

EFG HERMES REPORTS FULL YEAR 2016 GROUP EARNINGS FROM CONTINUING OPERATIONS OF EGP1.6 BILLION; ON OPERATING REVENUE OF EGP4.0 BILLION

Cairo, March 27th, 2017 – EFG Hermes reported today net profit after tax and minority interest from continuing operations of EGP1.4 billion in 4Q16, up from EGP44 million in 4Q15. Operating revenue rose 845% Y-o-Y to EGP3.0 billion in 4Q16. Net profit after tax and minority interest from continuing and discontinued operations reached EGP1.5 billion in 4Q16, up from EGP80 million in 4Q15. The Group total assets stood at EGP22.8 billion at the end of 4Q16.

Key Highlights

FY2016

- ≡ Management decision to hold a long dollar position paid off well, with the Firm reporting a net profit after tax and minority interest from continuing operations of EGP1.6 billion, up 690% Y-o-Y in FY16;
- ≡ The Firm posted EGP4.0 billion in revenues in FY16, up 279% Y-o-Y; predominately on fx-gains realized largely in the final quarter of the year, and underpinned by an improvement in the core business operations, as fees and commissions rose 50% Y-o-Y to record EGP1.2 billion in FY16;
- ≡ Operational revenue, which excludes fx-gains booked on business lines, rose 34% Y-o-Y in FY16, primarily on robust Brokerage revenue and stronger revenue contribution from the growing non-bank finance platform, namely, Leasing and Tanmeyah;
- ≡ In an attempt to adapt to market realities, the Firm undertook some cost restructuring initiatives that would present opportunities for future cost savings and increase the overall efficiency of our management team. With that in mind, total operating expenses rose 155% Y-o-Y to EGP1.9 billion in FY16, inflated by one-off and exceptional costs booked in 4Q16, costs associated with the new businesses Leasing and Tanmeyah, and higher inflation Y-o-Y. However, even without excluding those one-off and exceptional items, employee expenses/ operating revenue came at 35% in FY16, well below our 50% target;
- ≡ The Firm reported a net operating profit of EGP2.1 billion, up 568% Y-o-Y in FY16, to reflect a net operating profit margin of 53%;
- ≡ We continue to divest our remaining stake in Credit Libanais post the sale of our majority stake in the Bank and its subsequent deconsolidation in 2Q16. In 4Q16, we offloaded an additional 1.0% of the Bank's shares, thus leaving the Firm with 15.1% stake at the end of the year.

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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

The Commercial Bank was deconsolidated in 2Q16 and thus the Investment Bank now represents the Group “the Firm” performance. Accordingly, we will review the Investment Bank financial and operational performance to portray the quarter’s/year’s overall activity of the Firm.

i. Group Financial Performance

<i>in EGP millions</i>	Investment Bank Financial Highlights							
	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Total Operating Revenue	3,026	294	320	929%	845%	4,008	1,058	279%
Total Operating Expenses	1,176	219	245	438%	380%	1,889	741	155%
Net Operating Profit	1,849	76	75	2349%	2356%	2,119	317	568%
Net Operating Margin	61%	26%	24%			53%	30%	
Net Profit After Tax & Minority Interest (Continuing Operations)	1,412	41	44	3331%	3133%	1,580	200	690%
Net Profit After Tax & Minority Interest (Continuing and Discontinued Operations)	1,462	151	80	871%	1718%	1,414	461	206%

Source: EFG Hermes Management Accounts

EFG Hermes reported strong 4Q16/FY16 results bolstered by fx-gains realized post the EGP floatation that occurred in November 2016, as the management adopted a long position strategy for the dollar. The Firm reported a stellar growth in net operating revenue, up 845% Y-o-Y to EGP3.0 billion in 4Q16, underpinned by fx-gains and higher operational revenue. Operational revenue, which excludes fx-gains, rose 40% Y-o-Y in 4Q16; as almost all business lines posted an improvement in revenue together with the additional revenue generated from Tanmeyah, which was acquired only in 2Q16.

On the cost side, total operating expenses increased 380% Y-o-Y to EGP1.2 billion in 4Q16; mainly on the back of higher Y-o-Y inflation, costs associated with the recent restructuring, a number of exceptional and one off items that were booked in 4Q, the additional costs base of Tanmeyah and higher Leasing business depreciation expense as the portfolio grew Y-o-Y.

As a result, net operating profit reached 1.8 billion in 4Q16 up from EGP75 million a year earlier, which reflects a net operating profit margin of 61% in 4Q16. This filtered into higher bottom line, with the Firm reporting a net profit after tax and minority interest from continuing operations of EGP1.4 billion, in 4Q16 up from EGP44 million in 4Q15.

For FY16, the Firm recorded a net operating revenue of EGP4.0 billion, up 279% Y-o-Y. This was predominately driven by fx-gains booked in the final quarter of the year and an improvement in operational revenue (excluding fx-gains), which rose 34% Y-o-Y; as some business lines posted higher revenues Y-o-Y together with the consolidation of Tanmeyah in 2Q16.

On the operational level, the Firm reported a net operating profit margin of 53% in FY16 to reflect a net operating profit of EGP2.1 billion (up 568% Y-o-Y), as higher revenues surpassed higher expenses. The Firm operating expenses rose 155% Y-o-Y to EGP1.9 billion in FY16 largely due to (i) higher operating expenses related to higher inflation; (ii) costs related to the recent restructuring; (iii) a number of one-off charges, (iv) Tanmeyah’s consolidation in 2Q16; and (v) a larger depreciation expense booked in 2016 for the Leasing business, which mirrors a complete year of operations with a bigger portfolio in 2016 as opposed to 7 months of start-up operations in 2015.

The above translates into, a Group net profit after tax and minority interest from continuing operations of EGP1.6 billion million in FY16, up 690% Y-o-Y and a Group net profit after tax and minority interest from continuing and discontinued operations of EGP1.4 billion in FY16.

ii. Business Lines Financial Performance

<i>in EGP million</i>	Investment Bank Revenue							
	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Brokerage	260	86	93	204%	181%	562	344	63%
Egypt	199	57	60	251%	229%	399	209	91%
Regional	62	29	32	112%	91%	163	135	21%
Asset Management	77	30	101	161%	-23%	172	211	-18%
Egypt	45	6	10	666%	367%	69	39	75%
Regional	32	24	91	36%	-64%	104	172	-40%
Investment Banking	42	13	14	224%	209%	149	163	-9%
Egypt	36	13	14	171%	159%	142	142	-
Regional	7	0	0	N/M	N/M	7	21	-68%
Private Equity	26	17	12	51%	113%	121	86	41%
Leasing	41	31	12	31%	249%	118	20	486%
Micro - Finance " Tanmeyah"	38	39	0	-2%	N/M	113	0	N/M
Fees and Commissions	484	215	231	125%	110%	1,235	825	50%
Capital Markets & Treasury Operations	2,541	79	89	3114%	2753%	2,772	234	1086%
Total Operating Revenue	3,026	294	320	928%	845%	4,008	1,058	279%

Source: EFG Hermes Management Accounts

EFG Hermes reported robust operating revenue, up 845% Y-o-Y to EGP3.0 billion, on the back of higher capital markets & treasury operations revenue and higher fees and commissions. Contribution to total operating revenue was skewed towards capital markets and treasury operations, which represented 84% in 4Q16; meanwhile, fees and commissions represented the remaining 16%.

Capital markets & treasury operations revenue hiked to EGP2.5 billion in 4Q16 from EGP89 million in 4Q15 on the back of fx-gains booked post the Egyptian pound floatation. If we exclude the fx-gains, revenue generated from capital markets and treasury operation would be down 12% Y-o-Y, and the adjusted (for fx-gains) contribution to the total revenue would be 17%.

Fees and commissions revenue, which represented 16% of the total operating revenue, rose 110% Y-o-Y to EGP484 million in 4Q16, predominately on higher revenue generated from all business lines (with the exception of Asset Management); together with the additional revenue booked from Tanmeyah, which was acquired in 2Q16. Moreover, if we exclude all fx-gains booked on different business lines, fees and commissions revenue would remain higher by 59% Y-o-Y in 4Q16.

Brokerage revenue rose 181% Y-o-Y to EGP260 million in 4Q16, on the back of higher brokerage commissions booked on EGX as volumes improved significantly and on USD revenue generating markets (except Kuwait). Investment Banking revenue climbed 209% Y-o-Y to EGP42 million on higher advisory fees, and Private Equity revenue added 113% Y-o-Y to EGP26 million. Moreover, Leasing revenue increased 249% Y-o-Y to EGP41 million in 4Q16 as the business ramped up and the portfolio grew. Additionally, the recently acquired Tanmeyah, recorded a revenue of EGP38 million in 4Q16. On the other hand, Asset Management revenue declined 23% Y-o-Y to EGP77 million in 4Q16, on lower incentive fees; as higher incentive fees booked on Egyptian equities failed to offset the Y-o-Y decline in regional equities' incentive fees, as regional equities booked exceptionally strong incentive fees in 4Q15.

For FY16, the Firm posted 279% Y-o-Y growth in revenues to reach EGP4.0 billion, predominately on fx-gains realized on the capital markets and treasury operations line, which rose to reach EGP2.8 billion in FY16. Additionally, fees and commissions also improved, up 50% Y-o-Y to record EGP1.2 billion for the year.

If we exclude fx-gains on all revenue lines, total operating revenue would be higher 34% Y-o-Y in FY16, on the back of higher capital markets and treasury operations revenue, which would increase 31% Y-o-Y in FY16, and on higher fees and commissions, which would be higher by 34% Y-o-Y. Capital markets & treasury operations' and fees and commissions' contribution to total revenue would stand at 15%/85% if we exclude fx-gains.

Brokerage revenue rose 63% Y-o-Y to EGP562 million in FY16 on higher brokerage commissions from all markets except Kuwait. Private Equity revenue improved 41% Y-o-Y to EGP121 million in FY16, predominantly on the back of incentive fees. Leasing added EGP118 million in revenues during FY16 versus EGP20 million in FY15 as the business continues to grow and to reflect a full year of operations versus 7 months of operations in FY15; furthermore, Tanmeyah's contribution to the top line reached EGP113 million since its consolidation in 2Q16.

On the other hand, Asset Management revenue declined 18% Y-o-Y to EGP172 million on the back of lower incentive fees. Investment Banking revenue declined 9% Y-o-Y to EGP149 million, a marginal decline compared to FY15 which included a number of relatively large IPOs in Egypt.

iii. Investment Bank Operating Expenses

<i>in EGP millions</i>	Investment Bank Operating Expenses							
	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Employee Expenses	913	140	181	554%	405%	1,400	524	167%
Employee Expenses/Operating Revenue	30%	47%	56%			35%	50%	
Employee Expenses/Operating Expenses	78%	64%	74%			74%	71%	
Other Operating Expenses	263	79	64	234%	310%	488	217	125%
Other Operating Expenses/Operating Revenue	9%	27%	20%			12%	20%	
Other Operating Expenses/Operating Expenses	22%	36%	26%			26%	29%	
Total Operating Expenses	1,176	219	245	438%	380%	1,889	741	155%

Source: EFG Hermes Management Accounts

Total operating expenses increased 380% Y-o-Y to EGP1.2 billion in 4Q16, as the final quarter included one-off expenses that impacted employee and other operating expenses. However, even with the exceptional items, employee expenses/ operating revenue was kept as low as 30% in 4Q16.

The Firm embarked on another round of restructuring to reshape its cost base to match today's markets realities, management took measures, which targeted entrenched cost categories, however, would pay-off in the longer term. Employee expenses rose 405% Y-o-Y to EGP913 million in 4Q16 mainly on: (i) an increase in the overseas salaries denominated in USD or USD pegged currencies post the EGP floatation; (ii) one-off expenses related to the restructuring; (iii) an increase in the salaries pool with Tanmeyah's consolidation in 2Q16; (iv) the Y-o-Y annual salary increases required to keep pace with inflation; and (v) an increase in monthly bonuses realized on Brokerage as markets' executions improved Y-o-Y and the inclusion of Tanmeyah's monthly bonus.

Other operating expenses rose 310% Y-o-Y to EGP263 million in 4Q16; on one-off expenses booked in 4Q16 and on higher depreciation expense directly related to Leasing operations as the business ramps up. Additionally, higher inflation in Egypt took its toll on expenses, together with an increase in dollar based expenses post the EGP floatation.

Of other operating expenses, occupancy expense rose 81% Y-o-Y to EGP19 million in 4Q16 mainly on the back of higher regional offices rental charges. Data communication expenses increased 88% Y-o-Y to EGP19 million as the majority of the services received are in USD or USD pegged currencies. Telephone/fax/mobile expenses was up 38% Y-o-Y to EGP3 million, office expense added 141% to EGP11 million, travel expenses rose 99% Y-o-Y to EGP12 million, all reflecting higher inflation. General expenses reached EGP103, as 4Q16 included a number of higher expenses. Promotional and advertising expenses rose 145% Y-o-Y to EGP17 million as the quarter included marketing expenses associated with the launch of the new businesses. Consultancy and service fees expense rose to EGP79 million from EGP12 million in 4Q15 mainly on a number of exceptional legal fees and third party fees associated with business operations.

In FY16, total operating expenses rose 155% Y-o-Y to EGP1.9 billion, driven mainly by an increase in employee expenses, restructuring cost, one-off expenses and other operating expenses. Employee expenses rose 167% Y-o-Y to EGP1.4 billion and other operating expenses rose 125% Y-o-Y to EGP488 million; largely on the aforementioned reasons.

II. OPERATIONAL PERFORMANCE

i. Brokerage

The year 2016 closed on strong footing, with all regional markets witnessing a significant improvement in liquidity during the final quarter of the year. Performance overall improved, however the Egyptian equities posted the most significant increase post the currency devaluation. The average increase in liquidity for all the regional markets that EFG Hermes execute in is 74%, while the average improvement in performance was 15% in 4Q16.

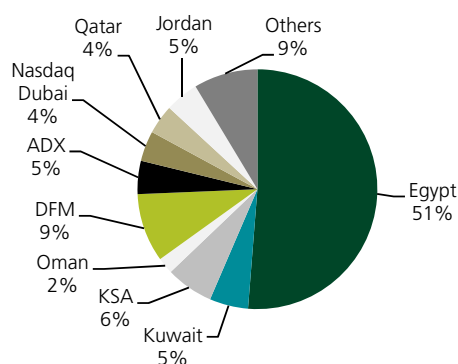
This resulted in EFG Hermes total executions reaching USD9.0 billion in 4Q16 up from USD6.7 billion in 3Q16, representing an increase of 11% Y-o-Y and 34% Q-o-Q. Higher brokerage executions in our main markets were largely reflected in the overall Brokerage revenue, which rose 181% Y-o-Y and 204% Q-o-Q to EGP260 million in 4Q16. For the full year 2016, Brokerage executions came at USD30.5 billion in FY16, lower 6% Y-o-Y; yet filtered into a revenue of EGP562 million, up 63% Y-o-Y. This is attributed to the EGP devaluation and subsequent devaluation during the year, together with a change in the revenue mix towards higher fees generating markets.

<i>in EGP millions</i>	Brokerage Revenue							
	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Egypt	199	57	60	251%	229%	399	209	91%
UAE	32	19	17	71%	93%	91	75	23%
KSA	11	4	4	199%	166%	25	17	48%
Oman	3	2	2	55%	86%	12	11	14%
Kuwait	3	2	8	54%	-54%	15	25	-40%
Jordan	11	2	2	471%	506%	19	8	145%
Total Revenue	260	86	93	204%	181%	562	345	63%

Source: EFG Hermes Management Accounts

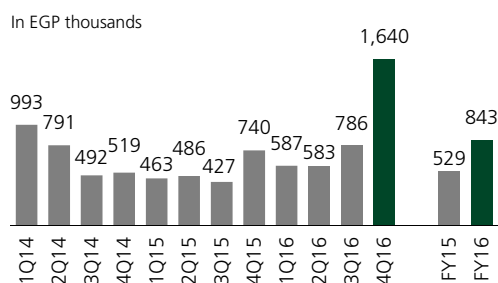
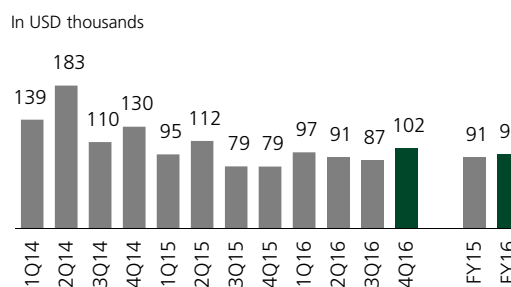
In terms of pure market commissions, Egyptian equities contribution to the total commission pool continued to increase, reaching 51% in 4Q16 and underpinned by a significant improvement in liquidity; DFM managed to come second generating 9% of the total commissions. Commissions generated from all other markets ranged between 4% and 6% (with the exception of Oman).

Commissions Breakdown by Market



*Based on 4Q16 figures

In an attempt to eliminate the impact of the EGP floatation as we historically reported our average daily commissions in USD and Egypt constitutes almost half of the commissions generated, we provide below two charts which split the average daily commissions generated from EGX (reported in EGP) and all other regional markets which we continue to report in USD.

Average Daily Commissions in EGP

Average Daily Commissions in USD


Higher brokerage executions on the EGX during the final quarter of the year was reflected in higher average daily commissions, which rose 109% Q-o-Q and 122% Y-o-Y to EGP1.6 billion in 4Q16. Consequently, this lifted the average daily commissions for the year, up 59% Y-o-Y to EGP843 thousand in FY16.

On the regional side, average daily commissions improved in fourth quarter, up 18% Q-o-Q and 29% Y-o-Y to USD102 thousand; and moved up 4% Y-o-Y to USD95 thousand for the year.

Brokerage Market Share & Executions								
<i>in USD million</i>	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Egypt*								
Market share	39.6%	36.9%	39.4%	2.7%	0.2%	37.2%	32.7%	4.6%
Executions	2,835	1,554	2,033	82.4%	39.5%	7,960	6,839	16.4%
UAE - DFM								
Market share	14.0%	19.4%	21.5%	-5.4%	-7.5%	14.6%	14.7%	-0.2%
Executions	1,605	1,172	1,118	37.0%	43.6%	5,299	6,075	-12.8%
UAE - ADX								
Market share	27.0%	47.4%	33.6%	-20.3%	-6.5%	31.2%	27.4%	3.8%
Executions	890	1,115	1,433	-20.2%	-37.9%	4,162	4,514	-7.8%
UAE - Nasdaq Dubai								
Market share	54.4%	61.8%	65.6%	-7.3%	-11.2%	61.4%	52.0%	9.4%
Executions	415	321	426	29.2%	-2.4%	1,527	1,401	9.0%
KSA								
Market share	1.4%	1.5%	1.5%	0.0%	0.0%	1.2%	1.1%	0.1%
Executions	1,167	667	1,306	75.1%	-10.6%	3,855	5,039	-23.5%
Kuwait								
Market share	14.9%	29.4%	30.2%	-14.5%	-15.4%	21.2%	27.3%	-6.2%
Executions	777	371	800	109.1%	-3.0%	2,461	3,662	-32.8%
Oman								
Market share	27.4%	28.1%	12.9%	-0.7%	14.5%	28.4%	21.7%	6.7%
Executions	156	130	148	20.7%	5.4%	704	780	-9.7%
Jordan								
Market share	21.4%	10.7%	4.8%	10.7%	16.6%	14.5%	6.6%	7.9%
Executions	215	65	68	230.2%	218.0%	479	317	50.8%

*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 4Q16 and 13% in FY16

Source: EFG Hermes and Regional Exchanges

Egypt

The local currency devaluation during 4Q16 had a massive impact on the Egyptian stock market both in terms of performance and liquidity, with the turnover rising 146% Q-o-Q and the HFI shooting up 54.4% Q-o-Q. EFG Hermes successfully grew its market share during 4Q16 and throughout the year to reach 39.6% and 37.2%, respectively; and thus maintaining its leadership position with a #1 ranking on the EGX in both periods.

During 4Q16, the team executed a special transaction worth EGP4 billion for the acquisition of "solb Misr" which took the Firm's market share – including special transactions – to 46.4% in 4Q16 and 41.6% in FY16.

Foreign participation represented c.16% of the total market activity in 4Q16, with EFG Hermes successfully capturing around 40% of this business. Meanwhile, on the retail side, the market continues to be dominated by retail investors whom captured 65% of the market turnover, with EFG Hermes executing around 14% of the total retail business.



UAE – Dubai

Turnover improved significantly on DFM during 4Q16, rising 92% Q-o-Q on the back of higher retail activity, however performance was muted, with the DFMGI adding 1.6% over 4Q. The Firm's market share came at 14.0% in 4Q16 and 14.6% for FY16, reflecting a 4th place ranking for the quarter and the full year.

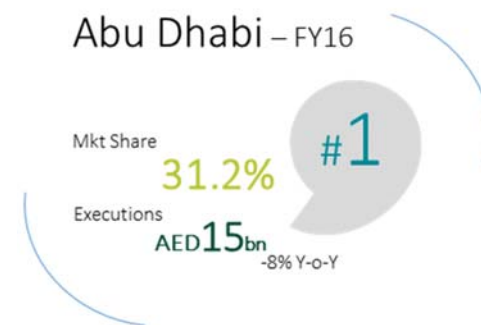
The decline in the Brokerage market share during 4Q16 is attributed to lower institutional business participation Q-o-Q. The institutional business declined to 30% from 37% recorded a quarter earlier, while the retail activity increased to reach 70% in 4Q16 from 63% in 3Q16. Accordingly, the foreign participation in the market also declined in 4Q16 to reach 16% versus 19% recorded in 3Q16, with the firm successfully capturing 42% of the foreign investors flow in the market



UAE – ADX

Similar to DFM, volumes improved, up 40% Q-o-Q; while the Index (ADI) added 1.6% in 4Q16. The Firm maintained its 1st place ranking in 4Q16 and FY16 with a market share of 27.0% and 31.2%, respectively.

The institutional activity in the market came at 44% during 4Q16, and the foreign participation reached 28% in 4Q16. EFG Hermes remained the preferred broker for foreign investors on the ADX, capturing around 67% of the foreign business in the market during 4Q.



UAE – Nasdaq Dubai

The Firm maintained its top ranking in 4Q16 and FY16, with a market share of 54.4 % and 61.4% respectively.



Saudi Arabia

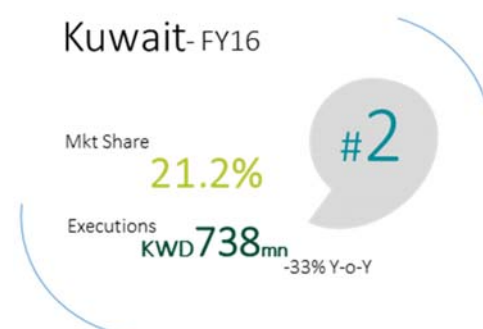
A good quarter for the Saudi market, with the Tadawall All Share Index gaining 28.2% Q-o-Q in 4Q16; and turnover rising 77% Q-o-Q. EFG Hermes market share came at 1.4% in 4Q16, with a 5th place ranking among pure brokers (non-commercial banks) and a 2nd place ranking among foreign brokers. In FY16, the Firm’s market share came at 1.2% with a 5th place ranking among pure brokers and a 2nd place ranking among foreign brokers. The market continues to be dominated by retail investors, with the percentage of foreign institutions participation via participatory notes not exceeding an average of 3.7% in 4Q16. The QFI participation remained low at 0.3% of the market turnover.



EFG Hermes Saudi continues to target local HNW clients to expand its client base as they represent more than 80% of the market. Additionally, the team focuses on QFI, GCC HNW and institutional clients as these clients prefer a one-stop shop in the region.

Kuwait

The Kuwaiti market started to pick up in 4Q16, with the KSE Index adding 6.5% and turnover rising 139% Q-o-Q, largely driven by higher institutional activity. The Firm held a second place ranking in the market with a market share of 14.9% in 4Q16 down from 29.4% in 3Q16. The decline in market share was due to the execution of two special transactions for Americana and Zain that were executed at the affiliated brokerage house for both stocks. If we exclude those special transactions, EFG Hermes would come in #1 position with a market share of 25.7% in 4Q16.



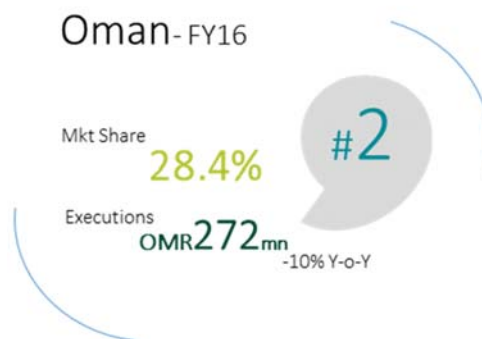
In FY16, the Firm continued to dominate the market, coming in 2nd place with a market share of 21.2%, and a market share of 25.5% and a 1st place ranking if we exclude special transactions. EFG Hermes IFA remains the preferred broker for foreign institutional investors in Kuwait, capturing c.73% of their business in 4Q16 and around 70% in FY16.

Amendments to CMA regulations could have a positive medium term impact on market liquidity and performance in addition to the CMA’s plan to change the market mechanism by 2017, basically; unifying a T+3 settlement cycle across the board, allowing brokers to have control of clients cash, introducing

margin/ shorting/ market making. If the above should materialize a likely increase in liquidity should definitely be expected. Kuwaiti CMA & KSE seem very keen to compete for an inclusion spot in the MSCI emerging markets index as well as FTSE secondary emerging status for the later to be reviewed in Sep of 2017. 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.

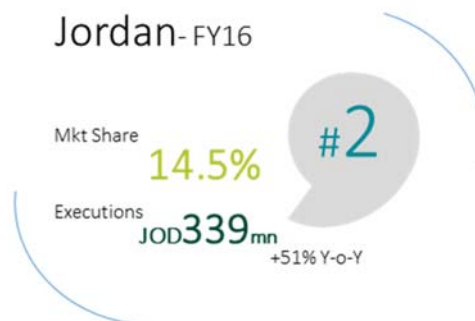
Oman

Volumes on the Omani market followed other GCC markets in 4Q16, rising 27% Q-o-Q, while the MSM Index inched up 1.0% Q-o-Q. EFG Hermes held a third place ranking and a market share of 27.4% in 4Q16 and a second place ranking and a market share of 28.4% for FY16, mainly as a result of a noticeable increase in institutional activity in Oman during the year.



Jordan

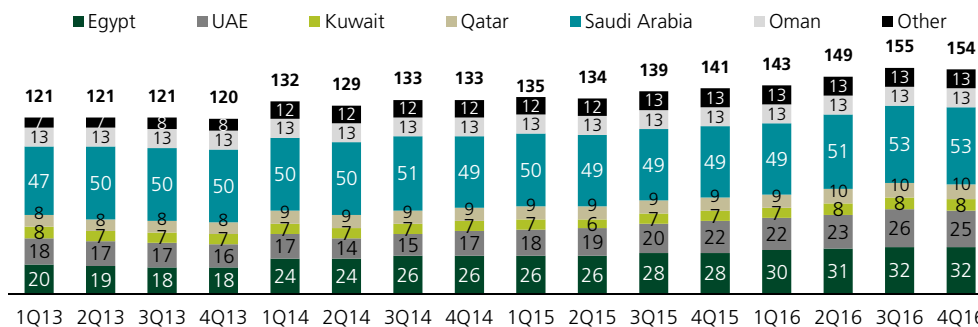
The Amman Stock Exchange saw volumes increase during 4Q16, rising 67% Q-o-Q, while the Index added 2.3% Q-o-Q. Worth noting that the fourth quarter included a special transaction worth JOD890 million, if we excluded this block trade turnover would have increased 28%. EFG Hermes market share rose to 21.4% in 4Q16 from 10.7% a quarter earlier, mainly on the back of increased foreign investors’ activity which the firm captured most of it. In terms of ranking, the Firm climbed to 2nd place ranking for 4Q16 and FY16, and recorded a market share of 14.5% for the FY16.



ii. Research

Research Coverage Universe

Number of Companies



Source: EFG Hermes

The Research department coverage reached 154 companies at the end of 4Q16, distributed across the region (Egypt 32, UAE 25, KSA 53, Kuwait 8, Oman 13, Qatar 10, Lebanon 3, Morocco 3, Jordan 5, Netherlands 1 and United Kingdom 1). Moreover, 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.

2016 was a successful year for the Research Division on several fronts as i) we achieved our highest rank ever in Extel - ranked no.2 as a research house in MENA; ii) we saw a significant rise in client readership of our products on Bloomberg, Reuters and via email; iii) we adopted a more commercial philosophy and focused on sectors where there was significant interest (insurance sector) and initiated on some MENA bellwethers such as Emaar. The team currently covers 63% of the regional market capitalization.

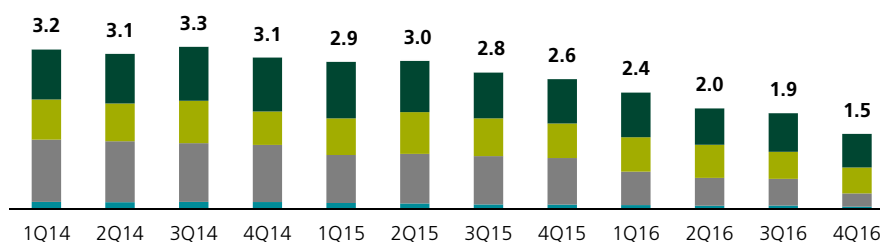
iii. Asset Management

EFG Hermes Assets under Management stood at USD1.5 billion at the end of FY16. This quarter we will report Egypt mandates separately from the Regional mandates to eliminate the impact of the Egyptian currency devaluation during 4Q16, as c.37% of the total asset base is denominated in Egyptian pound.

Development of Assets under Management

In USD billion

■ Portfolios ■ Regional Equity Funds ■ Money Market & Fixed Income Funds ■ Egypt Equity Funds



Source: EFG Hermes Asset Management

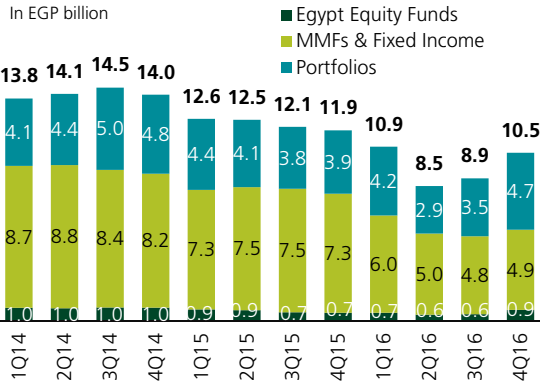
EFG Hermes Egypt based AuMs added 18% Q-o-Q to reach EGP10.5 billion at the end of 4Q16, underpinned by the outperformance of the equity market. During 4Q16, the market appreciation added 22% to the AuMs while the redemptions withdrew 4% of the AuMs base.

The rally seen on the EGX post the local currency floatation supported our equity funds/portfolios performance. Moreover, MMFs posted positive returns as the team adopted a strategy in 4Q16 whereby they made short-term placements and maintained a relatively higher level of liquidity to cover for redemptions in anticipation of currency devaluation and rate hikes. EFG Hermes saw the addition of HSBC’s EGP1.6 billion MMF to our AuM base during the fourth quarter. However, by the end of the quarter MMFs recorded a net outflow as the issuance of high interest rate short duration certificate of deposits mostly by public banks made it very difficult for MMFs to compete. Overall, the net effect on the MMFs and FI funds was a minimal net outflow.

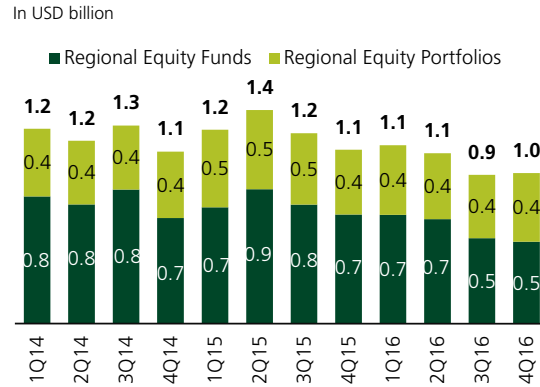
EFG Hermes Regional based AuMs inched up 1.2% Q-o-Q to reach USD955 million at the end of 4Q16, supported by the equity markets outperformance. Markets improvement added 5% to the AuMs while redemptions represented 4% of the AuM base during 4Q16.

During FY16, Egyptian mandates declined 11% Y-o-Y, as positive returns posted by all asset classes added 24% to the AuMs base, yet failed to offset redemptions made throughout the year (-35%). The majority of the outflows was attributed to redemptions in MMFs and equity portfolios. On the Regional front, regional (including Regional ex-KSA & KSA) AuMs declined 13% Y-o-Y, of which redemptions represented 10% and weaker markets represented the remaining 3%. Outflows in Regional ex-KSA and KSA funds/portfolios exceeded the injections/additions seen in Regional ex-KSA funds/portfolios during the year.

Egyptian AuMs

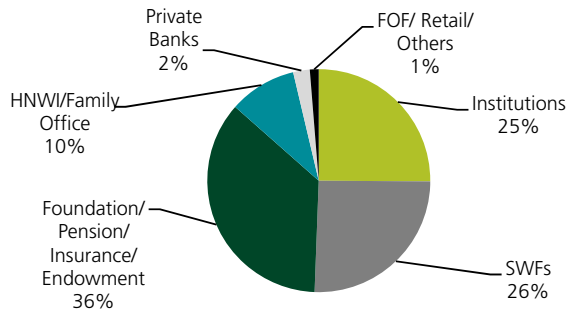


Regional AuMs



The Asset Management clients' base remained well diversified with special focus on long-term and institutional clients. During 4Q16 major changes included: Institutional clients represented 25% of total AuMs versus 31% a quarter earlier. Alternatively, Foundation/ Pension/ Insurance/ Endowment represented 36% of total AuMs versus 32% a quarter earlier.

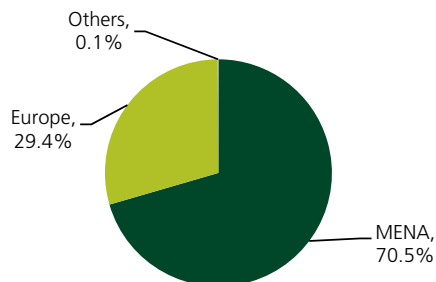
Assets under Management by Type of Client



Source: EFG Hermes Asset Management

In terms of funds origination, MENA clients' contribution to total AuMs was broadly unchanged at 71% from 72% a quarter earlier, as European clients weight increased to 29% from 28% 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 USD51 million versus a NAV of USD50 million in 3Q16. There was minimal subscriptions of USD150 thousand and redemptions totaling to USD2.8 million during the quarter. In terms of performance, the MEDA fund gained 5.0% versus the S&P Pan Arab Composite LargeMid Cap TR Net USD Index which increased 9.0% in 4Q16.

The EFG Hermes Saudi Arabia Equity Fund ended the quarter with a NAV of USD10 million versus a NAV of USD9 million in 3Q16. The fund saw no subscriptions while redemptions came at USD0.4 million in 4Q16. Over the quarter, the fund added 22% versus the Tadawul All Share Index which rose 28%.

The EFG Hermes "Hasaad" Freestyle Saudi Equity Fund ended the quarter with a NAV of USD8 million versus USD11 million in 3Q16. The fund saw no subscriptions while redemptions amounted to USD4.3 million. Over the quarter, the fund increased 15% versus the S&P Saudi Shariah TR index which added 26%.

The EFG Hermes Telecom Fund ended the quarter with a NAV of USD15 million in 4Q16, unchanged Q-o-Q. The fund saw no subscription and redemptions totaled to USD410 thousand in 4Q16, gaining 1% over the quarter versus MSCI EMEA Telecom Index which was up 2%.

The EFG Hermes Egypt Fund ended 4Q16 with a NAV of USD19 million versus a NAV of USD24 million at the end of 3Q16. The fund saw subscriptions of USD0.5 million in 4Q16 while total redemptions reached USD0.2 million. In terms of performance, the fund lost 20% versus the Hermes Financial Index (HFI), which gave up 24% over the same period.

The MENA Long Term Value Fund ended the quarter with a NAV of USD340 million versus USD350 million in 3Q16. The Fund saw no new subscriptions nor redemptions during the quarter. The Fund lost 3% in 4Q16.

For the equity, fixed income and balanced portfolios AuMs were USD690 million versus USD747 million at the end of 3Q16. During the quarter, total portfolios saw inflows of USD45 million and outflows of USD75 million, with the client base split between insurance companies, banks, regional HNWI/Family Office and SWF.

iv. Investment Banking

In 2016, EFG Hermes Investment Banking team successfully concluded over 10 equity, M&A and debt transactions.

In 4Q16, EFG Hermes acted as the lead arranger, underwriter and buy-side advisor to Advanced Energy Systems "ADES" for the acquisition and financing of 3 operational rigs from Hercules Offshore in the Kingdom of Saudi Arabia for a total value of USD65 million through a debt syndication of USD55 million. Although the transaction was executed within a strict timeline of 2 months, EFG Hermes succeeded in procuring interest from multiple financial institutions and securing the necessary funds despite the foreign currency shortage and significant economic reforms.

EFG Hermes was also appointed by Litat Group as a sole sell-side financial advisor and transaction broker for the sale of a majority stake in Solb Misr. The USD 1.4 billion M&A transaction is the largest in Egypt in recent years and one of the largest in the Middle East in 2016. The transaction included a primary share sale valued at USD229 million to repay outstanding debt.

In addition to Solb Misr and ADES, EFG Hermes acted as financial advisor to Hassan Allam Holding on its agreement with the International Finance Corporation ("IFC") for an equity injection of USD20 million. The transaction comes in tandem with Hassan Allam's efforts to further bolster the company's operations and cement its leading market position while enhancing the Company's corporate governance standards in anticipation for its potential IPO.

The preceding quarters saw similar success regarding deal completion. The team executed the successful public offerings of Arabian Food Industries Company "Domty" and Cleopatra Hospital Company. The Domty offering comprised the floatation of 49% of its share capital through a secondary offering on the EGX for USD127 million that was 6.0x oversubscribed. Subsequent to the IPO, EFG Hermes Investment Banking acted as the Sole Financial Advisor to Domty in connection with arranging and setting up a Depositary Receipts program that is traded on the London Stock Exchange. The Cleopatra Hospital IPO was for a total of USD41 million with an oversubscription of 10.0x.

On the M&A front, the team executed a number of transactions in the region. EFG Hermes was mandated by Medsofts Group, a commodities trading, storing, trucking and delivery services company, for the sale of a 50% stake to Archer Daniels Midland (ADM). The new joint-venture represents a key, regional player in the agricultural processing industry. Similarly, the team was mandated by B. Tech, one of Egypt's largest retailers of home appliances and consumer electronics, for the minority stake sale to Development Partners International (DPI) for EGP300 million. Internally, the EFG Hermes Investment Banking department advised EFG Hermes Holding on its acquisition of a controlling stake in Tanmeyah Micro Enterprise Services, Egypt's leading microfinance firm, for USD55 million. As to regional operations, the Investment Banking team in the UAE advised The Abraaj Group on the sale of its 80% stake in JORAMCO, a leading Jordanian airline maintenance and services company.

Amidst economic reforms and subsequent local market turbulence, EFG Hermes' Investment Banking department has continued to develop a robust pipeline of both M&A and equity deals expected to be executed throughout 2017, as the team expects increased activity in the Egyptian market as well as increased investments in the region on the back of anticipated market recovery.

v. Private Equity

Private Equity assets under management stood at USD1.0 billion at the end of FY16, up 62% Y-o-Y.

Infrastructure

Vortex platform's AUMs and managed capacity at the end of 2016 is EUR730 million and 457MW after the completion of the acquisition of 49% of EDPR's Pan European Portfolio via its vehicle "Vortex II" and building on the acquisition of a 49% stake in EDPR France via its vehicle "Vortex I", which was completed in December 2014. Both vehicles are jointly owned by EFG Hermes Holding and a GCC SWF, with economic ownership at 5% and 95%, respectively.

In terms of operational performance for FY16, EDPR France and EDPR Participaciones (portfolio 49% owned by Vortex Platform) have achieved superb EBITDA results, reaching an aggregate of more than EUR130 million. Total distributions from the underlying assets to the Vortex platform amounted to more than EUR55 million, implying an aggregate yield of c. 8% to the platform.

In early 2017, the Vortex team has managed to sign an SPA, joining with Tenaga Nasional Berhad "TNB" to acquire a 365MW solar PV farm in UK for an EV of GBP470 million. Financial close is expected to take place during 2Q17 subject to certain conditions precedent pending from the seller's end. The UK portfolio is expected to grow Vortex platform's AUM to USD1.4 billion (822MW of managed capacity).

Rx Healthcare Fund (RxHF):

In different stages of discussion with potential investors to RxHF. The formal announcement of the Fund and launch of the investors' roadshow is planned to start with the beginning of 2Q17.

vi. Leasing

Key highlights

During 4Q16, EFG Hermes leasing had been active in the process of rolling out a new vendor finance program, which targets Small and Medium Enterprises (SME) to capture higher margin leasing business, in anticipation of margin squeeze post the local currency devaluation and the increase in interest rates. The team is working diligently on further diversifying the portfolio by increasing the number of clients, increase the contribution of SMEs and enhancing the profitability as high margins are applied.

Penetrating the renewable energy sector was a milestone for EFG Hermes Leasing, as the team signed a financing program with Karm Solar to finance solar pumps and roof tops solar panels, in addition to relying on our edge of being able to structure finance solutions that commands higher margins and separate us from the overly competitive low-margin market.

Moreover, the team arranged three club deals with a total value of EGP530 million. Being the arranger of such type of syndications enhances the company's profitability and facilitate capturing higher market share.

Market Share

EFG Hermes Leasing climbed to a 5th place ranking in 4Q16 and 4th place in FY16, with a fairly strong market share of 11% and 9%, respectively. Worth noting, that the team remained focused on the collection process particularly as the corridor rate increased 6% since the beginning of the year.

Contracts Booked by Asset Size – 4Q16

	Company	Lease Value (EGP mn)	Market Share
1	Incolease	1,006	15%
2	Al Tawfik Lease	993	15%
3	Corplease	907	14%
4	Arab African	779	12%
5	EFG Hermes Leasing	736	11%
6	GB Lease	447	7%
7	Al Ahly	361	6%
8	Taamer Leasing	237	4%
9	QNB	220	3%
10	Plus Leasing	143	2%

Contracts Booked by Asset Size – FY16

	Company	Lease Value (EGP mn)	Market Share
1	Corplease	3,277	15%
2	Al Tawfik Lease	2,311	11%
3	GB Lease	2,289	11%
4	EFG Hermes Leasing	1,835	9%
5	Incolease	1,791	8%
6	Arab African	1,637	8%
7	Global Lease	1,563	7%
8	Techno Lease	1,296	6%
9	QNB	1,261	6%
10	Al Ahly	1,234	6%

vii. Micro-Finance “Tanmeyah”

Results in a Glance and Performance Review

The table below highlights the main KPIs for Tanmeyah in 4Q16 and FY16

KPIs	4Q16	3Q16	4Q15	Q-o-Q	Y-o-Y	FY16	FY15	Y-o-Y
Total Number of Active Borrowers	96,004	91,572	110,339	5%	-13%	96,004	110,339	-13%
Total Portfolio Outstanding (EGP mn)	565	492	509	15%	11%	565	509	11%
Total Branches - Egypt	119	111	114	7%	4%	119	114	4%
Cairo	5	5	7	0%	-29%	5	7	-29%
Delta	54	52	53	4%	2%	54	53	2%
Upper Egypt	60	54	54	11%	11%	60	54	11%
Total Tanmeyah Staff	1,802	1,661	1,596	8%	13%	1,802	1,596	13%

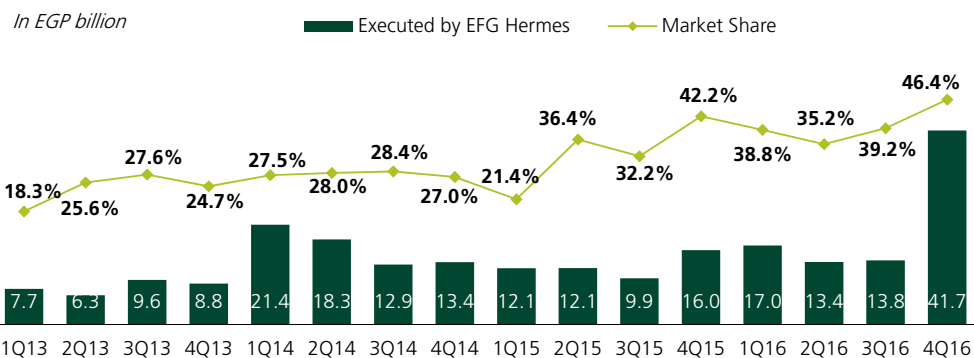
Activity picked up in 4Q16, with the number of active borrowers, application processed and loans issued increasing 5% Q-o-Q, 9% Q-o-Q and 11% Q-o-Q, respectively. This improvement in performance was underpinned by higher sales as funding was secured and the integration process completed. However, for the full year of 2016 activity declined Y-o-Y; mainly on the back of the closing of the old portfolio and slower sales in the first 4 months of the year, as funding was delayed during 1Q16.

Eight new branches opened during 4Q16, while two collection branches in Cairo and Giza closed during the same period. The total number of employees increased 8% Q-o-Q to 1,802 employees to reflect the eight new branches which were opened during the quarter and the new functions/roles that were needed to support the business growth and enhance performance.

III. ANNEX

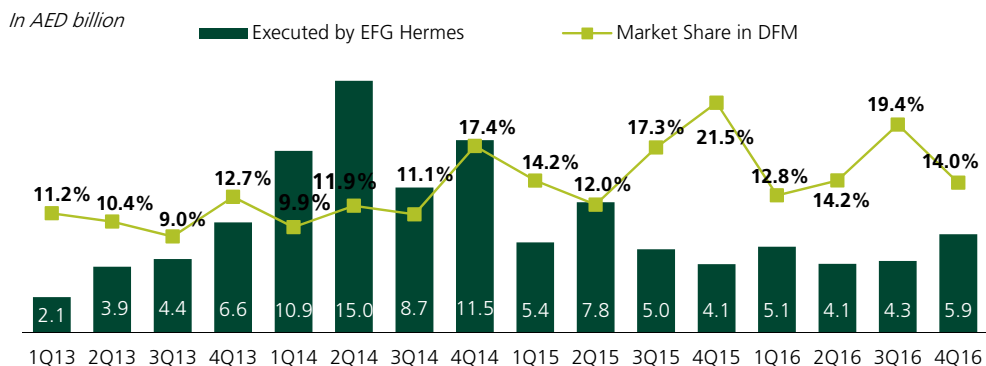
Markets Performance and EFG Hermes Executions & Market Shares

Egypt:

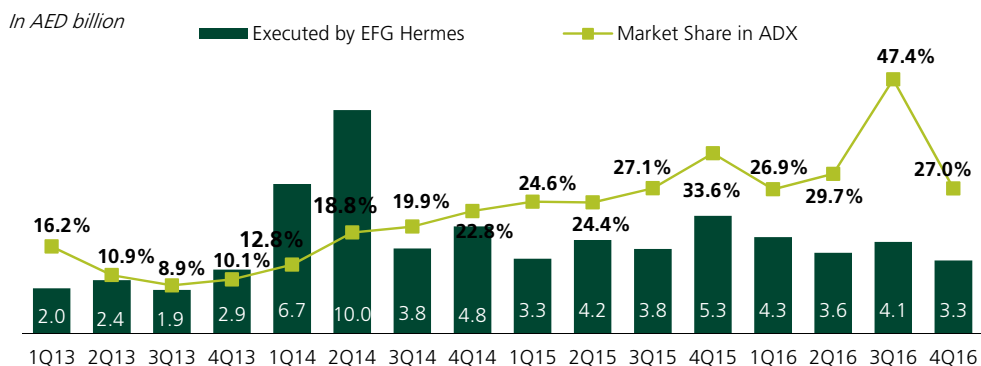


* Market share calculation includes special transactions

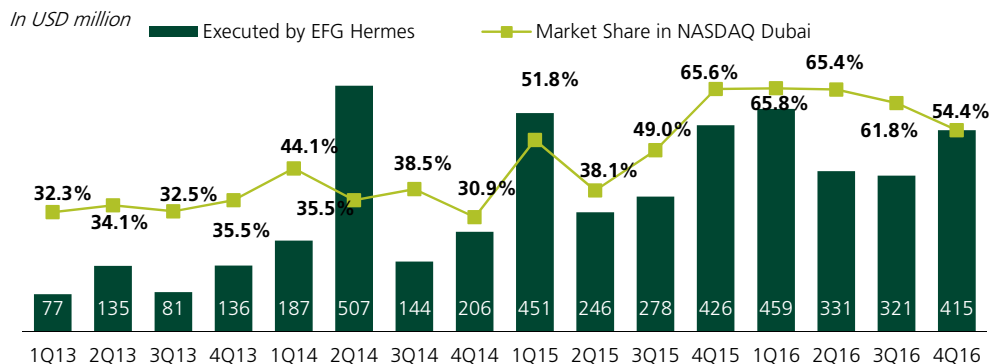
UAE- DFM



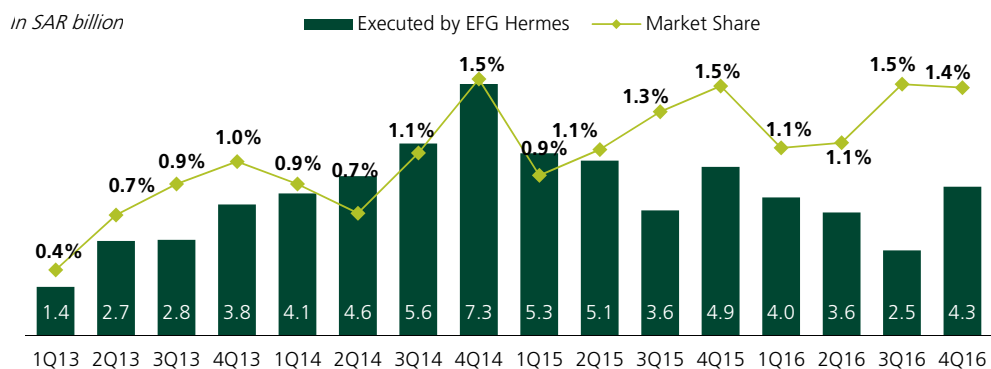
UAE – Abu Dhabi



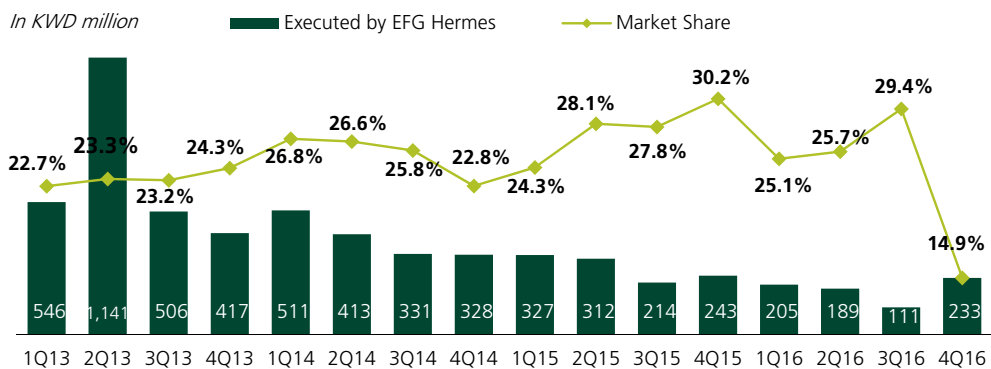
UAE – NASDAQ Dubai



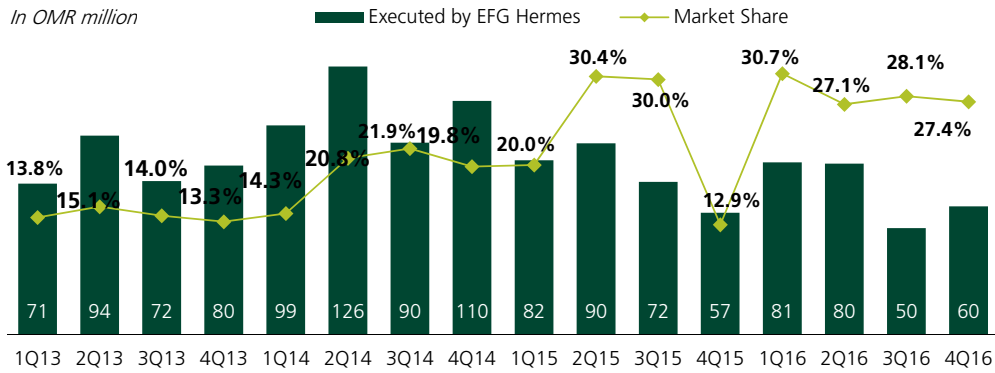
KSA:



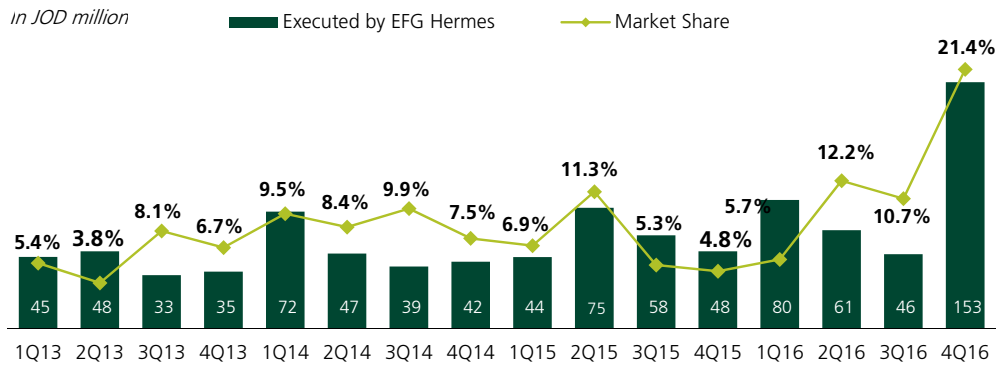
Kuwait:



Oman:



Jordan:



Disclaimer

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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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