

EFG HERMES EARNINGS RELEASE 1Q2018

INVESTOR RELATIONS

Cairo, May 14th, 2018

EFG Hermes reports first quarter 2018, with Group Earnings of EGP249 million on operating revenues of EGP945 million. The Group Total assets stood at EGP34.7 billion at the end of 1Q18.

THE TEAM

MOHAMED ABDELKHABIR

Group Chief Financial Officer
mabdelkhabir@efg-hermes.com
Tel: +20 2 3535 6491



HANZADA NESSIM

Head of IR, Budgeting & Reporting
hnessim@efg-hermes.com
Tel: +20 2 3535 6502

MOHAB BAKR

IR, Budgeting & Reporting Associate
mbakr@efg-hermes.com
Tel: +20 2 3535 6349



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

≡ Group operating revenues reached EGP945 million in 1Q18, flat Y-o-Y. Normalizing the revenues by adjusting for one-off gains related to Credit Libanais's stake sale in 1Q17, Group revenues would be 15% higher Y-o-Y; underpinned by strong contribution from the NBFi platform, particularly from the micro-finance "Tanmeyah", and the buy-side;

≡ Fee and commission revenues, which accounted for 70% of the Group revenues in 1Q18 and mirror to a large extent business expansion and growth, rose 41% Y-o-Y to reach EGP659 million in the first quarter of the year, driven primarily by robust growth in the NBFis revenue;

≡ NBFis revenues more than doubled, up 125% Y-o-Y to EGP227 million in 1Q18 as their portfolio continues to grow, reaching roughly EGP4.0 billion by the end of 1Q18. Buy-side revenues saw an increase of 110% Y-o-Y to EGP116 million, predominately on the back of the consolidation of FIM and higher Private Equity management fees. Sell-side revenues was broadly unchanged, up 2% Y-o-Y to EGP316 million, as Brokerage and Investment Banking revenues were unchanged Y-o-Y;

≡ Capital markets & treasury operations revenues, which represent the remaining 30% of the Group's revenue in 1Q18, declined 41% Y-o-Y to EGP285 million in 1Q18, as 1Q17 included exits from a number of merchant banking investments amounting to EGP169 million, and that (given their nature) were not repeated in 1Q18;

≡ Group operating expenses rose 26% Y-o-Y to EGP605 million in 1Q18, on headcount expansion and higher operating costs required to cater for the product diversification and geographical expansion that the company witnessed Y-o-Y. However, employee expenses to operating revenues came at 42% in 1Q18, below the 50% mark.

≡ The Group net profit after tax and minority interest came at EGP249 million in 1Q18, down 30% Y-o-Y. Normalizing the earnings by excluding the one-off gain related to CL gain, the Group net profit would be higher 6% Y-o-Y, supported by the NBFis profitability, as the NBFi's contribution to the Group's overall results was remarkable, with the NBFi business contributing 18% and rising 233% Y-o-Y to EGP45 million in 1Q18.

ii. Group Financial Performance

<i>in EGP million</i>	Group Financial Highlights				
	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Group Operating Revenue	945	837	948	13%	0%
Investment Bank	718	650	847	10%	-15%
NBFIs	227	187	101	21%	125%
Group Operating Expenses	605	532	480	14%	26%
Group Net Operating Profit	339	306	468	11%	-28%
Group Net Operating Margin	36%	36%	49%		
Group Net Profit (Loss) After Tax & Minority Interest	249	236	359	6%	-30%
Investment Bank	204	222	345	-8%	-41%
NBFIs	45	14	14	231%	233%

Source: EFG Hermes Management Accounts

Group operating revenues recorded EGP945 million in 1Q18, flat Y-o-Y, as the comparable quarter included one-off gain from Credit Libanais's (CL) exit, which is booked on the Investment Bank side. Meanwhile, the Investment Bank revenue declined 15% Y-o-Y to EGP718 million in 1Q18, however if we exclude CL's exit proceeds booked in 1Q17; the Investment Bank revenues would be broadly flat Y-o-Y in 1Q18 showing a strong operational recovery especially when taking into account the strong merchant banking activities of 1Q17. The NBFi platform continued to deliver strong revenue growth, more than doubling Y-o-Y to reach EGP227 million in 1Q18.

Group operating expenses increased 26% to EGP605 million, mainly on the back of headcount increase and higher operating expenses related to business expansion. Thus, net operating profit reached EGP339 million, down 27% Y-o-Y in 1Q18, and reflecting a net operating profit margin of 36% in 1Q18.

Despite the Group net profit after tax and minority interest recording EGP249 million in 1Q18; this exhibited a 30% Y-o-Y decline, pressured by the comparable period, which included CL's stake sale proceeds. The Investment Bank net profit after tax and minority interest came at EGP204 million, down 41% Y-o-Y in 1Q18. Normalizing the Investment Bank profitability by excluding the one-off gain related to CL stake sale in 1Q17, net profit after tax and minority interest decline would be restricted to 8% Y-o-Y.

The NBFIs bottom line represented 18% of the Group's profitability, by recording a net profit after tax and minority interest of EGP45 million in 1Q18, up 233% Y-o-Y. Additionally, the NBFIs, namely Leasing and Tanmeyah, would have reported 338% higher net profit if we exclude the loss recorded from the start-up businesses, valU and Factoring, which combined reached a net loss of EGP15 million.

iii. Business Lines Financial Performance

in EGP million	Group Revenue by Platform				
	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Brokerage	266	235	266	14%	0%
Investment Banking	50	89	44	-44%	15%
Sell-Side	316	324	310	-2%	2%
Asset Management	92	119	46	-23%	102%
Private Equity	24	69	10	-65%	149%
Buy-Side	116	189	55	-38%	110%
Capital Markets & Treasury Operations	285	138	481	106%	-41%
Total Investment Bank	718	650	847	10%	-15%
Leasing*	96	90	50	6%	92%
Micro - Finance "Tanmeyah"	130	95	51	37%	154%
Consumer - Finance "valu"	1	2	0	-33%	N/M
Total NBFs	227	187	101	21%	125%
Group Operating Revenue	945	837	948	13%	0%
<i>Of Which:</i>					
Fee and Commission Revenue	659	699	466	-6%	41%
Capital Markets & Treasury Operations	285	138	481	106%	-41%

*Reported leasing revenue is net of financing costs; Gross Leasing revenue reached EGP181 million in 1Q18

Source: EFG Hermes Management Accounts

Fee and commission revenues, which accounted for 70% of the Group revenues in 1Q18 and mirror to a large extent business expansion and growth, rose 41% Y-o-Y to reach EGP659 million in the first quarter of the year, driven primarily by robust growth in the NBFs revenue, followed by higher Y-o-Y revenue growth delivered by the buy-side.

The NBFs revenue rose significantly, up 125% Y-o-Y to EGP227 million in 1Q18. Leasing and the micro-finance player "Tanmeyah" continued to grow their loan portfolios, with Leasing posting revenues of EGP96 million in 1Q18, higher 92% Y-o-Y, and Tanmeyah growing its revenues by 154% Y-o-Y to EGP130 million over the same period.

The buy-side revenues saw an increase of 110% Y-o-Y to EGP116 million in 1Q18. Asset Management revenues double to EGP92 million in 1Q18, up 102% Y-o-Y, supported by FIM's higher management and incentive fees. Similarly, Private Equity revenue rose 149% Y-o-Y to EGP24 million in 1Q18, on higher Vortex management fees.

On the sell-side, revenues was broadly unchanged, up 2% Y-o-Y to EGP316 million in 1Q18. Brokerage revenue came flat Y-o-Y at EGP266 million in 1Q18, as higher revenues generated from Frontier, Structured Products and KSA were offset by, lower revenues generated from UAE, Pakistan and Kuwait. Meanwhile, Investment Banking revenues rose 15% Y-o-Y to EGP50 million in 1Q18 on higher advisory fees.

Capital markets & treasury operations represented 30% of the total operating revenue in 1Q18, with revenues declining 41% Y-o-Y to EGP285 million in 1Q18. Excluding the one-off gain realized from the sale of CL stake amounting to EGP123 million in 1Q17, capital markets & treasury operations revenue would be 21% lower Y-o-Y, mainly on lower merchant banking related capital gains realized Y-o-Y.

iv. Group Operating Expenses

<i>in EGP million</i>	Group Operating Expenses				
	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Employee Expenses	395	303	359	31%	10%
Employees Expense/Operating Revenues	42%	36%	38%		
Employees Expense/Operating Expenses	65%	57%	75%		
Other Operating Expenses	210	229	121	-8%	74%
Other Operating Expenses/Operating Revenues	22%	27%	13%		
Other Operating Expenses/Operating Expenses	35%	43%	25%		
Total Operating Expenses	605	532	480	14%	26%

Source: EFG Hermes Management Accounts

Group operating expenses rose 26% Y-o-Y to EGP605 million in 1Q18, on higher employee expenses and other operating expenses. However, employee expenses to operating revenues came at 42% in 1Q18, below the 50% mark.

Employee expenses rose 10% Y-o-Y to EGP395 million in 1Q18 on higher salaries, which largely reflect additional headcount required for new territories, products and business lines expansion. Other operating expenses rose 74% Y-o-Y to EGP210 million in 1Q18, on higher depreciation expense related to leasing operations as the portfolio grew Y-o-Y, in addition to an increase in most of the other operating cost items required to cater for the product diversification and geographical expansion that the Firm is undergoing.

Of other operating expenses, occupancy expense rose 68% Y-o-Y to EGP40 million in 1Q18 mainly on the back of higher rent expense related to the sale and leaseback of the Firm's headquarters. Promotional and advertising expenses added 46% Y-o-Y to reach EGP14 million in 1Q18, on higher events expense. General expenses rose 105% Y-o-Y to EGP71 million in 1Q18, on higher depreciation expense related to Leasing operations. Travel expense increased 102% Y-o-Y to EGP10 million, on more marketing trips to reflect the increase in business activity.

Data communication expense increased 34% Y-o-Y to EGP34 million in 1Q18, office expense added 19% Y-o-Y to EGP5 million, telephone/fax/mobile expenses was up 74% Y-o-Y to EGP4 million, consultancy and service fees expense rose 40% Y-o-Y to EGP20 million over the same period; as all the aforementioned expenses increased on the back of higher business activity.

OPERATIONAL PERFORMANCE

i. Brokerage

Operational Performance Update

The positive momentum continued in 1Q18, with most of the MENA markets liquidity and volumes improving. Egypt and KSA posted the strongest performance across MENA while Dubai and Kuwait volumes contracted Q-o-Q. Our direct presence in Frontier, namely Pakistan and Kenya saw higher liquidity and improved performance as compared to 4Q17. Accordingly, EFG Hermes total execution for MENA and Frontier markets reached USD9.7 billion in 1Q18, up 19% Q-o-Q. On a Y-o-Y basis, EFG Hermes executions declined 5% Y-o-Y in 1Q18, predominately on lower executions in Kuwait and Pakistan Y-o-Y.

Reported revenues, which reflect MENA and Frontier markets' executions and structured products, reached EGP266 million in 1Q18, flat Y-o-Y and higher 14% Q-o-Q, predominately on higher revenue generated from Egypt, Frontier, and KSA.

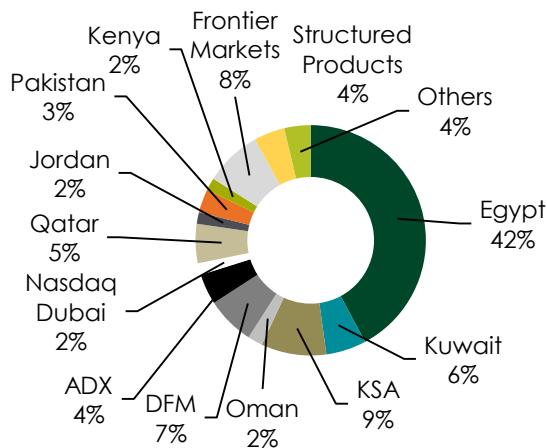
<i>in EGP million</i>	Brokerage Revenue				
	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Egypt	150	128	157	17%	-5%
UAE	33	30	50	8%	-34%
KSA	18	11	9	62%	99%
Oman	5	4	5	15%	-11%
Kuwait	11	13	31	-14%	-65%
Jordan	4	3	4	15%	-13%
Pakistan	6	5	10	12%	-45%
Frontier	24	10	0	140%	N/M
Structured Products	17	30	0	-45%	N/M
Total Revenue	266	235	266	14%	0%

*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, coming at 42% in 1Q18, versus 32% in 4Q17. During the quarter, the revenue mix changed, with Egypt contribution increasing by 10% Q-o-Q and structured product's contribution declining from 22% a quarter earlier to 4% in 1Q18. Moreover, KSA jumped to be the second largest contributor to the commissions' pool with a 9%.

Commissions Breakdown by Market

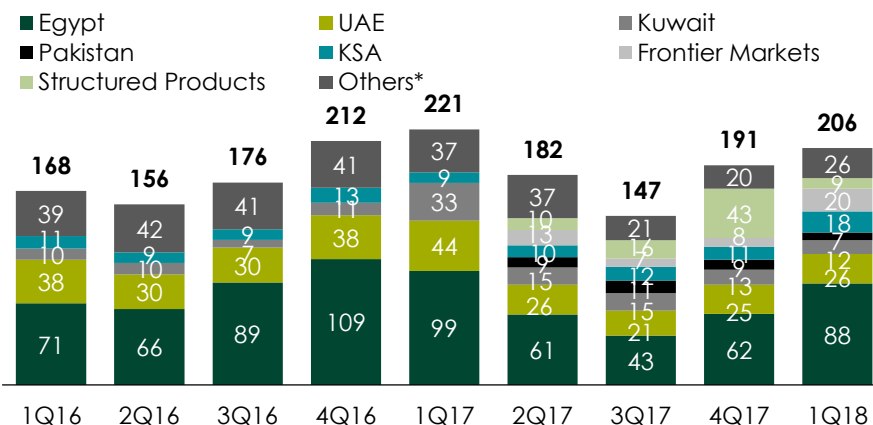


*Based on 1Q18 figures

The below chart highlight the average daily commissions generated by Brokerage and reported in USD. Aggregate average daily commissions for the Brokerage business increased 8% Q-o-Q to reach USD206 thousand in 1Q18, with Egypt's being the main contributor to the increase, with its average daily commissions rising 43% Q-o-Q; additionally KSA fared well, with its average daily commissions increasing 66% Q-o-Q.

Average Daily Commissions

In USD thousand



*Others including: Qatar, Oman, Lebanon, Jordan and UK (GDRs)
Source: EFG Hermes Brokerage

Brokerage Executions and Market Shares

<i>in USD million</i>	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Egypt*					
Market share	46.2%	34.5%	40.0%	11.7%	6.2%
Executions	2,400	1,834	2,519	30.9%	-4.7%
UAE - DFM					
Market share	22.5%	16.9%	12.8%	5.6%	9.7%
Executions	1,262	1,295	1,682	-2.5%	-25.0%
UAE - ADX					
Market share	36.4%	29.6%	24.0%	6.9%	12.4%
Executions	893	800	1,136	11.6%	-21.4%
UAE - Nasdaq Dubai					
Market share	54.0%	58.9%	57.9%	-4.9%	-3.9%
Executions	810	319	468	153.5%	73.0%
KSA					
Market share	2.7%	1.8%	1.1%	0.9%	1.6%
Executions	1,725	1,107	770	55.9%	124.0%
Kuwait					
Market share	28.0%	19.8%	25.5%	8.2%	2.5%
Executions	730	922	2,021	-20.9%	-63.9%
Oman					
Market share	21.4%	12.1%	18.8%	9.3%	2.6%
Executions	113	98	146	15.0%	-22.5%
Jordan					
Market share	11.3%	8.0%	22.0%	3.3%	-10.6%
Executions	63	40	519	55.5%	-87.9%
Pakistan					
Market share	4.0%	5.9%	N/A	-1.9%	N/M
Executions	203	238	N/A	-14.7%	N/M
Kenya					
Market share	7.7%	3.4%	N/A	4.4%	N/M
Executions	47	12	N/A	289.1%	N/M
Frontier					
Market share	N/A	N/A	N/A	N/M	N/M
Executions	280	114	N/A	145.1%	N/M
Structured Products					
Market share	N/A	N/A	N/A	N/M	N/M
Executions	279	603	N/A	-53.8%	N/M

*Market share calculation is based on executions excluding special transactions

** Executions in Qatar, Bahrain, Morocco, Lebanon, UK (GDRs) and others represent an additional 10% of total Brokerage executions in 1Q18
Source: EFG Hermes and Regional Exchanges

Egypt

Another buoyant quarter for the Egyptian equity market, with volumes increasing 15% Q-o-Q and the Hermes Financial Index (HFI) adding 15.5% Q-o-Q in 1Q18. The increase in volumes was mainly because of an increase in the institutional activity, which increased to 46% in 1Q18 up from 36% in 4Q17.

EFG Hermes maintained its first place in the quarter in terms of executions on the EGX, with the Firm's market share (excluding special transactions) jumping to 46.2% in 1Q18 from 34.5% a quarter earlier. The increase was supported by an increase in foreign participation in the Egyptian market, which increased from 14% in 4Q17 to 24% of total market turnover in 1Q18, where by EFG Hermes successfully captured 39% of this volume. On the retail side, the market continues to be dominated by retail investors who captured 54% of the market turnover, with EFG Hermes executing around 14% of the total market retail business.

During the quarter, EFG Hermes arranged two high profile conferences. The First was the second Egypt Day Conference, a three-day conference of direct meetings between the international investment community and top government officials, led by His Excellency President Abdel Fattah El Sisi, acting Prime Minister, the Governor of the Central Bank of Egypt and the economic group ministers. The conference was attended by 39 investors from world-renowned financial institutions with assets under management (AUMs) exceeding USD10 trillion and investors from the United States, the United Kingdom, France, Germany, South Africa and the GCC.

The second was EFG Hermes flagship conference, EFG Hermes One-on-One that continues to serve as the catalyst for capital market investment across Frontier Emerging Markets (FEMs), with this year's gathering seeing executives from 173 companies spanning 26 countries meet with 518 investors from 255 institutions managing more than USD8 trillion assets under management.

UAE – Dubai

The Dubai Financial Market took a back seat in 1Q18, with volumes declining 31% Q-o-Q and the DFMGI index weakening 7.8% Q-o-Q, as active western institutional flows subsided in 1Q18 and passive flows increased due to the MSCI rebalancing that took place at the end of February.

EFG Hermes managed to capture most of the MSCI rebalancing business, thus consequently EFG Hermes UAE Brokerage jumped to first place ranking on DFM in 1Q18, with a market share of 22.5%, up from a third place and a market share of 16.9% a quarter earlier.

#1

Egypt

Market share **46.2%**Executions **EGP42bn**

-5% Y-o-Y

#1

Dubai

Market share **22.5%**Executions **AED4.6bn**

-25% Y-o-Y

UAE – ADX

Performance on the ADX improved slightly, with the ADI rising 4.3% Q-o-Q in 1Q18; however, volumes decreased 9% Q-o-Q as both International active managers and GCC institutions activity declined.

The Firm managed to climb back to be the top ranked broker on the exchange (ADX) with a market share of 36.4% in 1Q18, this was largely attributed to the team capturing a significant share of the institutional flow (mainly from the International brokerage houses).

UAE – Nasdaq Dubai

Volumes continued to be on the low side on the Nasdaq Dubai market in 1Q18. EFG Hermes maintained its top ranking on the exchange with a 54.0% market share in 1Q18.

Saudi Arabia

The Saudi Market strengthened in 1Q18, with the Tadawal All Share Index gaining 8.9% Q-o-Q, and turnover broadly unchanged, up 4% Q-o-Q.

Foreign participation on the Tadawal market reached 4.56% in 1Q18 up from 2.56% in 4Q17, as trading increased ahead of KSA inclusion in MSCI and FTSE Emerging Indices. Accordingly, EFG Hermes market share rose to 2.7% in 1Q18 to reflect a 3rd place ranking among pure brokers (non-commercial banks) and a 2nd place ranking among foreign brokers in 1Q18.

The market continues to be dominated by retail investors whereas the percentage of foreign institutions participation via participatory notes did not exceed 2.5% in 1Q18. The QFI traded value reached 2.1% of market (SAR10 billion) in 1Q18.

#1

Abu Dhabi

Market share **36.4%**

Executions **AED3.3bn**

-21% Y-o-Y

#1

Nasdaq Dubai

Market share **54.0%**

Executions **USD810mn**

+73% Y-o-Y

#3

KSA

Market share **2.7%**

Executions **SAR6.4bn**

+124% Y-o-Y

Kuwait

Another slow quarter for the Kuwaiti market, with turnover declining 23% yet the KSE Index added 3.5% Q-o-Q. However, EFG Hermes IFA's market share and ranking improved Q-o-Q reach 28.0% and a 2nd place ranking in 1Q18, as foreign activity increased during that quarter supported by FTSE announcement that the rebalancing will take place in two tranches and the preliminary list of company names was provided. Moreover, there was a noticeable activity and inflows on the blue chips during the 1Q18 from institutional investors.

Furthermore, the Firm remains the top broker in terms of foreign institutional business in the market, capturing over 55% of foreigners' flow in 1Q18.

Oman

Omani market weakened in 1Q18, with turnover decreasing 17% Q-o-Q and the MSM Index losing 6.4% over the quarter. EFG Hermes market share increase to 21.4% in 1Q18 with a fourth place ranking, up from 12.1% and 5th place ranking in 4Q17, mainly as a result of a noticeable increase in local and GCC institutions activity during the quarter.

Jordan

The Amman Stock Exchange saw volumes increase 11% Q-o-Q in 1Q18, and the Index adding 5.0% Q-o-Q.

EFG Hermes market share increased to 11.3% in 1Q18 with a second place ranking in 1Q18. The increase in market share came on the back of high contribution from local clients' base, especially in March.

#2

Kuwait

Market share **28.0%**
Executions **KWD219mn**
-64% Y-o-Y

#4

Oman

Market share **21.4%**
Executions **OMR44mn**
-22% Y-o-Y

#2

Jordan

Market share **11.3%**
Executions **JOD44mn**
-88% Y-o-Y



Frontier

Frontier markets executions continued to grow in 1Q18 despite subdued trading volumes across most of the Frontier markets. First quarter of the year saw consistent trading across our four core Frontier markets (Nigeria, Kenya, Pakistan and Bangladesh) which made up for the bulk of the executions and revenues. Progress is witnessed on a quarterly basis as the team deals for more clients in more of markets. The team traded in over 20 markets this quarter for over 70 institutions directly this quarter (not including Kenya locals), versus 53 institution in 4Q17.

Strong Oil prices helped grow the Firm's executions in Nigeria. The quarter also saw a decent contribution from the first use of the Shamal program for a trade in Bangladesh, and BRVM saw a large block trade in 1Q18.

Pakistan

The Pakistani market rebounded in 1Q18 with the Karachi SE 100 Index climbing 12.6% Q-o-Q and the turnover rising 30% Q-o-Q, mainly on the back of improved political situation, interest rate hike and devaluation of the currency, which all were perceived positively by retail and local institutional investors.

EFG Hermes Pakistan market share came at 4.0% in 1Q18 (3.4% for all the trades executed via EFG Hermes Pakistan and 0.6% for the trades executed through other local brokers). The decline in our market share was largely attributed to lower foreign institutional activity.

Kenya

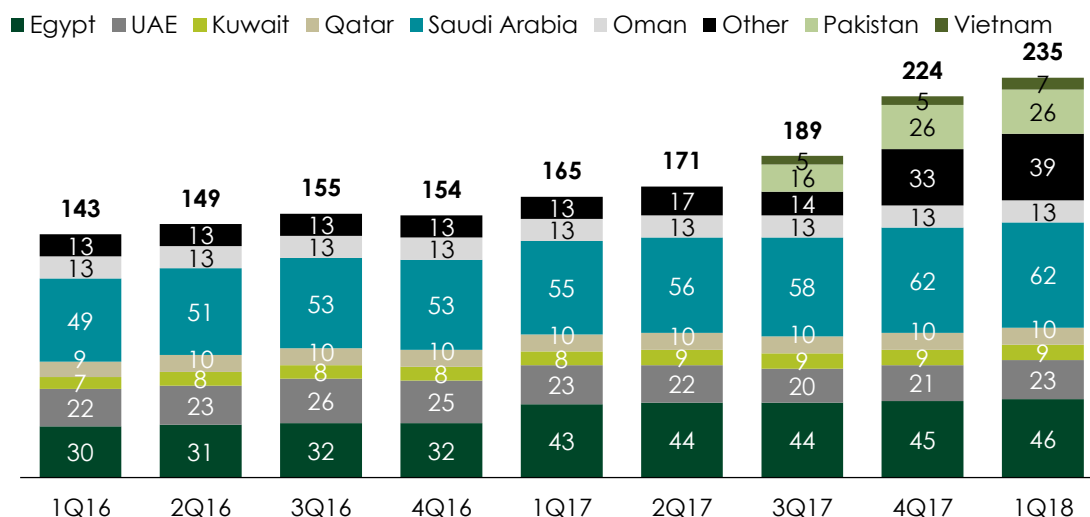
The market in Kenya saw a strong quarter in 1Q18, with the Index climbing 11.7% Q-o-Q and the volumes rising 68% Q-o-Q. Now with local counterparties on-boarded the team started to make headway getting into the flows and made various trades between local institutions and international clients. EFG Hermes Kenya market share climbed to 7.7% in 1Q18 from 3.4% in 4Q17, with an eighth place ranking in the market.



ii. Research

Research Coverage Universe

Number of Companies



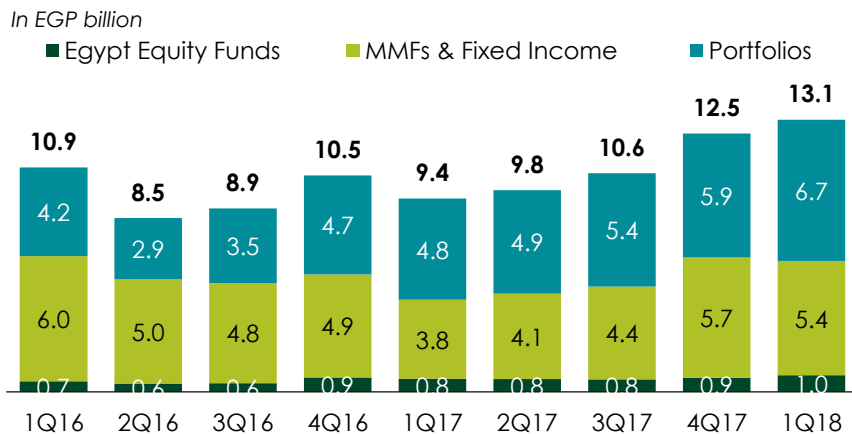
Source: EFG Hermes Research

The ongoing research coverage expansion continued in 1Q18 with three new countries added to our Frontier coverage. We initiated coverage on Mauritius (two banks), Uganda (two banks) and Bangladesh (a consumer company), which took the total countries under our coverage to 19. This represents a major milestone in our research buildout as we plan to initiate on a few more frontier countries (Zambia, Botswana, Ghana, Zimbabwe, and Sri Lanka) in the coming months and after that we will deepen our coverage on existing markets. In addition, we also initiated coverage of five other companies – two in the UAE (ADNOC Distribution, Emaar Development) and one each in Egypt, Morocco and Vietnam (Dice Sport & Casual Wear, Cimemts Du Maroc, Masan, respectively). We now cover 235 companies in total, which is up 70 companies Y-o-Y.

During the quarter, the research team issued thematically reports and made some calls which proven to be correct and timely. Additionally, the conference is always a highlight of any first quarter, and this year proved to be no exception. Our conference-based reports (first day and wrap-up) were extremely well read and we saw increasing traction with clients.

iii. Asset Management

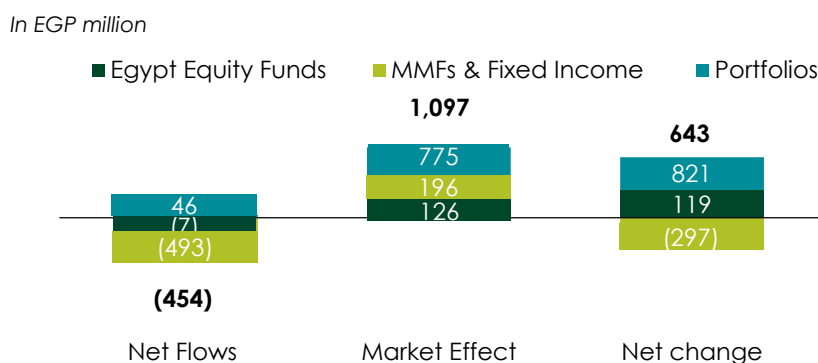
Egypt Assets under Management Evolution



Source: EFG Hermes Asset Management

EFG Hermes Egypt Asset Management AuMs reached EGP13.1 billion at the end of 1Q18, up 5.1% Q-o-Q, triggered by markets positive performance which overshadowed net outflows. Equity markets appreciation in 1Q18 added 8.8% to total AuMs base, driven primarily by portfolios AuMs growth, of which allocation to equity portfolios represented 73%. In terms of flows, a new balanced portfolio was added for an amount of EGP87 million in 1Q18, while MMFs outflows reached roughly EGP0.5 billion or 3.9% of the total AuMs size in 1Q18, thus resulting in a net outflows during the quarter of 3.6%.

Quarterly Change in Egypt Mandates



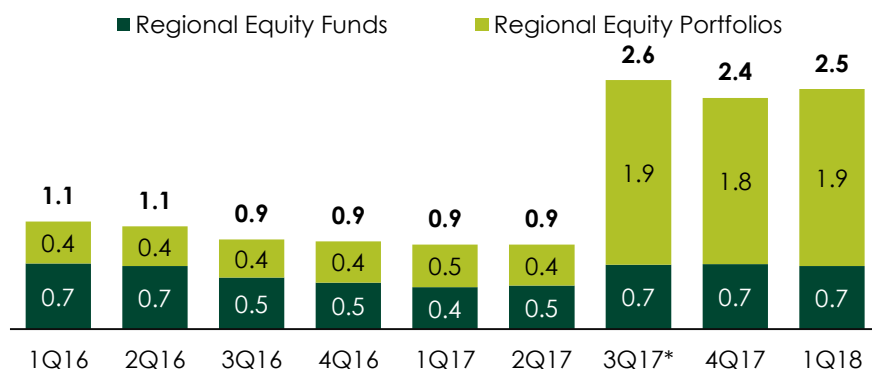
Source: EFG Hermes Asset Management

Fund Performance

The EFG Hermes Egypt Fund ended 1Q18 with a NAV of USD19 million versus a NAV of USD14 million at the end of 4Q17. The fund saw net subscription of USD2.7 million. In terms of performance, the fund was up 16.5% versus the Hermes Financial Index (HFI), which returned 15.5% over the same period.

Regional “FIM” Assets under Management Evolution

In USD billion

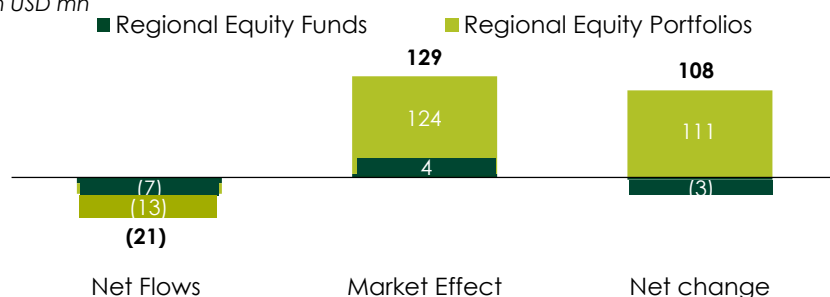


* 3Q17 AuMs reflect the addition of FIM's AuMs post EFG Hermes' completion of 50% investment in FIM
Source: EFG Hermes Asset Management and FIM

EFG Hermes Regional Asset Management “FIM” AuMs' rose 4.5% Q-o-Q to USD2.5 billion at the end of 1Q18, as the funds/portfolios positive performance offset net outflows. The net outflows withdrew 1% of the AuMs, and was largely attributed to outflows in one of the portfolios. However, funds/portfolios positive performance added 5% to the AuM base and overshadowed the net outflows.

Quarterly Change in Regional Mandates

In USD mn



Source: EFG Hermes Asset Management and FIM

Funds Performance

MENA Long Term Value Fund ended the quarter with a NAV of USD305 million at the end of 1Q18 versus USD308 million at the end of 4Q17. The Fund saw no subscriptions nor redemptions during the quarter. The Fund lost 1% during the quarter.

EFG Hermes Saudi Arabia Equity Fund ended the quarter with a NAV of USD10 million in 1Q18, versus a NAV of USD9 million a quarter earlier. The fund a net inflows of USD0.9 million during the quarter. The Fund gained 10% during the quarter versus the Tadawal All Share Index, which rose 9% over the same period.



FIM EM Frontier Fund ended the quarter with a NAV of USD121 million in 1Q18 versus USD130 million in 4Q17. The Fund saw redemptions of USD8 million during the quarter. The Fund ended the quarter flat versus the MSCI FEM Index, which rose 1% over the same period.

FIM MENA Horizon Fund ended the quarter with a NAV of USD54 million in 1Q18 versus a NAV of USD39 million in 4Q17. The Fund saw net subscriptions of USD12 million during the quarter. The Fund gained 9% during the quarter versus the S&P Pan Arab Composite Index, which also rose 9% over the same period.





iv. Investment Banking

In 1Q18, EFG Hermes Investment Banking team successfully concluded 4 equity, M&A and debt transactions amounting to USD976 million.

The department acted as sole global coordinator and book runner on two major Egyptian equity offerings. The team completed the rights issue offering of Cleopatra Hospitals Group – the largest private hospital group in Egypt – for USD40 million allowing the group to pursue further acquisition opportunities and deleverage its balance sheet. The division also completed the USD870 million rights issue offering of Orange Egypt.

In the M&A space, the investment banking division served as sell-side advisor to Waha Capital with regards to the USD48 million sale of its outstanding equity capital in Proficiency Healthcare Diagnostics Laboratories – an owner and operator of healthcare service centers. The transaction saw Waha Capital divest 100% of its stake in the UAE-based company. On the debt front, the team arranged a USD18 million debt facility for one of its clients.

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



v. Private Equity

Infrastructure:

Vortex platform's AUMs and managed capacity at the end of 1Q18 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) during 1Q18 period generated EBITDA of c.EUR52 million. In addition, Vortex Solar's EBITDA reached GBP3 million in 1Q18, on the back of 50 GWh of electricity produced during the same period.

Rx Healthcare Fund (RxHF):

The team is actively engaged in Fund's first investment.

vi. Leasing

During 1Q18, the team signed two new vendor programs, as the Leasing division continued to open new business channels. The first one with Solarize, one of the very effective solar energy solutions providers, by structuring different mechanisms to serve both B2B and B2C activities. The second is a new player in the health care sector, Meditech, the sole agent of Cerona, one of the biggest suppliers in the dental field. The signature of those two agreements signals a positive indication for the build up of a healthy pipeline for the SME segment.

A new milestone in funding was reached for EFG Hermes Leasing, by signing a subsidized facility agreement with the Saudi Development Fund in collaboration with MIIC directed to the SMEs. This initiative is a new tool, which expected to play an integral role in pushing the growth of the SMEs contribution to the total portfolio to reach 20% by end of 2018, which is currently approximately 8%.

Quarterly Performance

During first quarter 2018, activity started to pick up again, with contracts value booked witnessing an 11% Q-o-Q increase pushing net financed amounts to EGP289 million in 1Q18 compared to EGP260 million in 4Q17, this takes accumulated bookings value (NFA) to EGP2.6 billion, and the net outstanding portfolio to EGP2.2 billion by the end of 1Q18. However, net financed amounts declined 29% Y-o-Y in 1Q18, reflecting the slowdown in demand on the back of the 4% increase in interest rates that took place in 2H17. On a positive note, the recent change undertaken by the CBE and the decrease in the corridor rates, showed a tangible impact starting March, with 65% of the division's bookings for the quarter taking place in March; an indication of an increase in business activity in general and an improvement in the appetite for capex spending.

In addition, EFG Hermes Leasing succeeded in arranging a club deal with ENBD Leasing, whereby EFG Hermes Leasing played the role of a security agent, for an amount of EGP221 million that will be reflected in April performance and 2Q18 results.

Market Share

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

vii. Micro-Finance “Tanmeyah”

Results in a Glance and Performance Review

The table below highlights the main KPIs:

KPIs	1Q18	4Q17	1Q17	Q-o-Q	Y-o-Y
Total Number of Active Borrowers	193,133	166,649	113,760	16%	70%
Total Portfolio Outstanding (EGP mn)	1,747	1,254	691	39%	153%
Total Branches - Egypt	171	150	123	14%	39%
Tanmeyah Staff	2,603	2,358	1,945	10%	34%

Source: Tanmeyah

Operational Update

A notably strong quarter for Tanmeyah, with the number of active borrowers, applications processed and loans issued increasing 16%, 26% and 25% Q-o-Q, respectively. Tanmeyah's total outstanding portfolio reached EGP1.7 billion at the end of 1Q18, up 39% Q-o-Q and showing the fastest rates of growth in Tanmeyah's history. This was driven by higher productivity levels from loan officers as consumers showed an increased appetite for Tanmeyah's products as well as an increase in the number of loan officers as the proficient operations unit promptly delivered new branches. The company opened 21 new branches during 1Q18, to close the quarter with 171 operational branches. The average ticket size has also increased throughout the year because of inflation and direct management interventions.

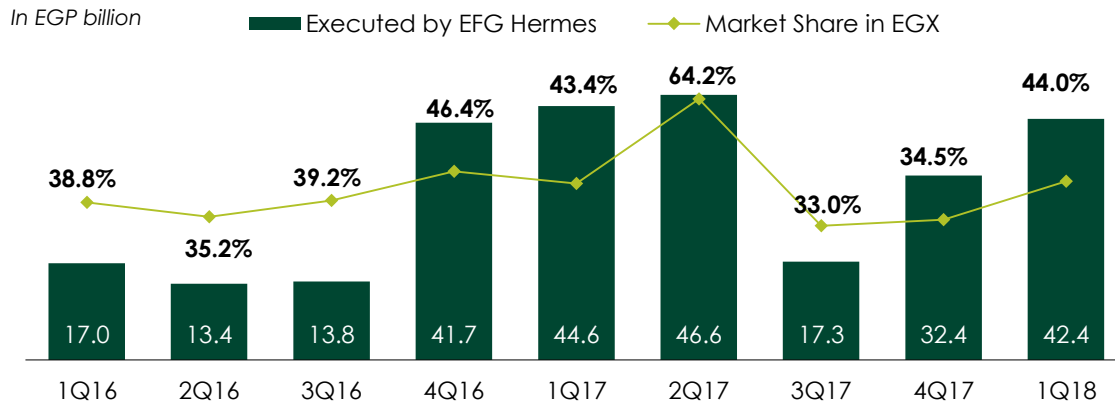
The company's ROAA continued its upward curve, reaching 13.6% by the end of the quarter. This reflects the company's increased profitability resulting from exceeding sales targets while optimizing its operating expenses.

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

ANNEX

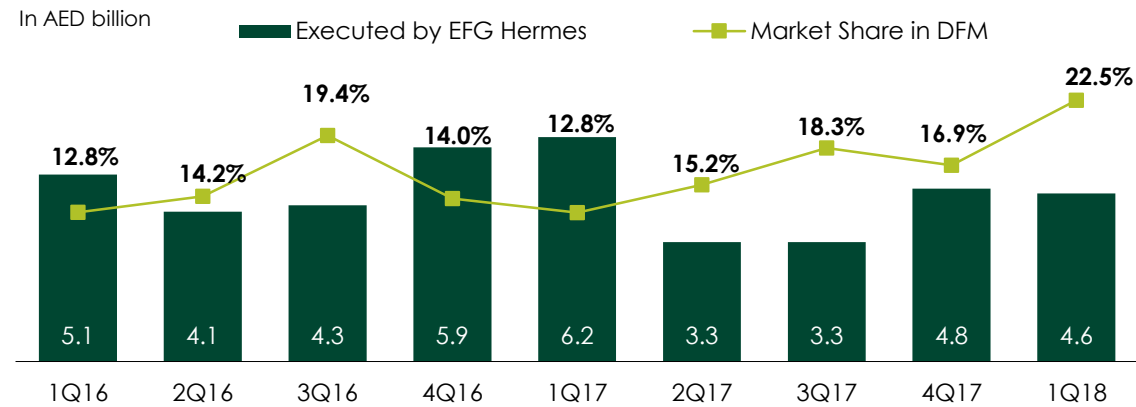
EFG Hermes Executions & Market Shares

Egypt:

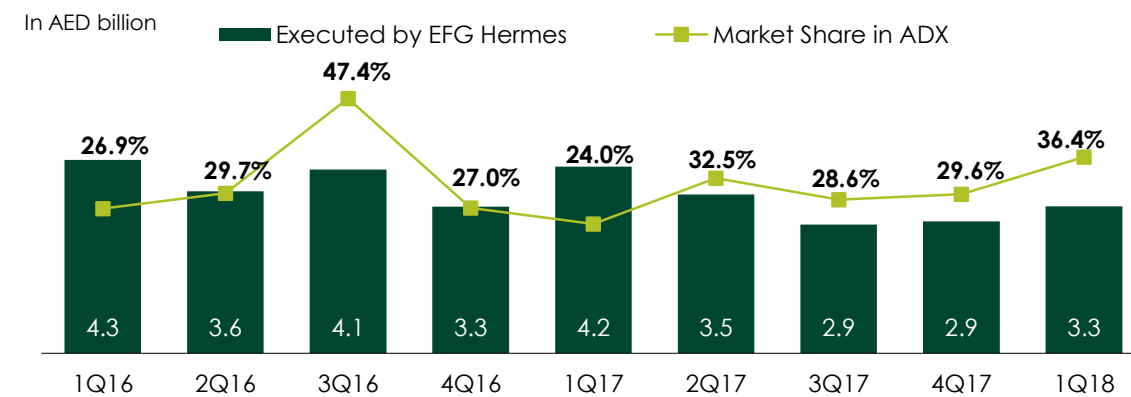


*Market share calculation includes special transactions

UAE- DFM

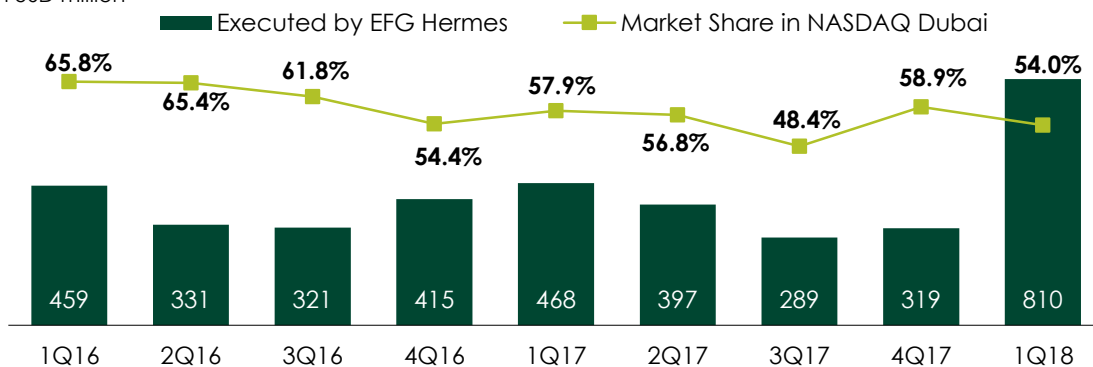


UAE – Abu Dhabi



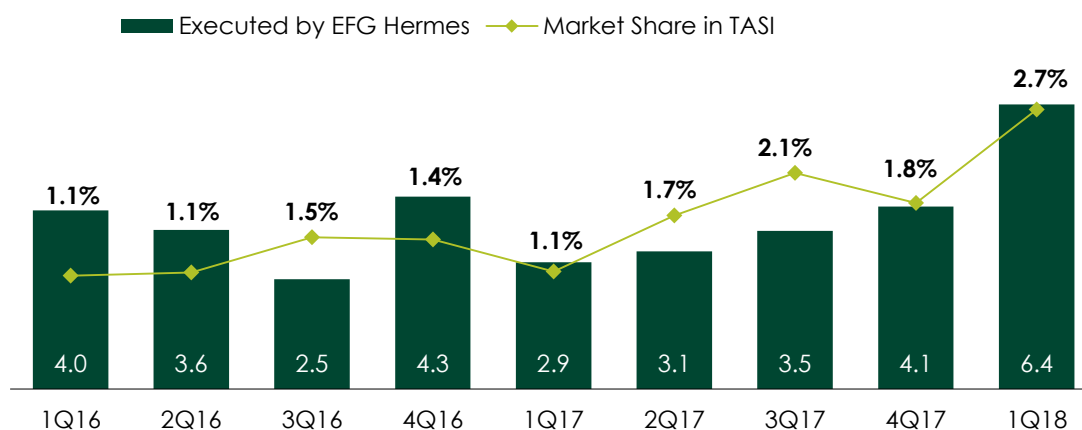
UAE – NASDAQ Dubai

In USD million



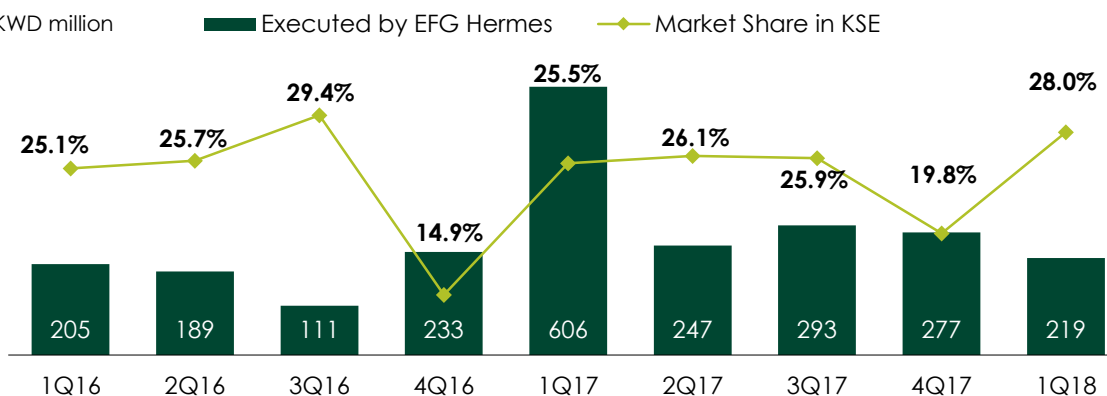
KSA

In SAR billions



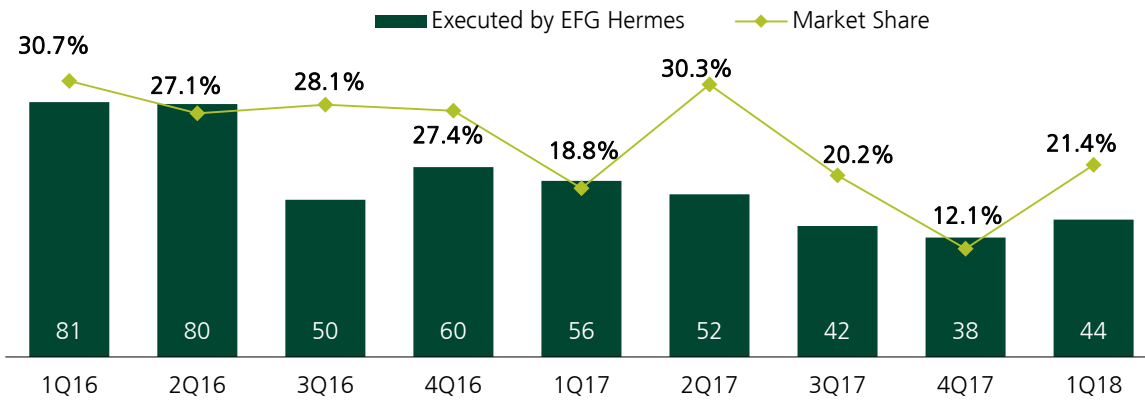
Kuwait

In KWD million



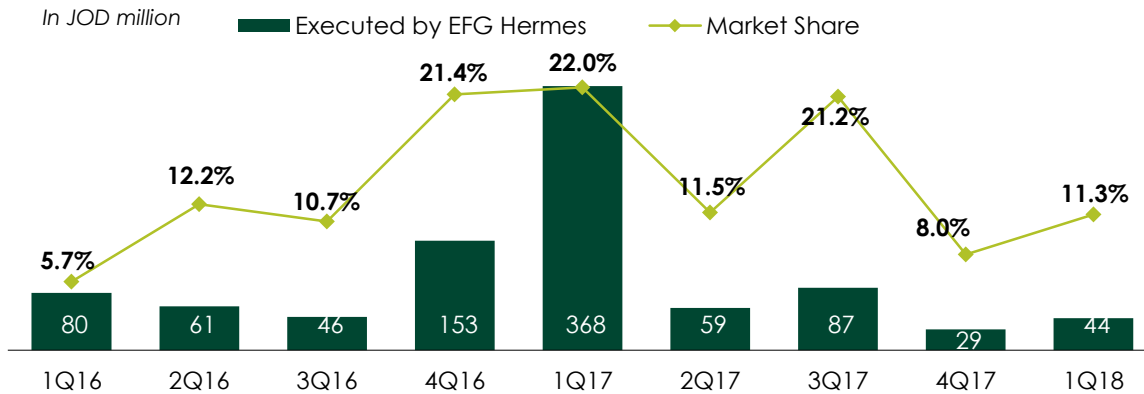
Oman

In OMR million



Jordan

In JOD million



Disclaimer

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

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

This document is provided for informational purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy any securities or interests described within it in any jurisdiction. We strongly advise potential investors to seek financial guidance when determining whether an investment is appropriate to their needs.

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 .HFISMCAAP .HFIDOM

EFG Hermes (Holding Main Office)

Building No. B129, Phase 3, Smart Village – km 28 Cairo Alexandria Desert Road, 6 October Egypt 12577

Tel +20 2 353 56 499

Fax +20 2 353 70 942

www.efghermes.com