

EFG HERMES EARNINGS RELEASE 3Q2018

INVESTOR RELATIONS

Cairo, November 15th, 2018

EFG Hermes reports third quarter 2018, with Group Earnings of EGP279 million on operating revenues of EGP1.0 billion. The Group Total assets stood at EGP35 billion at the end of 3Q18.

THE TEAM

MOHAMED ABDELKHABIR

Group Chief Financial Officer

mabdelkhabir@efg-hermes.com

Tel: +20 2 3535 6491



MOHAB BAKR

IR, Budgeting & Reporting Associate

mbakr@efg-hermes.com

Tel: +20 2 3535 6349



HANZADA NESSIM

Group Head of IR, Budgeting & Reporting

hnessim@efg-hermes.com

Tel: +20 2 3535 6502



ALIA BALBAA

IR, Budgeting & Reporting Associate

abalbaa@efg-hermes.com

Tel: +20 2 3535 6463

INVESTOR RELATIONS CONTACTS

investor-relations@efg-hermes.com

Tel: +20 2 3535 6710

Fax: +20 2 3535 7017

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

- A very solid 3Q18 set of results, with Group revenues increasing 24% Y-o-Y to EGP1.0 billion, underpinned by a solid operational performance, posted primarily by the sell-side and the NBFIs. Moreover, normalizing Group revenues by excluding non-recurring items in the comparable quarter, Group revenues would be up 64% Y-o-Y in 3Q18;
- Fee and commission revenues, which accounted for 82% of the Group revenues in 3Q18, rose 79% Y-o-Y to EGP847 million, supported by revenue growth delivered by all business lines with the exception of Private Equity - as the comparable quarter included abnormally high management fees;
- Another resilient quarter from the NBFIs, with revenues climbing 81% Y-o-Y to EGP286 million in 3Q18; largely due to a strong growth posted by Tanmeyah. The sell-side revenues increased 128% Y-o-Y to EGP440 million in 3Q18, driven mainly by superb Investment Banking revenues. Meanwhile, the buy-side revenues came flat Y-o-Y in 3Q18 at EGP121 million, as the higher Asset Management revenues was off-set by lower Private Equity revenues;
- Capital markets & treasury operations revenue, which represented the remaining 18% of the Group's total revenues in 3Q18, saw its revenues decline 49% Y-o-Y to EGP184 million in 3Q18. Albeit strong revenue growth from merchant banking activities and treasury operations; non-recurring gains in the comparable quarter weighted down on the Y-o-Y change;
- Group operating expenses rose 22% Y-o-Y (but -2% Q-o-Q) to EGP683 million in 3Q18, on higher employee expenses and other operating expenses required to keep up with the geographical and business lines expansion. However, employee expenses to operating revenues came at 42% in 3Q18; well below the 50% mark;
- The growing fee and commission revenues overshadowed the increase in operating expenses to result in a net operating profit of EGP348 million, up 27% Y-o-Y in 3Q18, and reflects a net operating profit margin of 34% in 3Q18. Consequently, the Group reported a net profit after tax and minority interest of EGP279 million in 3Q18, up 18% Y-o-Y;
- During the quarter, we disposed an additional 0.5% of Credit Libanais's shares, thus leaving us with 8.8% stake in the Bank.

ii. Group Financial Performance

<i>in EGP million</i>	Group Financial Highlights							
	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y	9M18	9M17	Y-o-Y
Group Operating Revenue	1,031	1,004	834	3%	24%	2,980	2,793	7%
Investment Bank	745	752	675	-1%	10%	2,215	2,402	-8%
NBFIs	286	253	158	13%	81%	765	390	96%
Group Operating Expenses	683	698	560	-2%	22%	1,986	1,589	25%
Group Net Operating Profit	348	307	274	13%	27%	994	1,204	-17%
Group Net Operating Margin	34%	31%	33%			33%	43%	
Group Net Profit (Loss) After Tax & Minority Interest	279	200	237	40%	18%	728	991	-27%
Investment Bank	222	158	210	40%	6%	584	929	-37%
NBFIs	57	42	28	37%	106%	144	62	133%

Source: EFG Hermes Management Accounts

Group revenues rose to EGP1.0 billion in 3Q18, suggesting a headline increase of 24% over a strong comparable third quarter 2017, which included a number of non-recurring items (normalized Group revenues would be 64% higher Y-o-Y). This signifies a solid operational quarter, with almost all business lines reporting Y-o-Y growth.

Group operating expenses increased 22% to EGP683 million in 3Q18, driven by higher employee and non-employee expenses. The Y-o-Y increase in headcount together with higher rent related to the sale and lease back of EFG Hermes HQ and leasing depreciation expense were among the main reasons behind the increase.

During the quarter, Group's profitability was largely supported by the stronger fees and commissions revenues, which overshadowed the increase in operating expenses. This resulted in a net operating profit of EGP348 million, up 27% Y-o-Y in 3Q18, and reflects a net operating profit margin of 34% in 3Q18. Consequently, the Group reported a net profit after tax and minority interest of EGP279 million in 3Q18, up 18% Y-o-Y.

NBFIs profitability more than doubled Y-o-Y, delivering a net profit after tax and minority interest of EGP57 million in 3Q18, up 106% Y-o-Y, despite start-up losses. This boost in bottom line was supported predominately by Tanmeyah's outperformance, followed by an improvement in Leasing. Additionally, losses from valU and Factoring which pressured the NBFIs profitability, recorded a loss of EGP18 million in 3Q18.

The Investment Bank profitability increased 6% Y-o-Y to EGP222 million in 3Q18, as the comparable quarter weighted down on the Y-o-Y change. However, the improvement in operations is evident in the Investment Bank fees and commissions revenue, which increased 79% Y-o-Y in 3Q18.

The Group reported an operating revenue of EGP3.0 billion in 9M18, up 7% Y-o-Y. However, a number of non-recurring and one-off gains in the comparable period dented the underlying growth in revenues. This is evident in the fee and commission revenue, which jumped 43% Y-o-Y to EGP2.3 billion in 9M18, as all operating businesses posted Y-o-Y growth over the 9M18. This filtered into a Group net operating profit of EGP994 million in 9M18, down 17% Y-o-Y; and a net profit after tax and minority interest of EGP728 million in 9M18, lower 27% Y-o-Y. The NBFIs reported a bottom line higher 133% Y-o-Y to reach EGP144 million in 9M18, reflecting the nicely ramped up business of Tanmeyah and Leasing. The Investment Bank profitability was lower 37%

Y-o-Y in 9M18, pressured by one-off gains and the non-recurring items included in the comparable quarter.

iii. Business Lines Financial Performance

<i>in EGP million</i>	Group Revenue by Platform					9M18	9M17	Y-o-Y
	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y			
Brokerage	241	270	172	-11%	40%	777	674	15%
Investment Banking	199	81	21	146%	864%	330	248	33%
Sell-Side	440	351	193	25%	128%	1,107	922	20%
Asset Management	98	121	89	-19%	11%	312	205	52%
Private Equity	23	23	33	-1%	-31%	70	61	16%
Buy-Side	121	145	122	-16%	-1%	382	266	44%
Capital Markets & Treasury Operations	184	256	361	-28%	-49%	726	1,215	-40%
Total Investment Bank	745	752	675	-1%	10%	2,215	2,402	-8%
Leasing*	116	100	86	16%	35%	312	205	52%
Micro - Finance "Tanmeyah"	166	150	72	11%	131%	446	185	140%
Consumer - Finance "valu"***	4	2	0	70%	N/M	7	0	N/M
Total NBFIs	286	253	158	13%	81%	765	390	96%
Group Operating Revenue	1,031	1,004	834	3%	24%	2,980	2,793	7%
<i>Of Which:</i>								
Fee and Commission Revenue	847	748	473	13%	79%	2,255	1,578	43%
Capital Markets & Treasury Operations	184	256	361	-28%	-49%	726	1,215	-40%

*Reported leasing revenue is net of financing costs; gross Leasing revenue reached EGP175 million in 3Q18

**valu revenue is based on a total portfolio of EGP64.4 million in 3Q18

Source: EFG Hermes Management Accounts

Driven by the sell-side business and the NBFIs, fee and commission revenues, which accounted for 82% of the Group revenues in 3Q18, rose 79% Y-o-Y to EGP847million.

A very strong quarter for the Investment Banking drove the sell side revenues up 128% Y-o-Y to EGP440 million in 3Q18. Investment Banking reported 864% Y-o-Y increase in revenues to reach EGP199 million in 3Q18 on higher advisory and debt arrangement fees. Brokerage revenues increased 40% Y-o-Y to EGP241 million in 3Q18, predominately on higher margin income in Egypt and higher brokerage commissions in Kuwait and Frontier markets.

A strong quarter from the NBFIs, with revenues climbing 81% Y-o-Y to EGP286 million in 3Q18; largely due to a strong growth posted by Tanmeyah, which saw revenues more than doubling Y-o-Y, up 131% Y-o-Y to EGP166 million on a larger portfolio and a more diversified product mix. Leasing business reported revenues of EGP116 million in 3Q18, higher 35% Y-o-Y in 3Q18 as the portfolio grows Y-o-Y. valu, our installment sale services which was launched earlier this year, saw revenues of EGP4 million booked in 3Q18, higher 70% Q-o-Q.

The buy-side revenues came flat Y-o-Y in 3Q18 at EGP121 million, as the increase in Asset Management revenues was off-set by lower Private Equity revenues. Asset Management revenues added 11% Y-o-Y to EGP98 million in 3Q18 on stronger management fees in Egypt and higher incentive fees reported by our Regional Asset Manager FIM. Alternatively, Private Equity revenue declined 31% Y-o-Y to EGP23 million in 3Q18, on higher Vortex management fees booked in the comparable quarter of last year.

Fees and commissions rose 43% Y-o-Y to EGP2.3 billion in 9M18, driven by all three verticals. The NBFs revenues almost doubled, up 96% Y-o-Y to EGP765 million in 9M18, underpinned by a robust revenue growth posted by Tanmeyah. The buy-side revenues rose 44% Y-o-Y to EGP382 million in 9M18, mainly due to higher Asset Management revenues as FIM reported stronger management and incentive fees. Sell-side revenues also improved Y-o-Y, up 20% to reach EGP1.1 billion in 9M18, driven by strong revenue growth reported by Brokerage and Investment Banking.

Capital markets & treasury operations revenue represented 18% of the Group's total revenues in 3Q18, with revenues declining 49% Y-o-Y to EGP184 million in 3Q18, as the comparable quarter included non-recurring items. Normalizing these revenues totaling to roughly EGP202 million, capital markets & treasury operations revenue would be 16% higher Y-o-Y, mainly on higher interest income. Net interest earned rose 40% Y-o-Y, on higher revenues realized from treasury operations and merchant banking activities.

In 9M18, capital markets & treasury operations revenue came at EGP726 million, down 40% Y-o-Y. Excluding CL sales proceeds of EGP348 million and the non-recurring gains totaling to EGP372 million in 9M17 and the non-operational gains of EGP193 million in 9M18, capital markets & treasury operations revenue would be 7% higher Y-o-Y. Net interest earned climbed 31% Y-o-Y, on higher revenues realized from treasury operations and merchant banking activities. Capital gains declined 83% Y-o-Y to EGP57 million, as 9M18 included EGP70 million of capital gains realized from SODIC shares sale, while the comparable period included MENA LTV redemptions, gain on selling North Bahareya totaling to EGP169 million. Meanwhile, sundry revenues increased 71% Y-o-Y to EGP180 million as the current period included provisions no longer need of EGP73 million and CL dividends of EGP49 million booked in 9M18.

iv. Group Operating Expenses

	Group Operating Expenses							
<i>in EGP million</i>	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y	9M18	9M17	Y-o-Y
Employees Expense	436	448	351	-3%	24%	1,280	1,100	16%
Employees Expense/Operating Revenues	42%	45%	42%			43%	39%	
Employees Expense/Operating Expenses	64%	64%	63%			64%	69%	
Other Operating Expenses	247	249	208	-1%	18%	706	489	44%
Other Operating Expenses/Operating Revenues	24%	25%	25%			24%	18%	
Other Operating Expenses/Operating Expenses	36%	36%	37%			36%	31%	
Total Operating Expenses	683	698	560	-2%	22%	1,986	1,589	25%

Source: EFG Hermes Management Accounts

Our geographical and new businesses expansion continue to be reflected in the Y-o-Y cost variation, however, on a Q-o-Q basis operating expenses remained broadly unchanged. Group operating expenses rose 22% Y-o-Y to EGP683 million in 3Q18, on higher employee expenses and other operating expenses. However, employee expenses to operating revenues came at 42% in 3Q18; well below the 50% mark.

Employee expenses, which represents 64% of total operating expenses, rose 24% Y-o-Y to EGP436 million in 3Q18, predominately on higher salaries Y-o-Y and headcount expansion, which increased 16% Y-o-Y, needed to support the growing business operations.

Other operating expenses rose 18% Y-o-Y to EGP247 million in 3Q18, with the increase primarily due to: (i) higher depreciation expense related to leasing operations; (ii) higher rent expense on the back of the sale and lease back; and (iii) an increase in other operating expenses related to headcount expansion, start-ups and geographical expansion as compared to a year earlier.

Of other operating expenses, occupancy expense rose 90% Y-o-Y to EGP61 million in 3Q18 mainly on the back of higher rent expense related to the sale and leaseback of the Firm's headquarters. General expenses rose 15% Y-o-Y to EGP84 million in 3Q18, on higher depreciation expense related to Leasing business. Data communication expense increased 8% Y-o-Y to EGP36 million in 3Q18, mainly on higher IT licenses as headcount expand. Telephone/fax/mobile expenses was up largely unchanged Y-o-Y, up 3% to EGP3 million. Travel expenses increased 8% Y-o-Y to EGP13 million, largely related to EFG Hermes London conference. Promotional and advertising expenses increased 63% Y-o-Y to EGP13 million in 3Q18, on higher sponsorship and events expenses.

On the lower side, consultancy and service fees expense declined 48% Y-o-Y to EGP21 million over the same period; as the comparable quarter included legal and consultancy fees related to FIM's acquisition. Office expenses declined 9% Y-o-Y to EGP3 million.

In 9M18, Group operating expenses rose 25% Y-o-Y to EGP2.0 billion, on higher employee expenses and other operating expenses as the business reshapes. Employee expenses rose 16% Y-o-Y to EGP1.3 billion, mainly on headcount expansion and inflation adjustment. Other operating expenses increased 44% Y-o-Y to EGP706 million in 9M18, mainly on the back of: (i) higher depreciation expense related to the Leasing growing portfolio; (ii) higher rent expense



on the back of the sale and lease back; (iii) the consolidation of FIM, hence FIM related expenses; and (iv) growing number of employees and operations.



OPERATIONAL PERFORMANCE

i. Brokerage

Operational Performance Update

Seasonality associated with the summer months and Eid Al Adha holidays took its toll on the MENA markets while Frontier markets faced some headwinds during the quarter that weighed down on markets' performance. Most of our markets' indices ended mixed in 3Q18, yet, generally turnover declined in most of those markets; with the exception of Kuwait, which saw its volumes skyrocket and performance improve. Accordingly, EFG Hermes total execution for MENA and Frontier markets reached USD8.7 billion in 3Q18, down 4% Q-o-Q. On a Y-o-Y basis, EFG Hermes executions increased 36% Y-o-Y in 3Q18, on higher volumes in most of the markets, primarily Kuwait and Frontier markets.

Reported revenues, which reflect MENA and Frontier markets' executions and structured products, reached EGP241 million in 3Q18, down 11% Q-o-Q to reflect lower quarterly volumes, yet higher 40% Y-o-Y to reflect stronger growth in revenue generated in our main markets.

<i>in EGP million</i>	Brokerage Revenue							
	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y	9M18	9M17	Y-o-Y
Egypt	106	149	80	-29%	32%	405	364	11%
UAE	33	34	22	-3%	53%	101	104	-3%
KSA	14	16	10	-11%	38%	49	29	69%
Kuwait	35	13	11	176%	214%	59	65	-9%
Oman	3	5	4	-35%	-8%	13	14	-10%
Jordan	4	4	6	-2%	-44%	11	16	-30%
Pakistan	3	6	6	-48%	-44%	15	25	-41%
Kenya	4	4	0	-5%	N/M	12	0	N/M
Frontier	33	27	15	22%	110%	79	30	165%
Structured Products	5	12	17	-55%	-68%	34	28	24%
Total Revenue	241	270	172	-11%	40%	777	674	15%

*Revenue highlighted above represents entities and not markets.

Source: EFG Hermes Management Accounts

In terms of pure market commissions, Egyptian equities contribution to the total commission pool remained the highest; however, its contribution to total commissions further declined to 27% in 3Q18, versus 33% in 2Q18. During the quarter, the revenue mix changed, with Kuwait jumping to be the second largest contributor to the total commissions increasing to 21% in 3Q18 up from 6% in 2Q18.

Commissions Breakdown by Market

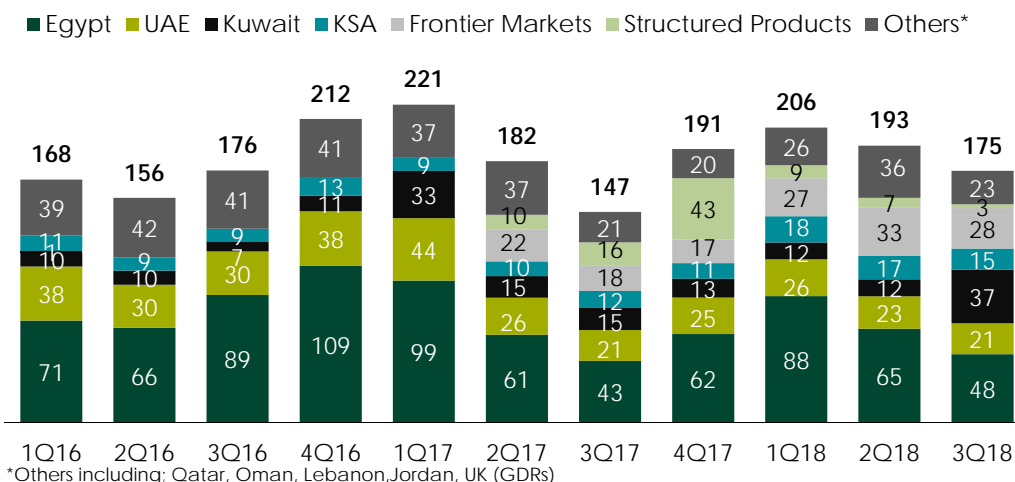
Markets	3Q18
Egypt	26.6%
DFM	4.6%
ADX	6.4%
Nasdaq Dubai	1.4%
KSA	8.3%
Kuwait	21.3%
Oman	1.7%
Qatar	8.2%
Jordan	1.4%
Pakistan	2.2%
Kenya	2.1%
Frontier Markets	12.2%
Structured Products	1.5%
Others	2.1%
Total	100%

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 decreased 9% Q-o-Q to reach USD175 thousand in 3Q18, as the increase in the average daily commissions in Kuwait failed to offset the lower average daily commissions reported in most markets, predominately Egypt and Qatar. On a Y-o-Y, average daily commissions increased 20% on strong contribution from most markets mainly Kuwait and Frontier markets.

Average Daily Commissions

In USD thousand



Source: EFG Hermes and Regional Exchanges

Brokerage Executions and Market Shares

<i>in USD million</i>	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y	9M18	9M17	Y-o-Y
Egypt*								
Market share	37.6%	39.6%	34.5%	-2.0%	3.1%	42.0%	39.6%	2.4%
Executions	1,331	1,686	975	-21.1%	36.6%	5,418	6,075	-10.8%
UAE - DFM								
Market share	20.7%	21.0%	18.3%	-0.3%	2.4%	21.6%	14.6%	7.0%
Executions	634	918	894	-31.0%	-29.1%	2,814	3,474	-19.0%
UAE - ADX								
Market share	48.9%	32.9%	28.6%	15.9%	20.3%	39.2%	27.6%	11.7%
Executions	1,102	773	781	42.5%	41.1%	2,769	2,883	-4.0%
UAE - Nasdaq Dubai								
Market share	72.2%	64.3%	48.4%	7.8%	23.8%	62.6%	54.4%	8.2%
Executions	316	481	289	-34.3%	9.3%	1,607	1,153	39.3%
KSA								
Market share	2.8%	2.1%	2.1%	0.6%	0.7%	2.5%	1.6%	1.0%
Executions	1,328	1,370	958	-3.1%	38.5%	4,423	2,564	72.5%
Kuwait								
Market share	41.2%	34.6%	25.9%	6.5%	15.3%	36.2%	25.5%	10.7%
Executions	2,121	815	977	160.2%	117.1%	3,665	3,821	-4.1%
Oman								
Market share	25.3%	14.3%	20.2%	11.0%	5.1%	18.9%	22.1%	-3.2%
Executions	86	107	108	-19.8%	-20.1%	307	388	-21.0%
Jordan								
Market share	9.2%	8.9%	21.2%	0.4%	-12.0%	9.8%	19.8%	-10.0%
Executions	51	51	122	0.0%	-58.4%	164	724	-77.4%
Pakistan								
Market share	3.5%	5.5%	4.7%	-2.0%	-1.2%	4.4%	N/A	N/M
Executions	145	245	260	-40.8%	-44.1%	622	557	11.8%
Kenya								
Market share	14.2%	9.8%	1.3%	4.4%	12.9%	9.9%	N/A	9.9%
Executions	45	35	7	27.3%	568.6%	127	11	1083.3%
Frontier								
Market share	N/A	N/A	N/A	N/M	N/M	N/A	N/A	N/M
Executions	302	281	97	7.2%	209.4%	879	154	469.8%
Structured Products								
Market share	N/A	N/A	N/A	N/M	N/M	N/A	N/A	N/M
Executions	54	63	235	-13.2%	-76.8%	396	358	10.6%

*Market share calculation is based on executions excluding special transactions

** Executions in Qatar, Bahrain, Lebanon, UK (GDRs) and others represent an additional 13% of total Brokerage executions in 3Q18 and 16% in 9M18

Source: EFG Hermes and Regional Exchanges

Egypt

Another weak quarter for Egyptian equities, with volumes declining 43% Q-o-Q and the Hermes Financial Index (HFI) losing 12.8% Q-o-Q in 3Q18. The poor market performance and low volumes was largely due to the lack of catalysts in the market, weaker EM and local investors becoming net sellers triggered by margin calls.

EFG Hermes continues to maintain its first place ranking on the EGX, with the Firm's market share (excluding special transactions) coming at 37.6% in 3Q18 from 39.6% a quarter earlier, thus taking 9M18 market share to 42.0%. EFG Hermes was also top ranked in items of foreign and retail flows successfully captured 44% and 13%, respectively.

EFG Hermes successfully advised and completed CIRA's IPO in 3Q18. The IPO's institutional offering was 10.36x oversubscribed and the retail offering was 18.7x oversubscribed and the stock closed up 17.7% in its first day of trading.

Moreover, the Firm held its 8th Annual London Conference this September with 327 institutional investors attending the conference from Europe, US, Asia, and MENA representing over USD12 trillion AUMs, meeting directly with C-Suite executives from some of the most compelling emerging and frontier market companies.



UAE – Dubai

Performance was muted while turnover slid further on Dubai Financial Market during the quarter, with the DFMGI index inching up 0.5% Q-o-Q and the volumes declining 29% Q-o-Q in 3Q18. Summer together with Eid holiday weighted down on volumes as trading was mostly on real estate names and DSI as news that it might delist triggered some activity.

EFG Hermes maintained its first place on the DFM for the quarter and the 9M of the current year with a market share of 20.7% and 21.6%, respectively. Foreign participation during the quarter came at 20%, with EFG Hermes market share of the total foreign participation improving to 38% in 3Q18 from 31% a quarter earlier.



UAE – ADX

A good quarter for the Abu Dhabi Exchange, albeit a seasonally slow quarter. The volumes held up during the quarter, roughly flat Q-o-Q in 3Q18, while the ADI gained 8.2% Q-o-Q, driven by heavy institutional inflows on First Abu Dhabi Bank (biggest weight on the ADI) ahead of the coming MSCI rebalancing in November. Moreover, the news about a potential merge between Abu Dhabi Commercial Bank and Union National Bank supported the market performance.

The Firm maintained a top ranking on the exchange (ADX) with a market share of 48.9% in 3Q18 and 39.2% in 9M18, underpinned by the Firm capturing most of the institutional flow on FAB during the quarter. Moreover, foreign participation in the market came at 38% in 3Q18, slightly higher Q-o-Q, and the Firm's foreign participation improved significantly reaching 54% of the foreign flows during the quarter.



UAE – Nasdaq Dubai

EFG Hermes cemented its top ranking position on the exchange with a market share of 72.2% in 3Q18 up from 64.3% in 2Q18. Our market share was supported by the cross we executed on DP World worth USD22.5 million. This helped take up our market share for the 9M18 to 62.6%.



Saudi Arabia

After a good second quarter, the Saudi Market took a back seat in 3Q18, with the Tadawal All Share Index losing 3.8% Q-o-Q and turnover declining 26% Q-o-Q.

EFG Hermes market share continued to improve reaching 2.8% in 3Q18 versus 2.1% in 2Q18 to reflect a 4th place ranking among pure brokers (non-commercial banks) and a 2nd place ranking among foreign brokers in 3Q18.

The market remained dominated by retail investors who accounted for 76.5% of the markets activity in 3Q18 versus 79.5% in 2Q18. Foreign institutions participation via participatory notes declined to 1.79% in 3Q18 from 2.3% in 2Q18, and the QFI traded value during 3Q18 reached SAR10.6 billion, representing 3% of market's turnover, and down from SAR 14.0 billion in 2Q18.



Kuwait

Kuwait came in the limelight during 3Q18, with turnover more than doubling, up 121% Q-o-Q, and the All Share Index gaining 4.9% over the same period. This remarkable performance was triggered by a general positive sentiment in the market and inflows from all tiers of investors ahead of the market's FTSE EM first phase inclusion in September, which saw passive funds inflows worth USD450 million. Moreover, August witnessed MSCI rebalancing event with passive flows worth USD15 million

EFG Hermes IFA captured most of the foreign passive and active funds flows throughout the quarter ahead of the FTSE inclusion and on the day of the event. The firm captured c75% of the foreign flows in the market in 3Q18 and 80% in September (the FTSE event).

Additionally, EFG Hermes executed Humansoft accelerated book building worth KWD68.5 million each side. EFG Hermes had both sides on the deal. However, it's worth noting that the market regulator doesn't include special transactions in the market's data, rankings or market shares.

EFG Hermes IFA maintained its top ranking during the quarter, with its market share shooting up to 41.2% from 34.6% a quarter earlier. This cements its top ranking position for the 9M18, with a market share of 36.2%.



Oman

The MSM Index edged down 0.6% over the quarter; and volumes dropped 57% Q-o-Q, mainly on a strong comparable quarter (2Q) which included a special transaction worth OMR62 million and a decline in local funds activity. This quarter saw a special transaction worth OMR40 million, of which EFG Hermes accounted for 5% of this transactions.

It is worth noting that the Firm concluded its first advisory to the Oman-based Dhofar Generating Company (DGC) on its USD52 million IPO. EFG Hermes acted as Sole Global Coordinator and a bookrunner on the transaction.

EFG Hermes market share improved to 25.3% in 3Q18 from 14.3% in 2Q18 with a third place ranking, this took the 9M18 ranking and market share to 4th place and a market share of 18.9%.



Jordan

A slow quarter for the Amman Stock Exchange, with the index declining 4.6% Q-o-Q in 3Q18 and volumes inching down 4% Q-o-Q. EFG Hermes market share rose slightly to 9.2% in 3Q18 with a third place ranking. In 9M18, the Firm's ranking came at 5th place with a market share of 9.8%.



Frontier

It was another decent quarter for the Frontier markets with quarterly revenues nearly repeating the record set in the previous quarter, despite our key geographies facing the headwinds of higher DM interest rates as well as their own internal problems. The volatility in Nigeria however did create higher trading volumes that we were able to successfully monetize. As a whole, both the Asian and African markets reported very similar revenue to the previous quarter.

Pakistan

The Pakistani market weakened in 3Q18 with the Karachi SE 100 Index losing 2.2% Q-o-Q and turnover declining 28% Q-o-Q, as enthusiasm regarding the new Prime Minister has proved to be short lived and foreigners have remained sellers while locals are battling to continue to find further appetite. Higher oil prices, rising interest rates, a weakening currency are ongoing headwinds the market will continue to face.

EFG Hermes Pakistan market share declined to 3.5% (2.4% for all the trades executed via EFG Hermes Pakistan and 1.1% for the trades executed through other local brokers).



Kenya

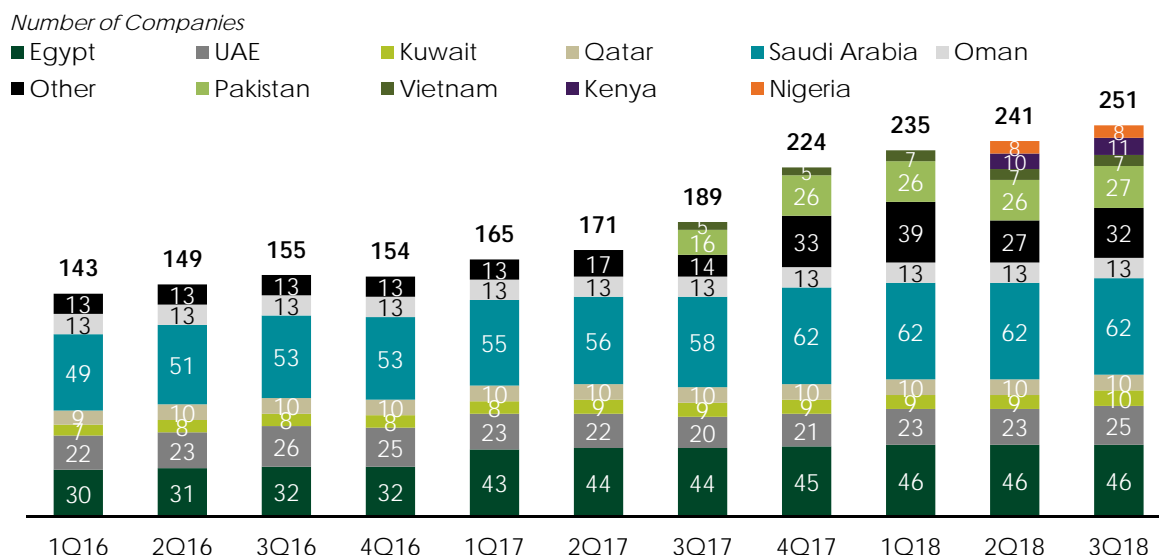
Another very poor quarter for the Kenyan market, with the Index losing 12.5% Q-o-Q and the volumes slipping 45% Q-o-Q, as foreign investors were net sellers due to the uncertainty prevailing over the controversial rate caps implemented in the last 2 years and the implementation of higher taxes.

EFG Hermes Kenya market share climbed to 14.2% in 3Q18 from 9.8% in 2Q18, with a sixth place ranking in the market, largely supported by the onboarding of new local institutional investors and capturing good local business along with the usual foreign institutional business.



ii. Research

Research Coverage Universe



Source: EFG Hermes Research

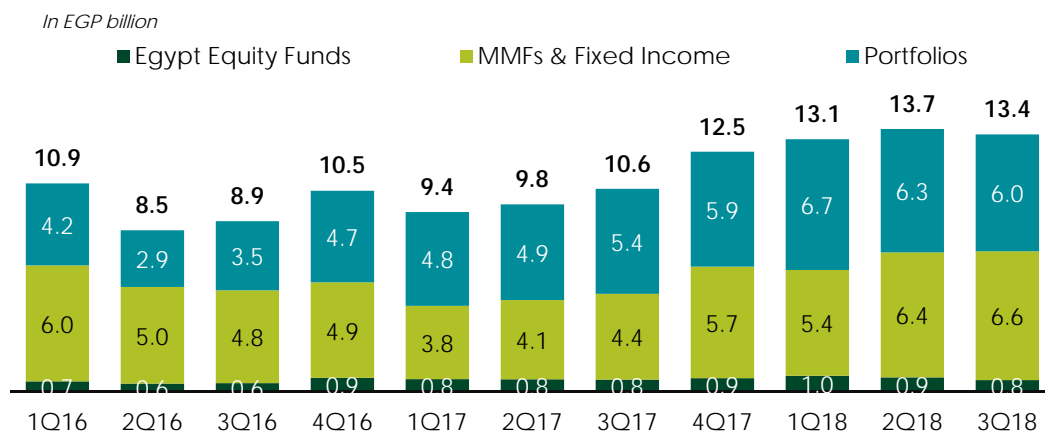
The Research department coverage reached 251 companies at the end of 3Q18, distributed across the region (Egypt 46, UAE 25, KSA 62, Kuwait 10, Oman 13, Qatar 10, Lebanon 3, Morocco 4, Jordan 6, Pakistan 27, Kenya 11, Nigeria 8, Vietnam 7, Tanzania 4, Uganda 2, Mauritius 2, Bangladesh 6, Rwanda 1, Botswana 1, Netherlands 1 and United Kingdom 2).

In 3Q18, EFG Hermes London conference took place and was a large success for the research team, and the firm as a whole. The conference wrap-up report was extremely well read by clients, showing the value of the conference from a research perspective. The fears that MIFID II would impact conference numbers were put to bed, and actual numbers were up as clients focused on what really matters to them – valued-added interactions with both corporates and the research analysts. In relation to MIFID II, client interactions were the focus as well as finding the areas that the team can offer value and differentiate themselves from their peers. This area will continue to be the focus over the next few quarters.

The team continues to expand the frontier coverage with the initiation of Allied Bank (Pakistan) and the ramp-up of our Bangladesh coverage. The team also initiated coverage on the Bangladesh Pharmaceutical sector (wherein we initiated coverage of three stocks) and Olympic Industries (a Bangladeshi Biscuit manufacturer) – our Bangladesh research has garnered significant interest from our institutional clients. In MENA, coverage on a diverse range of stocks was initiated – IHC (a Kuwaiti crane operator), Tabreed (a cooling plant operator), Jordan Ahli Bank (Jordanian Bank), and we reinitiated coverage of Emaar.

iii. Asset Management

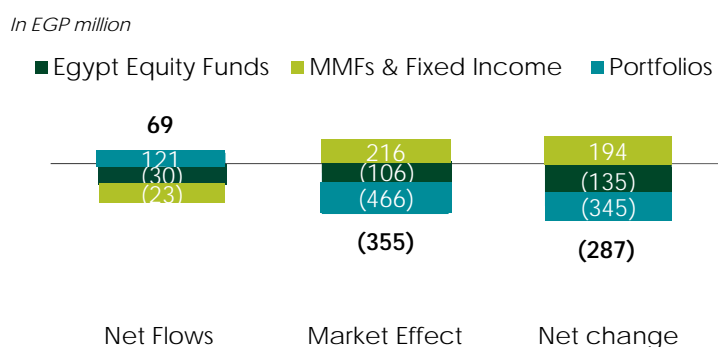
Egypt Assets under Management Evolution



Source: EFG Hermes Asset Management

EFG Hermes Egypt Asset Management AuMs reached EGP13.4 billion at the end of 3Q18, down 2.1% Q-o-Q, as weaker equity markets weighted down on equity funds'/portfolios' performance. Equity markets' performance drew 2.7% of total AuMs to offset net inflows seen during the quarter, as inflows in equity and Fixed Income portfolios added 0.5% to the AuM base in 3Q18. Additionally, MMFs' performance was strong, adding 1.6% to total AuMs during the quarter.

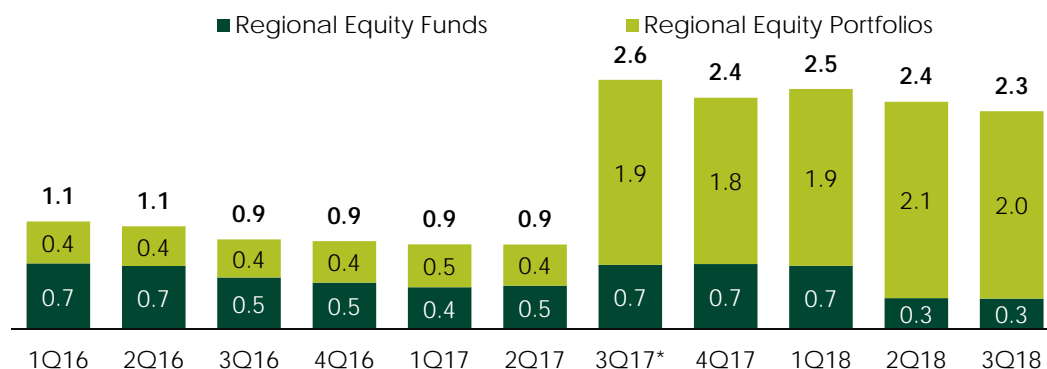
Quarterly Change in Egypt Mandates



Source: EFG Hermes Asset Management

Regional Assets under Management "FIM" Evolution

In USD billion

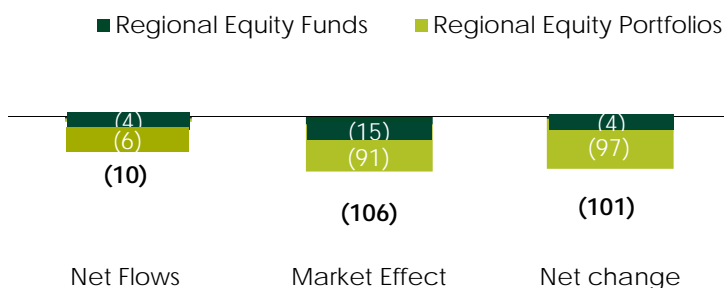


* 3Q17 AuMs reflect the addition of FIM's AuMs post EFG Hermes' completion of 50% investment in FIM
 Source: EFG Hermes Asset Management and FIM

Poor equity markets' performance took its toll on EFG Hermes Regional Asset Management "FIM" AuMs, which declined 4.2% Q-o-Q to USD2.3 billion at the end of 3Q18. During the quarter, Regional AuMs saw markets performance pull 4.6% of the total AuMs, with minimal injects/redemptions. There have been no subscriptions nor redemptions in the Firm's flagship funds during 3Q18.

Quarterly Change in Regional Mandates

In USD million



Source: EFG Hermes Asset Management and FIM

Funds Performance

MENA Long Term Value Fund ended the quarter with a NAV of USD286 million at the end of 3Q18 versus USD300 million at the end of 2Q18. The Fund saw no subscriptions nor redemptions during the quarter.

FIM EM Frontier Fund ended the quarter with a NAV of USD106 million in 3Q18 versus USD115 million in 2Q18. The Fund saw no subscriptions nor redemptions during the quarter. The Fund lost 7% over the quarter versus the MSCI FEM Index, which lost 2% over the same period.

FIM MENA Horizon Fund ended the quarter with a NAV of USD61 million in 3Q18 versus a NAV of USD68 million in 2Q18. The Fund saw no subscriptions nor redemptions during the quarter. The Fund lost 7% during the quarter versus the S&P Pan Arab Composite Index, which inched up 1% over the same period.

iv. Investment Banking

In 3Q18, EFG Hermes investment banking division recorded its highest number of executed transactions in a single quarter to date. The department advised on nine debt, equity, and M&A transactions worth USD870 million.

During the quarter, the department concluded its first initial public offering of a frontier market company, ASA International, on the London Stock Exchange worth USD163 million, marking an important milestone for EFG Hermes' expansion in frontier markets.

As for the GCC region, EFG Hermes acted as sole global coordinator on the USD52 million initial public offering of Dhofar Generating Company on the Muscat Securities Market. Following the success of its first accelerated bookbuild of HumanSoft last year, the team acted as sole bookrunner in the company's second accelerated bookbuild for USD226 million on the Kuwait Stock Exchange.

In Egypt, the team concluded the USD70 million initial public offering of Cairo for Investment and Real Estate Development (CIRA), the first international offering of an educational platform on the EGX. This successful execution of this transaction came on the back of facilitating a USD40 million debt facility to CIRA, of which USD22.5 million were raised during the second quarter of 2018, to assist the exit of a private equity investor prior to the execution of the IPO. This deal showcases the team's ability to leverage the debt opportunities available through our merchant banking division and debt raising capabilities to provide its clients with universal solutions that are value accretive.

Continuing its longstanding client relationship with ADES, the debt capital markets team provided advisory on the USD140 million debt facility, the company's second round of debt raising during this year.

On the M&A front, the department acted as sell-side advisor to Suez Cement Group Companies, a subsidiary of Heidelberg Cement, on the sale of its industrial bags manufacturing plant to Mondi Industrial Bags, a global paper and packaging company, for a total consideration of USD16 million. EFG Hermes also acted as buy side advisor to Telecom Egypt in its USD90 million acquisition of MENA Cables. Moreover, the department is acting as sell-side advisor to Orascom Hotels and Development in the divestment of their stake in Tamweel Group; and to Helwan Cement Company, a member of Suez Cement Group Companies, in the sale of its white cement plant in El Minya. The execution of both deals is subject to the satisfaction of all conditions precedent under the share purchase agreements.

As of 9M18, EFG Hermes executed a total of 15 transactions worth USD2.4 billion, emphasizing the department's value creation ability in a growth market that is daunted by a downturn in emerging markets. For the third consecutive quarter, the department's remarkable execution ability has earned it the first rank in Thomson Reuters' Middle Eastern Bookrunner league table with a 17.7% market share.

v. Private Equity

Infrastructure Portfolio

Vortex platform's AUMs and managed capacity at the end of 3Q18 remained at EUR1.3 billion and 822MW, respectively, which includes (i) Vortex I, a 49% stake in EDPR France Wind Portfolio (334MW), completed in December 2014 (ii) Vortex II, a 49% stake in EDPR's Pan European Wind Portfolio (664MW in Spain, Portugal, France and Belgium) completed in June 2016; and (iii) Vortex Solar, a 100% ownership of a 365MW UK Solar PV portfolio, completed in May 2017. Vortex I and II are jointly owned by Beaufort (an EFG Hermes Holding subsidiary) and a Gulf SWF, with economic ownership at 5% and 95% respectively, whereas Vortex Solar is now owned by Beaufort (5%), Tenaga Nasional Berhad (50%) and KWAP (45%). Beaufort is the investment and asset manager of the entire Vortex platform.

On the operational front, the Wind Portfolio (Vortex I & II) generated an EBITDA of EUR25.2 million in 3Q18 and an EBITDA of c.EUR107.7 million during 9M18, while Vortex Solar's EBITDA reached GBP13.1 million and GBP30.6 million during 3Q18 and 9M18, respectively.

Education:

In May 2018, EFG Hermes entered into an exclusive partnership with GEMS Education (GEMS), the world's leading provider of K-12 education services, to establish an investment platform dedicated for investing in the vastly growing and significantly underserved Egyptian K-12 education sector. Several investors indicated interest and soft commitment letters are currently being received. In tandem with fund raising, the team started the Fund establishment process including: (i) engagement of legal and tax structuring advisors; (ii) preparing the Fund's documentation, and (iii) setting up the relevant Fund vehicles.

vi. Leasing

EFG Hermes Leasing remained focused on its strategy that started in 2018 and aimed at increasing the number of clients and diversifying its portfolio to avoid turbulences in different sectors of the economy and reduce concentration risk of the portfolio. Moreover, the launch of the SMEs program backed by vendor alliances and availability of subsidized funding agreements led to an additional increase in SMEs contribution, which reached 13% in 3Q18, up from 6% in 4Q17.

Third quarter results marks the completion of the company's first three years life cycle. At the end of this period, the company has strong relationships/deals with a number of banks, providing financing in EGP and USD, and in final stages of launching its first securitization program that will take place within 4Q18.

	KPIs*					9M18	9M17	Y-o-Y
	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y			
Number of New Contracts	48	53	34	-9%	41%	133	128	4%
Total Leased Assets Cost (mn)	433	776	166	-44%	161%	1,570	1,155	36%
NFA for New Contracts (mn)	390	526	138	-26%	183%	1,223	906	35%
Receivables Value of New Contracts (mn)	552	833	422	-34%	31%	1,847	1,689	9%

*Off-balance sheet contracts are included in the above KPIs

Source: EFG Hermes Leasing

Quarterly Performance

The number of contracts initiated in 3Q18 increased 41% Y-o-Y to reach 48 contract and 133 contracts in 9M18, higher 4% Y-o-Y, albeit fierce competition. Total new bookings came at EGP390 million, up 183% Y-o-Y in 3Q18, and reached EGP1.2 billion in 9M18, up 35% Y-o-Y. Worth mentioning that the first 9 months bookings is equivalent to 2017 full year performance.

The total number of contracts of the Leasing business reached 516 active contracts since inception, with accumulated bookings value (NFA) of EGP3.5 billion of which EGP2.8 billion represents the outstanding portfolio by end of 3Q18.

Despite challenging macro environment and strong competition; the average margins of the first 9 months of 2018 increased, supported by efforts to reduce the weighted average cost of debt and diversify funding. Additionally, average arrangement fees increased over 1H18 on the back of higher SMEs activity.

Market Share

The Financial Regulatory Authority published the Leasing market shares and rankings for 1H2018. Third quarter numbers were not yet available when this report was published.

Contracts booked in 1H2018

	Company	Lease Value (mn)	Market Share
1	Corplease	1,707	11%
2	GB Lease	1,675	10%
3	EFG Hermes Leasing	1,510	9%
4	Al Tawfik Lease	1,219	8%
5	Global Lease	1,016	6%
6	Incolease	1,007	6%
7	Arab African	970	6%
8	BM Leasing	946	6%
9	Techno lease	771	5%
10	El Taameer Leasing	689	4%

vii. Micro-Finance “Tanmeyah”

Results in a Glance and Performance Review

	KPIs							
	3Q18	2Q18	3Q17	Q-o-Q	Y-o-Y	9M18	9M17	Y-o-Y
Number of Active Borrowers	260,701	225,403	146,410	16%	78%	260,701	146,410	78%
Number of Processed Applications	93,488	88,626	52,009	5%	80%	182,114	140,302	30%
Number of Loans Issued	80,513	75,452	46,172	7%	74%	155,965	124,841	25%
Outstanding Portfolio (EGP mn)	2,562	2,205	1,019	16%	152%	2,562	1,019	152%
Total Branches - Egypt	217	195	138	11%	57%	217	138	57%
Total Tanmeyah Staff	3,566	3,057	2,062	17%	73%	3,566	2,062	73%

Source: Tanmeyah

Operational Update

A stellar performance delivered by Tanmeyah for another quarter, with the number of active borrowers, applications processed and loans issued increasing 16%, 5% and 7% Q-o-Q, respectively. Tanmeyah’s total outstanding portfolio reached EGP2.6 billion at the end of 3Q18, more than doubling Y-o-Y and up 16% Q-o-Q. This was driven by the increase in the number of loan officers as the proficient operations unit promptly delivered new branches. Although on average the ticket size increased 26% Y-o-Y; Tanmeyah has seen fluctuations in the ticket size ranging between 14,000 and 15,500.

Tanmeyah opened 22 new branches during the 3Q18, to close the quarter with a total of 217 fully operational branches.

Tanmeyah’s full rollout of its Light Vehicles product has continued as planned with this new product now representing over 12% of Tanmeyah’s total portfolio, at a value of EGP324 million.

During 3Q18, active borrowers by geography and gender increased in line with each other; with the exception of a larger increase coming from the Greater Cairo area; as a direct result of improved productivity and branch presence in that area.

Tanmeyah continues to have a lower PAR 30+ (Portfolio at Risk) than the industry standard as a result of the quality of its portfolio and loan approval process.

viii. Consumer Finance “valU”

Products Offering

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

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

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

Results in a Glance and Performance Overview

	KPIs			
	3Q18	2Q18	9M18	Q-o-Q
Number of Downloads	21,407	49,155	95,387	-56%
Number of Sign-ups	16,182	32,169	63,860	-50%
Number of Online Applications Completed	3,708	7,246	13,233	-49%
Limits Activated Value (EGP mn)	57.1	64.2	134.5	-11%
Number of UBER Cars Delivered	48	18	79	167%
Number of Merchants	147	136	147	10%
Existing Governorates	Cairo & Alex	Cairo & Alex	Cairo & Alex	

Source: valU

valU does not only offer consumers with instant application decision on its FinTech services with the least documentation, but also it is a promotional platform that provides consumers with the latest offers in the market across 147 merchants for their benefit, inclusive of discounted products, bundled products, etc.

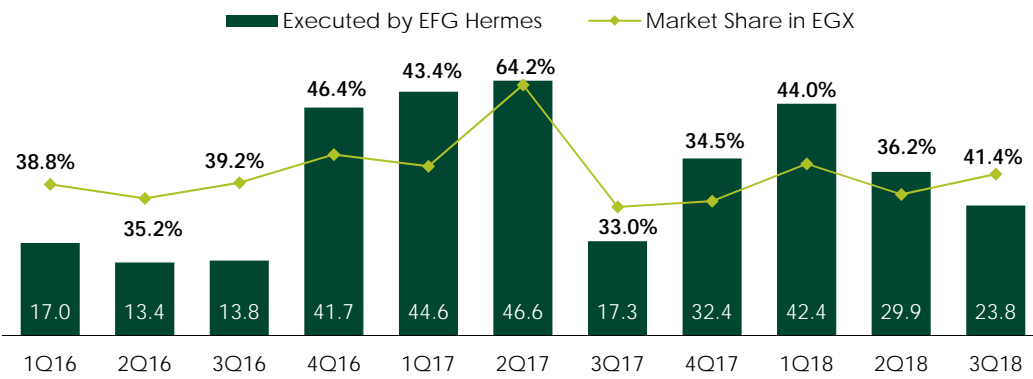
Total outstanding portfolio reached EGP64.4 million, up 87% Q-o-Q in 3Q18. This was largely supported by a 29% increase in the number of transactions, which reflected a more diversified brands offering - up 10% Q-o-Q in 3Q18.

ANNEX

EFG Hermes Executions & Market Shares

Egypt:

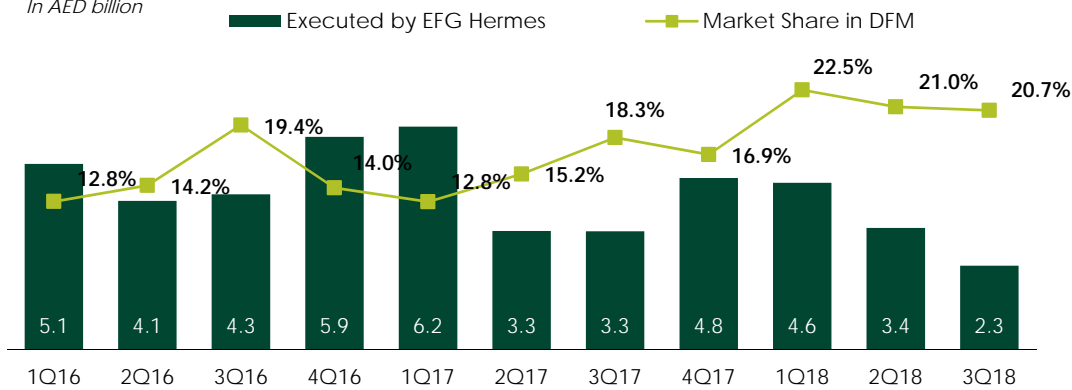
In EGP billion



*Market share calculation includes special transactions

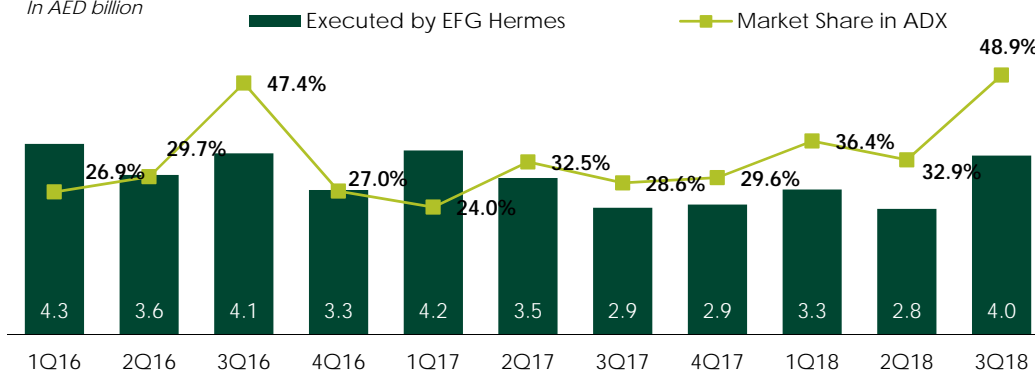
UAE - DFM

In AED billion

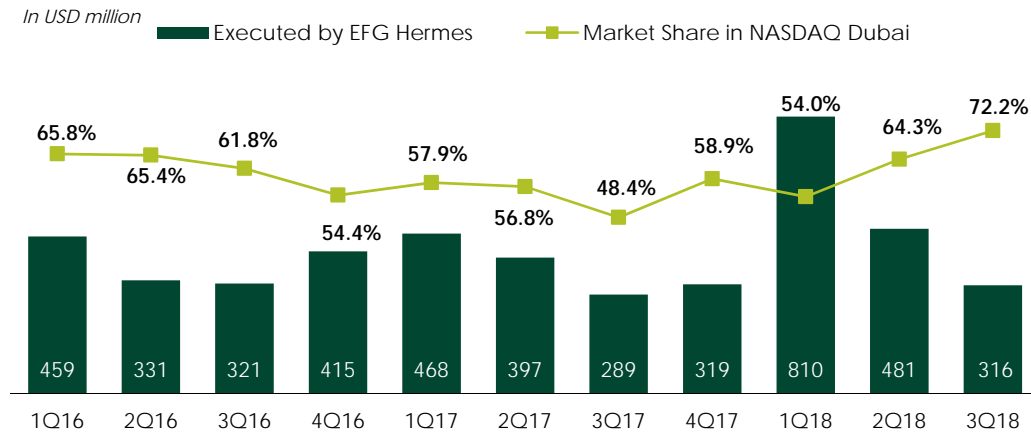


UAE - Abu Dhabi

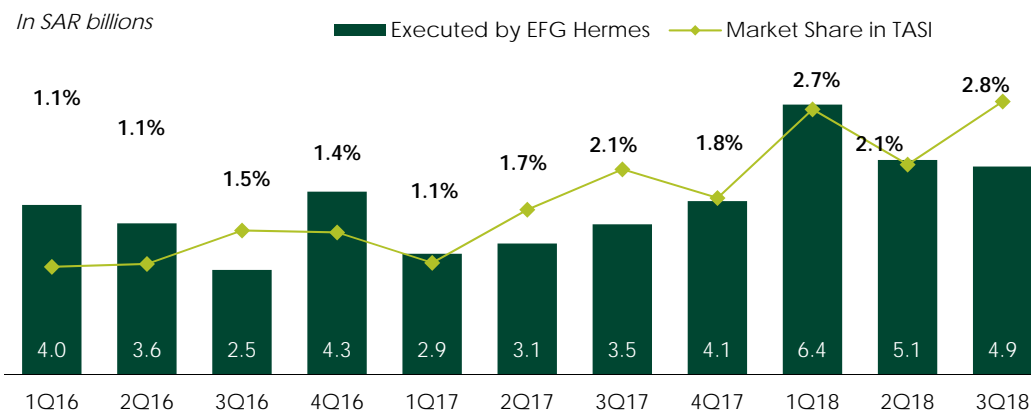
In AED billion



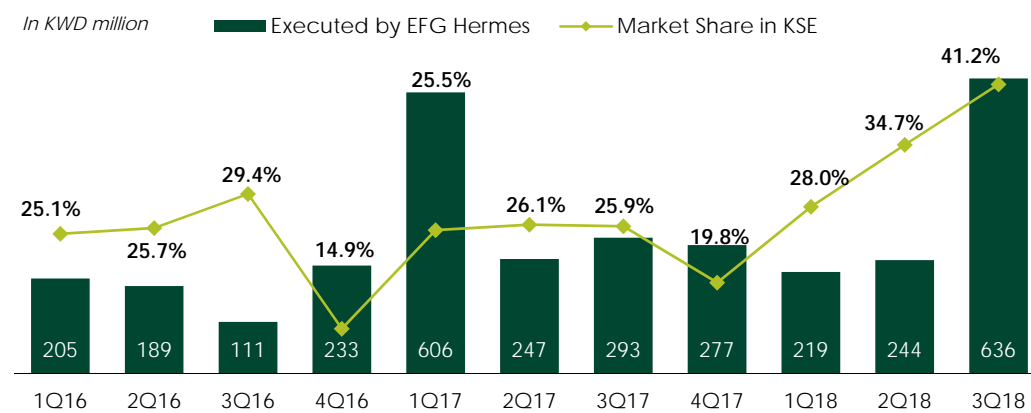
UAE – NASDAQ Dubai



KSA

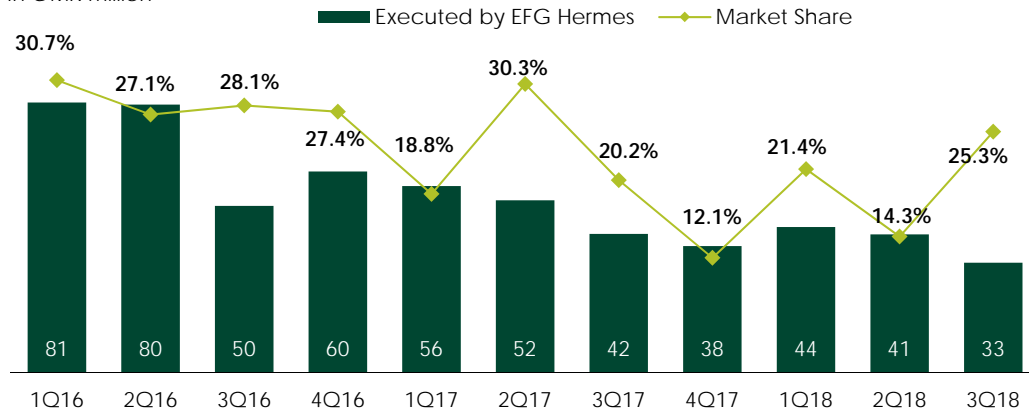


Kuwait



Oman

In OMR million



Jordan

In JOD million

