During 2Q16, the team also successfully closed the sale of the Medsofts Group to Archer Daniels Midland, one of the world's largest agricultural processors and food ingredient providers. Despite challenging macroeconomic and regulatory conditions, the team managed to expedite and facilitate the entry of such a foreign direct investment.

Second quarter included the booking of Arabian Food Industries Company (Domty), where the team acted as the Sole Global Coordinator and Bookrunner on Domty's USD127 million initial public offering, floating 49% its share capital through a secondary offering on the EGX during 1Q16. However, given that the stabilization mechanics related to the transaction ran well into the month of April, the fees related to the transaction were booked in 2Q16.

v. Private Equity

Private Equity assets under management stood at USD1.1 billion at the end of 2Q16 up from USD0.5 billion at the end of 1Q16.

Infrastructure:

The Infrastructure Platform managed to finalize the acquisition of 49% in EDPR Participaciones, which comprises of a 664MW of operational pan-European portfolio from EDPR Europe, for a total consideration of EUR 550 million, funded via 60% debt and 40% equity. The stake was acquired by Vortex II, an SPV managed by EFG Hermes. This acquisition grows Vortex platform's AUMs and managed capacity to EUR 770mn and 457MW, building on the acquisition of a 49% stake in EDPR France, which was completed in December 2014 via Vortex I.

ECPII:

ECP II GP completed the full divestment of the last investment Kandil Steel Holding. The sale proceeds were paid over two installments, EGP7.1 million received in August 2015 and EGP70.0 million received in March 2016. The GP is distributing the last distribution to LPs amounting to EGP 54.9 million. Given the exit of KSH, the GP will start the process of liquidating the Fund. The full liquidation process of the Fund is expected to be finalized by 4Q16.

vi. Leasing

Key highlights

Perhaps the most important financial event in 2Q16 was the unexpected hike in benchmark interest rates by 100bps. Once again the change in policy rates has been passed through to existing clients owing to the floating rates nature of the contracts. By the end of 2Q16 almost 80% of overdue payments related to all policy rate change (since the first change in rates back in December 2015) were collected with the remaining portion expected to be collected before end of 3Q16. Furthermore, new cheques covering future payments for the June rate hike were received from clients, hence securing future payments for the ensuing difference until end of 2016.

Another important development for the quarter was the significant divergence between the parallel and official USD exchange rate, partially underscoring the persistence of the FX shortage in the country. Our credit risk team ran a stress test on our existing portfolio of clients in an effort to identify potential repayment risks facing importers or companies with significant dependence on FX: the results were very reassuring.

Market Share

EFG Hermes Leasing came in 6th place with a market share of 6% in term of contracts booked during 2Q16; thus taking it to a 5th place ranking and a market share of 9% in 1H16.

Contracts Booked by Asset Size – 2Q16

	Company	Lease Value (EGP mn)	Market Share
1	GB Lease	889	16%
2	Al Tawfik Lease	863	16%
3	Global Lease	644	12%
4	Incolease	552	10%
5	Corplease	551	10%
6	EFG Hermes Leasing	341	6%
7	Techno lease	309	6%
8	QNB	216	4%
9	Al Ahly	210	4%
10	Arab African	180	3%

Contracts Booked by Asset Size – 1H16

	Company	Lease Value (EGP mn)	Market Share
1	Corplease	1,668	15%
2	Global Lease	1,356	12%
3	GB Lease	1,314	12%
4	Al Tawfik Lease	1,151	10%
5	EFG Hermes Leasing	964	9%
6	QNB	866	8%
7	Arab African	851	8%
8	Incolease	635	6%
9	Techno lease	564	5%
10	Al Ahly	522	5%

vii. Micro-Finance “Tanmeyah”

EFG Hermes has successfully completed the acquisition of 94% of Tanmeyah Micro Enterprise Services (Tanmeyah), over two transactions, for a total consideration of EGP423 million from all of: Qalaa Holding, Egyptian Gulf Bank (EGB) and management, the last of which ended in mid- April 2016.

Key challenges following the acquisition included: starting the process of integrating Tanmeyah, securing funding for the operation that saw a significant slowdown in issuance during the sale process, and finally affecting the new offloading mechanism that is compliant with the new micro finance law and its executive regulations.

Right after the acquisition, EFG Hermes management set up a task force of highly senior representation from all of the support functions of the firm for running a full diagnostics on Tanmeyah and providing a roadmap for quick and seamless integration. By the end of the process in June 2016, the task force team has provided its input for the integration process, It is worth highlighting that the diagnostic report has not identified any red flags.

In April 2016, Tanmeyah was able to renegotiate its funding lines with existing Bank post EFSA’s activation of the off-loading mechanism. Currently, Tanmeyah is in the process of diversifying its funding sources and is in the process of negotiations with banks, which will likely secure loan issuance for the operation for the next years.

At end of 2Q16, Tanmeyah had around 95 thousand active borrowers with a robust pipeline as the company’s funding sources started to stabilize and grow. The company managed to issue close to 38 thousand new loans, worth around EGP339 million to end the quarter with a portfolio of EGP453 million that comprised both new and legacy loans.

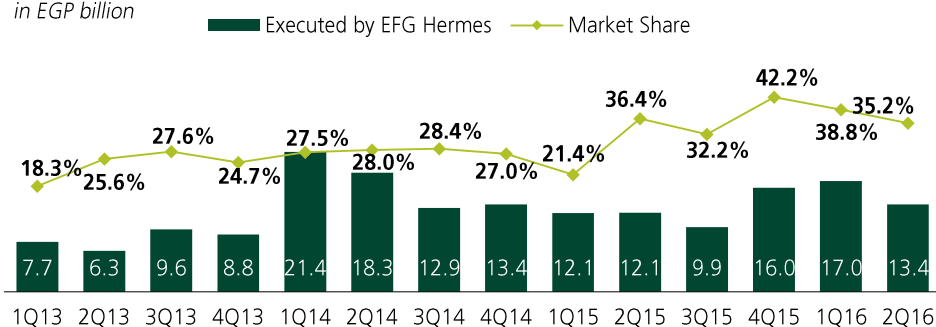
KPIs	2Q16
Total Number of Active Borrowers	95,457
Total Number of Processed Applications	26,552
Total Number of Loans Issued	25,107
Total Value of Loans Issued (EGP mn)	226.6
Total Portfolio Outstanding (EGP mn)	453.4
Total Branches - Egypt	114
Cairo	7
Delta	53
Upper Egypt	54
Total Loan Officers	867
Total Staff	1,603

III. ANNEX

Markets Performance and EFG Hermes Executions & Market Shares

Egypt:

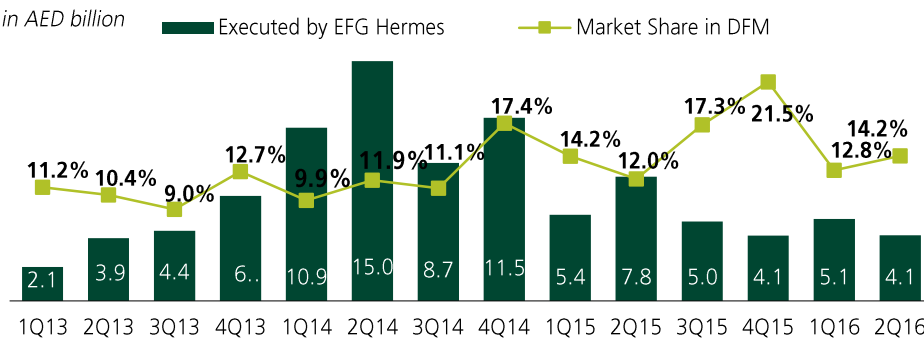
in EGP billion



*Including special transactions

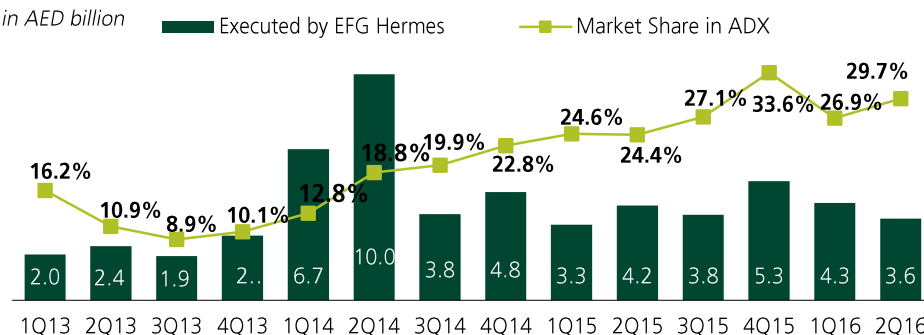
UAE- DFM

in AED billion

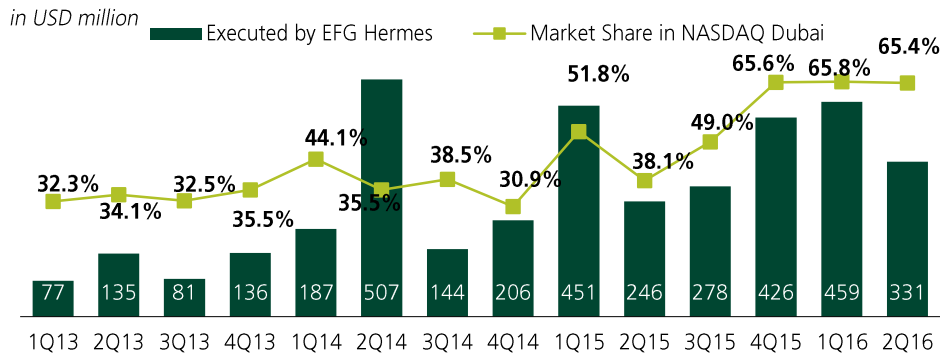


UAE – Abu Dhabi

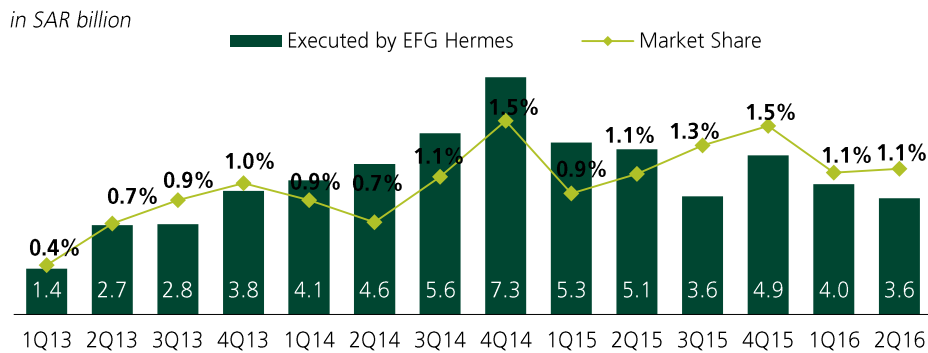
in AED billion



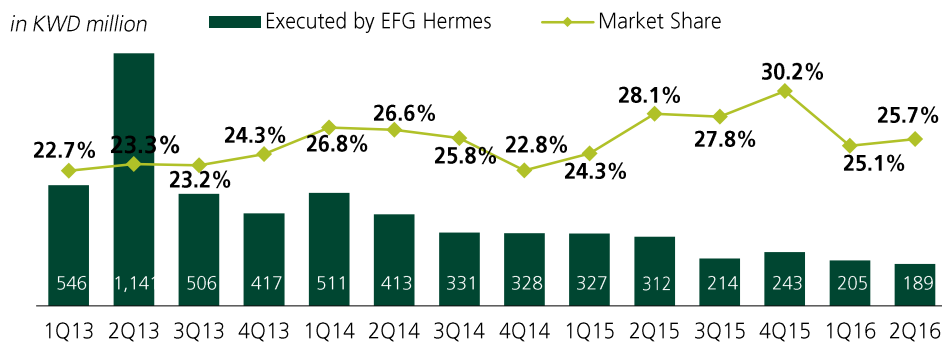
UAE – NASDAQ Dubai



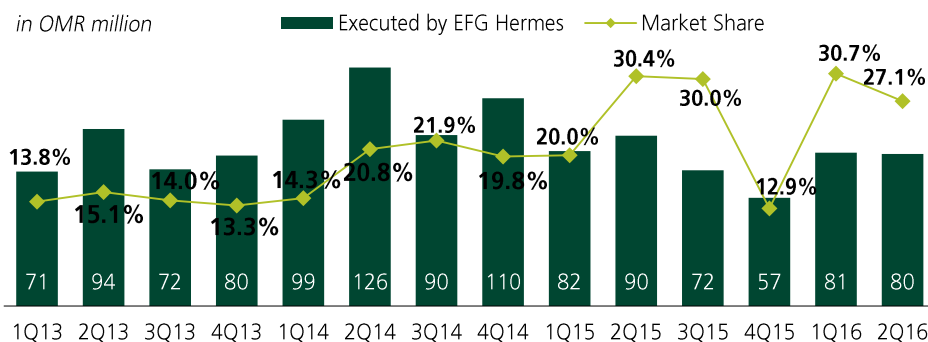
KSA:



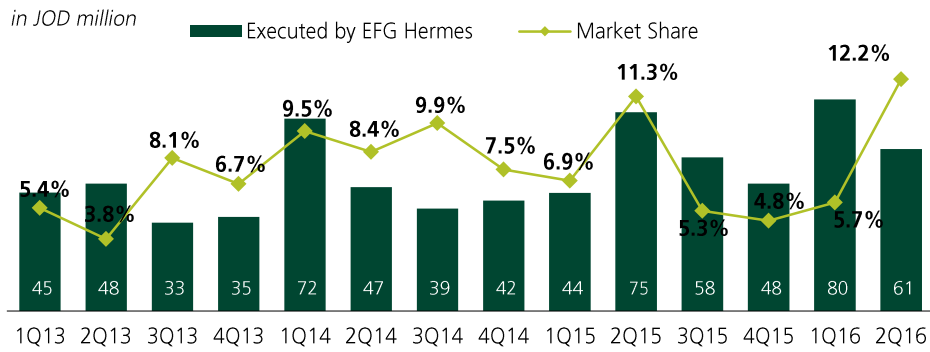
Kuwait:



Oman:



Jordan:



In this earnings release EFG Hermes may make forward looking statements, including, for example, statements about future fund raising, investment banking transactions, private equity exits, leasing business outlook and the Commercial bank business strategy. 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

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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