

20 May 2020

**SARWA CAPITAL ANNOUNCES Q1 2020 RESULTS;
CONSOLIDATED NET INCOME OF EGP 91 MILLION FOR Q1 2020,
DOWN FROM EGP 120 MILLION FOR Q1 2019**

Key Highlights*

- Financing Revenue of EGP 435 million, down 5% from Q1 2019
- Net Interest Income of EGP 132 million, down 2% from Q1 2019
- Financing Operating Income of EGP 254 million, down 8% from Q1 2019
- Insurance Revenue of EGP 99 million, up 352% from Q1 2019
- Insurance Operating Income of EGP 32 million, up 236% from Q1 2019
- Net Operating Income of EGP 285 million, unchanged from Q1 2019
- Net Income of EGP 91 million, down 24% from Q1 2019
- Total Portfolio of EGP 6.5 billion, up 4% YoY
- Annualized Return on Average Equity of 18.2%
- Annualized Return on Average Assets of 5.5%



Sarwa Capital Holding for Financial Investments SAE (SRWA.CA), Egypt's leading consumer and structured financial services provider, announced today its consolidated financial results for the period ending 31 March 2020, with consolidated net income after minority interest of EGP 91 million, down 24% from EGP 120 million for the first quarter of 2019.

Separating the new insurance businesses, and adjusting for ESOP amortization, new treasury bill tax treatment, and application of contingent provisions, normalized consolidated net profit came in at EGP115 million, down 7% from the first quarter of 2019.

Management commented: "Despite the unprecedented events and challenging environment developing during the first quarter of 2020, we are pleased to announce our numbers reflecting the resilience and strong footing of our businesses.

The latter part of the quarter witnessed unprecedented events affecting every corner of our economy and society. The overall impact will certainly be proportionate to the length of the crisis, and as yet it is difficult to ascertain the relative effect of the partial shutdown versus the economic impact on consumers and businesses in the intermediate term.

We believe that pent up demand and very low levels of penetration across our business segments will support strong growth going forward, and are hopeful that an environment conducive to growth is not far off. This will be supported by the substantial investments we have made, and are continuing to make, in our technological infrastructure and digitalization across our business and product lines.

On a different note, the passage of the new Consumer Finance Law was completed in March, the culmination of years of work led by the Financial Regulatory Authority which we have strongly supported. Contact Credit, our largest subsidiary and largest provider of consumer finance in the market, subsequently received the first license under the new law. This is a milestone development that solidifies the legal and regulatory structure of the group and its subsidiaries, and brings substantial opportunities resulting from a streamlined and transparent market."

Summary Financial Results*

| Income Statement (EGPm) | Q1 2020 | Q1 2019 | YoY | FY 2019 | FY 2018 | YoY |
|--------------------------------|----------------|----------------|------------|----------------|----------------|------------|
| Financing Revenue | 435 | 456 | -5% | 1,636 | 1,392 | 18% |
| Financing Operating Income | 254 | 276 | -8% | 880 | 676 | 30% |
| Insurance Revenue | 99 | 22 | 352% | 221 | 90 | 146% |
| Insurance Operating Income | 32 | 10 | 236% | 83 | 39 | 113% |
| Net Operating Income | 285 | 285 | 0% | 963 | 714 | 35% |
| Earnings Before Tax | 148 | 215 | -31% | 632 | 466 | 35% |
| Net Income after minorities | 91 | 120 | -24% | 389 | 283 | 37% |

COVID-19 Impact & Measures

In March, the operating environment was affected by the spread of Covid-19, which has had broad effects on the macroeconomic environment and a slowdown in consumer activity.

Whilst it is as yet difficult to gauge the relative effects of the limitation in activity caused by the partial shutdown and that caused by the impact on consumer purchasing power, it is clear that the overall impact will be proportionate to the length of the crisis.

In response to the outbreak, the Central Bank of Egypt intervened with measures to cushion the impact on businesses and individuals including an emergency 300 bps rate cut and a debt deferral initiative to businesses and individuals served by the banking sector, with a similar step by the Financial Regulatory Authority for the mortgage, leasing and factoring sectors. These measures have a marginal effect on our businesses, with a positive impact on liquidity and portfolio stability and profitability. It is worth noting that the group acted quickly amid uncertainties to close an EGP 1.8 billion securitization bond resulting in a highly liquid balance sheet. On the other hand, the imposed curfew and limitations on commercial opening hours, and the closure of government services such as the public notary and new vehicle registrations, affected new business in March and subsequently.

Whilst taking appropriate measures to create a safe operating environment for clients and staff, the group has successfully implemented its business continuity plan and related contingencies, combining remote working and limited staffing in retail branches and offices to ensure our teams are able to provide necessary services, products and advice to our clients. Importantly, collections operations were empowered with the necessary tools to continue operating effectively, resulting in limited impact affected mostly by limited operating hours.

Financing Division

Revenues

Financing Operating Income, which includes net interest income, refinancing income and fee income, declined to EGP 254 million, down by 8% from Q1 2019.

Net interest margin recorded 8.1% during the period as compared to 8.7% in Q1 2019.

Operational Highlights

Total new financing extended for the period recorded EGP 913 million, up 3% from EGP 890 million for the first quarter of 2019.

| New Financing Extended by Asset Class | YoY Growth |
|---------------------------------------|------------|
| Passenger Vehicles | -9% |
| Commercial Vehicles | 154% |
| Real Estate Financing & Mortgage | -74% |
| Medical | -6% |
| Consumer Durables | 2% |
| Others | - |
| Total | 3% |

Passenger vehicles new financing declined by 9% during the quarter despite an increase in activity during the first two months of the year. The positive build-up was curtailed in March by the pandemic outbreak and the containment measures taken by the government including suspending new vehicle registration and notary public services, in addition to limited working hours. Nevertheless, the number of new contracts grew marginally by 2% reflecting lower average loan tickets as prices had been declining during the preceding period. Furthermore, positive signals of demand resilience are reflected by the growth in number of new loan applications, doubling year-on-year and rising 9% from the fourth quarter of 2019.

The evolving market comes as the group is making substantial investments in its digital capabilities, and adopting a more direct-to-client approach.

Commercial vehicles new financing showed strong growth despite a slowdown in March, rising substantially as new products were introduced last year through the retail platform, in addition to existing schemes to SMEs via commercial leasing.

Real estate financing & mortgages including home finishing, portfolio acquisition and low-income housing financing were strongly affected during the quarter by the delay in the Government rollout of the low and middle-income housing initiatives via private companies, in addition to the slowdown in the finishing segment with the pandemic outbreak.

Consumer durable new financing grew by 2% during the quarter, limited by the ongoing implementation of the new underlying technical infrastructure, which has seen some delays with implementation shifted to the second quarter. The investment in and use of technology in the areas of artificial intelligence and credit analysis, in addition to new distribution platforms, has continued apace during the quarter.

Financing Portfolio

In total, the portfolio grew by 4% year on year to EGP 6.5 billion at the end of the first quarter. Passenger vehicles represented 74% of the portfolio down from 82%.

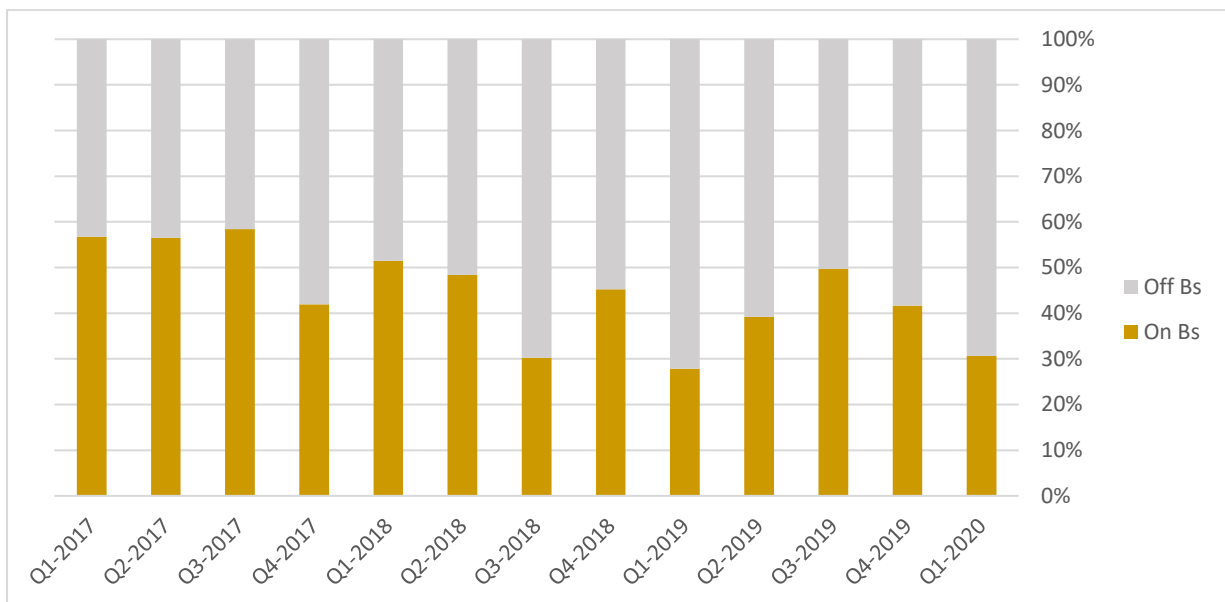
| Portfolio | YoY Growth | % of Portfolio Q1 2020 | % of Portfolio Q1 2019 |
|-----------------------------------|------------|---------------------------|---------------------------|
| Passenger Vehicles | -6% | 74% | 82% |
| Commercial Vehicles | 208% | 8% | 3% |
| Real Estate Financing & Mortgages | 31% | 10% | 8% |
| Medical | 69% | 3% | 2% |
| Consumer Durables | 2% | 1% | 2% |
| Others | 6% | 4% | 4% |
| Total | 4% | 100% | 100% |

| EGP m | Q1 2020 | Q1 2019 |
|-----------------------------|--------------|--------------|
| On-balance sheet portfolio | 1,990 | 1,735 |
| Off-balance sheet portfolio | 4,504 | 4,502 |
| Total | 6,494 | 6,237 |

Treasury and Debt Capital Market Activities

Despite difficult market conditions and rising uncertainty, treasury operations moved quickly to close an EGP 1.8 billion securitization bond in March, backed by the portfolios of Contact Auto Credit and its affiliate companies, including the refinancing of previously recalled bonds. The transaction came amidst falling rates resulting in favourable pricing and solid demand, putting the group in a strong position with a liquid balance sheet and the financial flexibility to navigate market volatility going forward. In addition, we recalled another outstanding securitization bond to enhance overall spreads within the lower rate environment.

The below shows the total outstanding debt on- and off- balance sheet since Q1 2017:



Furthermore, in coordination with the FRA and stakeholders in the debt market, the company moved to adjust tenors of outstanding securitization bonds to enable various underlying portfolios' servicers to adjust the terms of their contracts in compliance with FRA guidelines, and ensuring a liquid securitization bond market.

Insurance Division

Operational Highlights

| Insurance Services (EGP 000s) | Q1 2020 | Q1 2019 | YoY | FY 2019 | FY 2018 | YoY |
|----------------------------------|---------|---------|-----|---------|---------|-----|
| Total Premiums | 85,103 | 58,094 | 46% | 247,849 | 144,772 | 71% |
| Of which underwritten by Sarwa | 74,766 | - | - | 109,227 | - | - |

Since Sarwa Insurance and Sarwa Life began operations a year ago, gross written premiums reached EGP 184 million. These numbers were achieved with a limited offering and distribution network as the businesses are both in the early stages, yet to be fully activated until the full implementation of the technological infrastructure. It is now expected that implementation will be finalized late in the third quarter and into the fourth, and will include the launch of a range of consumer offerings.

During the first quarter in 2020, gross written premiums for both insurance companies reached EGP 75 million. In total, revenues from insurance activities including brokerage services reached EGP 99 million, more than tripling year on year.

Consolidated Costs

Total operating costs reached EGP 81 million in Q1 2020, growing 54% from Q1 2019, reflecting the increased investments in insurance operations, business digitalization, and network expansion. As a result, as measured by operating expenses, cost to income came in at 28.4%, up from 18.5% during Q1 2019. Operating costs excluding insurance operations recorded EGP 69 million. Sales and marketing expenses were EGP 27 million for the first quarter of 2020, with insurance commissions contributing nearly all of the increase.

Provisions

Amidst the outbreak of the pandemic and the uncertain operational environment, the group has increased its contingent provisions in addition to regulatory provisions to cope with any pressure that may arise from the length of the crisis. Provisions for the financing division excluding insurance recorded EGP 22.8 million during the first quarter compared with EGP 3.3 million during the same period in 2019. On a separate note, the FRA has decided to postpone the implementation of IFRS 9; however, the group has already partially implemented the new standards.

Equity

Consolidated equity net of minority interest reached EGP 2 billion at the end of the first quarter compared to closing at EGP 1.7 billion at the end of Q1 2019.

Consolidated Management Reclassified Accounts

| Income Statement (EGP000s) | Q1 2020 | Q1 2019 | YoY | FY 2019 | FY 2018 | YoY |
|-----------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| Interest Income | 313,503 | 314,420 | 0% | 1,249,708 | 1,133,946 | 10% |
| Interest Expense | (181,051) | (179,893) | | (755,523) | (716,400) | |
| Net Interest Income | 132,452 | 134,527 | -2% | 494,185 | 417,546 | 18% |
| Fee Income | 18,619 | 18,454 | 1% | 89,878 | 77,082 | 17% |
| Refinancing Income | 102,510 | 122,980 | -17% | 296,414 | 180,985 | 64% |
| Financing Operating Income | 253,581 | 275,960 | -8% | 880,477 | 675,613 | 30% |
| Insurance Services: | | | | | | |
| Gross Written Premiums | 74,763 | - | | 109,228 | - | |
| Reinsurance & Reserves | (39,080) | - | | (66,495) | - | |
| Claims and Provisions | (17,078) | - | | (20,564) | - | |
| Investment Income | 6,764 | - | | 18,984 | - | |
| Net Insurance Income | 25,369 | - | | 41,152 | - | |
| Other Insurance Services | 6,536 | 9,500 | -31% | 41,740 | 38,841 | 7% |
| Insurance Operating Income | 31,905 | 9,500 | 236% | 82,892 | 38,841 | 113% |
| Net Operating Income | 285,486 | 285,460 | 0% | 963,369 | 714,454 | 35% |
| Other Income | 2,347 | 339 | 592% | 5,800 | 3,975 | |
| Provisions | (22,769) | (3,323) | 585% | (28,951) | (14,430) | |
| Operating Expenses | (81,153) | (52,747) | 54% | (231,479) | (163,378) | 42% |
| Sales Expenses | (27,292) | (9,533) | 186% | (54,153) | (40,451) | 34% |
| IPO Fees | - | - | | - | (22,745) | |
| Depreciation & Amortization | (8,657) | (5,039) | 72% | (22,631) | (10,965) | |
| EBT | 147,961 | 215,158 | -31% | 631,955 | 466,460 | 35% |
| Taxes | (44,228) | (55,779) | -21% | (161,761) | (104,838) | |
| Consolidated Income | 103,733 | 159,379 | -35% | 470,194 | 361,622 | 30% |
| Minorities | (13,057) | (39,457) | -67% | (81,482) | (78,869) | |
| Net Income | 90,676 | 119,922 | -24% | 388,712 | 282,752 | 37% |

Important Note

Management accounts are a reclassification of the consolidated audited accounts as following:

- (1) The auto credit and consumer goods financing businesses are treated under current accounting standards as trading activities (due to the legal structure of the companies – using a hire-purchase contract structure) and as such they account for the sales value of the underlying assets (net of sales tax) and the cost which matches the sale. We reclassify the numbers and include only interest income/expense and present the income statement as a financing business.
- (2) The consolidated audited accounts do not consolidate any companies with ownership under 50%, even though Sarwa group entities have full management control over several of these businesses. In the reclassified accounts (income statement) these are consolidated fully with accounting for minorities. The portfolios of these companies are also consolidated.
- (3) Securitization and discounting financing are off-balance sheet and without recourse. Under current accounting standards the financial statements do not show the balance and income from portfolios that were refinanced via those structures, despite the fact that the group continues to earn substantial revenues from these portfolios during their full tenor. In the reclassified accounts the revenues (interest income) and expense (bond interest as interest expense) are reclassified and the full portfolio included.
- (4) The consolidated audited accounts summarize insurance companies' activities while the management accounts separate revenues; gross and net, and consolidating OPEX and SG&A.

Full audited consolidated accounts are available on the company website www.sarwa.capital

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About Sarwa Capital

Sarwa Capital Holding for Financial Investments SAE (SRWA.CA) is a pioneer in consumer and structured financial services in Egypt. Operating since 2001, Sarwa adopts innovative approaches in extending its services, offering quality services with simple procedures and reaching a wide client base through its various subsidiaries, affiliates and partners.

Through Contact Credit and its subsidiaries, Sarwa offers market leading financing services including new and used car financing, home finishing finance through Contact Mortgages, consumer goods financing as well as commercial finance through affiliates Contact Leasing and Contact Factoring. Sarwa operates in insurance through Sarwa Insurance and Sarwa Life Insurance. Sarwa also offers an array of corporate financing services including securitization, structured debt and debt investment management. Sarwa Capital Holding for Financial Investments SAE is authorized and regulated by the Financial Regulatory Authority (FRA).

Forward-Looking Statements

Certain statements in this Document are not historical facts and are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations in relation to future events. The forward-looking statements are typically identified by the use of forward-looking terminology, such as "believes", "expects", "may", "will", "could", "would", "should", "intends", "targets", "aims", "projects", "estimates", "plans", "assumes" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In addition, from time to time, representatives of the Company have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in, but are not limited to, press releases or oral statements made by, or with the approval of, an authorised executive officer of the Company. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to competitive strengths and weaknesses, business strategy and the trends anticipated in the industries and the political and legal environment in which the Company operates and other information that is not historical information. These forward-looking statements and other statements contained in this Document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise other than as required by applicable laws or regulations. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.