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EFG HERMES REPORTS FIRST HALF 2023

GROUP EARNINGS OF EGP1.3 BILLION; ON OPERATING REVENUE OF EGP7.6 BILLION

Cairo, August 10th, 2023 EFG Holding reports a strong set of results for the first half of 2023, with Group earnings of EGP1.3 billion on operating revenues of EGP7.6 billion. The Group's total assets stood at EGP114.2 billion at the end of June 2023.

Key Highlights

2Q23

- Another buoyant quarter for EFG Holding Group, with the Investment Bank (EFG Hermes), EFG Finance and aiBANK, all posting Y-o-Y revenue growth. Group revenues rose 51% Y-o-Y to reach EGP3.1 billion in 2Q23; steered by strong unrealized gains on seed capital, higher Brokerage, Asset Management and Private Equity revenues; together with higher revenues delivered by valU and aiBANK;
- Group operating expenses, (including employee expenses, other G&A and Provisions& ECL) rose 53% Y-o-Y to come at EGP2.1 billion in 2Q23. Employee expenses moved up 40% Y-o-Y to EGP1.1 billion, other G&A expenses rose 62% Y-o-Y to EGP649 million and provisions & ECL gained 93% Y-o-Y to EGP320 million, mainly on the back of higher salaries, operating expenses and provisions & ECL reported by all three verticals to reflect inflation and USD denominated expenses in Egypt, and the impact of a weaker EGP on the translation of the non-EGP denominated salaries at EFG Hermes. Employee expenses/revenues came at 37% in 2Q23 and 41% in 1H23;
- EFG Holding Group net operating profit and net profit before tax, rose 46% and 37% Y-o-Y to EGP988 million and EGP842 million, respectively, in 2Q23. Taxes, which rose 76% Y-o-Y to EGP288 million in 2Q23, and was driven mainly by higher deferred taxes booked by the Investment Bank, weighed down on the magnitude of the increase in profitability; thus, EFG Holding Group net profit after tax and minority interest came at EGP405 million, up 20% Y-o-Y, in 2Q23;
- EFG Hermes (the Investment Bank) revenues grew 61% Y-o-Y to EGP1.6 billion in 2Q23, lifted by higher revenues posted by the different platforms: the sell-side, buy-side and Holding & Treasury. This was powered by strong unrealized gains on seed capital, higher brokerage executions in Egypt, Egypt Asset Management's incentive fees, higher Private Equity AUMs, and generally the impact on revenues generated by operations outside Egypt and translated to EGP, post the EGP devaluation Y-o-Y;
- EFG Hermes operating expenses rose 67% Y-o-Y to EGP1.1 billion in 2Q23, driven largely by higher employee expenses, followed by higher other G&A and ECL booked during the quarter. This was driven by higher salaries and operating expenses Y-o-Y to reflect the impact of the non-Egypt operations/offices expenses, the USD denominated expenses in Egypt and the high inflation levels in Egypt Y-o-Y;
- EFG Hermes reported decent profitability from its operations in 2Q23, as the Investment Bank net operating profit and net profit before tax, rose 47% Y-o-Y and 45% Y-o-Y to EGP443 million and EGP405 million, respectively. Higher taxes from operations and higher deferred taxes dented profitability; thus, EFG Hermes net profit after tax and minority inched up only 3% Y-o-Y to EGP212 million;
- EFG Finance revenues added 23% Y-o-Y to EGP620 million in 2Q23, underpinned by higher revenues recorded by all lines of business except Tanmeyah, and predominately on higher revenues posted by valU, which included EGP75 million of securitization gains;
- EFG Finance operating expenses rose 30% Y-o-Y to EGP477 million, mainly on other G&A expenses to reflect inflation and the impact of the devaluation on USD denominated expenses, and higher provisions & ECL required as the loan portfolio continued to grow; meanwhile, employee expenses was largely unchanged;

- EFG Finance net profit before tax and minority interest declined 24% Y-o-Y, as the quarter included EGP34 million of goodwill amortization related to Fatura's PPA, which is a requirement within the first anniversary from the acquisition date. However, net profit after tax and minority reached EGP54 million, down only 5% Y-o-Y, on Tanmeyah's lower tax charge and minority interest compared to 2Q22;
- aiBANK reported revenues of EGP888 million in 2Q23, up 58% Y-o-Y; driven by stronger net interest income on the back of the growth in interest earning assets, jointly with higher fees & commissions as trade finance volumes increased Y-o-Y;
- aiBANK operating expenses including provisions & ECL rose 49% Y-o-Y to EGP487 million in 2Q23, on higher salaries on the back of promotions, inflation, and new hirings during 2Q; higher other G&A expenses to reflect high inflation levels in Egypt and the devaluation impact on USD denominated expenses; together with an increase in provisions & ECL as the bank continues to enhance its coverage ratios, in addition to ECL required for investments such as securitization that entail higher provisions;
- The Bank's net profit after tax rose 86% Y-o-Y to EGP271 million (of which EFG Hermes' share is EGP138 million) in 2Q23, as revenues growth outpaced the growth in expenses.

For full report and financial statements, please click on the links on top of the page.

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