

CONTACT FINANCIAL ANNOUNCES 1H-2024 RESULTS

During the first six months of the year, Contact continued to demonstrate the resilience and underlying potential of its business model as well as the effectiveness of its mitigation and investment strategies

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Contact Financial Holding SAE (CNFN.CA), Egypt's largest non-bank financial services provider, announced today its consolidated financial results for the quarter and six-month period ending 30 June 2024. In 1H-2024, the Group reported consolidated operating income of EGP 1.0 billion and consolidated normalized¹ net income of EGP 216.5 million. On a quarterly basis, consolidated operating income remained largely flat year-on-year at EGP 561.8 million, while consolidated normalized net income stood at 158.3 million in 2Q-2024. Worth noting that on a quarter-on-quarter basis, both consolidated operating income and consolidated normalized net income report solid increases as the gradual improvement in market conditions witnessed in 2Q-2024 reflected positively on the Group's quarterly results. Specifically, in 2Q-2024, consolidated operating income rose by 27% q-o-q, while consolidated normalized net income expanded by 172% q-o-q.

1H-2024 and 2Q-2024 Key Financial and Operational Highlights

	1H-2023	1H-2024	Change	2Q-2023	2Q-2024	Change
Financing Division						
Total Portfolio (EGP bn)	18.1	20.4	12%	18.1	20.4	12%
Financing Operating Income (EGP mn)	932	750	-20%	470	425	-10%
Financing Net Income (EGP mn)	287	109	-62%	166	88	-47%
Insurance Division						
Gross Written Premiums (EGP mn)	832	1,216	46%	395	520	32%
Insurance Operating Income (EGP mn)	155	261	69%	73	141	92%
Insurance Net Income (EGP mn)	38	97	155%	14	61	355%
Consolidated Results						
Total Operating Income (EGP mn)	1,092	1,005	-8%	544	562	3%
Net Income (EGP mn)	308	187	-39%	172	142	-17%
Annualized Return on Average Equity	25.3%	12.7%	-12.6 pts	28.5%	19.0%	-9.5 pts
Normalized Net Income (EGP mn)	384	216	-44%	206	158	-23%

During the first half of 2024, new financing extended at Contact's financing division stood at EGP 4.8 billion, a 40% y-o-y decline primarily on the back of decreases at Contact's Auto and Consumer Finance segments associated with an unfavorable interest rate environment and fluctuating consumer products prices. On the profitability front, financing operating income fell by 20% y-o-y to EGP 750.5 million in 1H-2024, while the division's net income shrank by 62% y-o-y to EGP 108.6 million during the six-month period. Declining profitability at the segment principally reflects Contact's decision to delay part of its portfolio transfer activities, a revenue line that has historically contributed significantly to the division's profitability, in light of the current interest rate environment. The impact of this decision was partially offset by a significant increase in net interest income generated by the portfolio held on Contact's balance sheet. On the other hand, Contact's insurance division reported impressive results across both its subsidiaries, with total gross written premiums (GWP) in 1H-2024 rising by 46% y-o-y to EGP 1.2 billion. Similarly, in 1H-2024 insurance operating income reached EGP 261.1 million and insurance net income stood at EGP 97.3 million, representing respective year-on-year increases of 69% and 155%. On a quarterly basis, new financing extended at the financing division fell by 42% y-o-y to EGP 2.2 billion in 2Q-2024. Similarly, the division reported a

¹ Normalized net income adjusts for the following: Net effect of new rent standard, tech investments, tax adjustments, and a special provision.

10% y-o-y drop in its operating income to EGP 425.4 million in 2Q-2024, and a 47% y-o-y contraction in net income to EGP 88.3 million. Meanwhile, total GWP at the insurance division expanded by 32% y-o-y to EGP 520.4 million in 2Q-2024. This drove a strong 92% y-o-y increase in insurance operating income, as well as a substantial 355% y-o-y surge in the division's net income during the quarter to EGP 140.9 million and EGP 61.5 million, respectively.

Commenting on the results, management said: "Our results for the first half of the year have once again demonstrated our ability to leverage the Group's leading market position, comprehensive and diverse offering, as well as our proven mitigation and growth strategies to effectively navigate an unprecedentedly difficult operating environment and deliver resilient results. We were particularly pleased to note the strong results delivered by our insurance division where we leveraged our expanded market presence, enhanced cross-selling capabilities, and a ramped-up product offering to drive impressive year-on-year growth. We were also very happy with the continued ramp up of our digital platforms, further validating our long-term strategies and the investments made. Meanwhile, at our Financing division, results continued to be weighed down by challenging macroeconomic conditions. Taking a more detailed look at the segments performance, new financing extended at our Auto, Trucks, and Consumer Finance segments witnessed year-on-year contractions reflecting various demand and supply-side factors. The division's performance was also partially impacted by our decision to temporarily delay part of our portfolio transfer activities. As previously announced, we expect to resume regular portfolio transfers in the second half of the year as market conditions progressively normalize."

At the **financing division**, challenging operating conditions, coupled with the implementation of a more conservative approach by the division saw new financing extended decline year-on-year across all major segments. More specifically, at the Consumer Finance segment, new financing extended decreased 64% y-o-y, partially as a result of the adoption of a more conservative lending strategy to hedge against the ongoing challenges. Similar factors weighed on Contact's Auto and Trucks segments, with both recording year-on-year declines in new financing extended of 42% and 13%, respectively. New financing extended at Contact's Mortgage segment shrank by 28% y-o-y in 1H-2024 on the back of the restrictive interest rate environment, which favors primary market/off plan sales as opposed to secondary market sales. Finally, management's conservative approach at the working capital segment, which was implemented to shield the business from ongoing market challenges, saw new financing extended drop 1% y-o-y during the six-month period. On a quarterly basis, the aforementioned factors remained in play, impacting the division's 2Q-2024 results.

At the **insurance division**, Sarwa Life's GWP rose by 58% y-o-y to EGP 743.2 million in 1H-2024, mainly driven by substantial growth in Term and Medical Insurance. Similarly, Sarwa Insurance's GWP expanded by 31% y-o-y to EGP 472.8 million during 1H-2024, as the company continues to reap the rewards of its increased reach and enhanced market penetration. On a quarterly basis, GWP increased by 36% y-o-y to EGP 287.9 million at Sarwa Life and by 27% y-o-y to EGP 232.5 million at Sarwa Insurance in 2Q-2024.

On the digital front, **ContactNow** continued to post strong growth in line with recent trends. The app, which is Egypt's first comprehensive digital financial platform, provides its users with an unparalleled selection of services covering the entire customer cycle, complemented by a best-in-class user experience. Since its relaunch in 2023, the app has continued to utilize the latest AI technology to enable new customers to obtain instant approvals and credit limits. Additionally, the app allows users to manage their accounts and purchases, complete loan installment repayments, settle utility and mobile bills, and conduct a variety of other transactions. The broad range of services available through the app have seen it quickly gain traction in the market, with the total number of download since inception reaching 1.03 million, and the number of registered customers since its launch reaching 682 thousand at the close of 1H-2024.

At **Contactcars.com**, the average number of paid dealer subscriptions increased 82% y-o-y, with organic traffic on the platform rising by 70% y-o-y in 1H-2024. Additionally, Contactcars.com has developed new mobile applications for end-users with the aim of enhancing user experience and tailoring it to the user's needs and expectations. This is expected to result in a rise in mobile app downloads and usage over the coming months. In parallel, Contactcars.com has successfully expanded its business partnership with Toyota Egypt, reaching an agreement to supply Toyota with a digital auction product for their used-car sales within the dealership network, which will encompass both Toyota and Contactcars.com dealers. Moving forward, in second half of the year Contactcars.com intends to further enhance its offering by incorporating the "Otlobha" product into its offering, which is designed to assist buyers in finding the desired vehicle at the most favorable price and in the shortest amount of time. In parallel, the platform is currently working on utilizing AI-powered user segmentation to enhance user retention and increase advertising revenue.

Regionally, the Group's Kenyan affiliate, Almasi, continues to grow in line with expectations. To date, the company has financed a total of 157 contracts worth KES 2.4 billion, with an average loan amount of KES 15 million. Almasi's continued success provides Contact with a platform that can be used to not just capitalize on the favourable dynamics of the Kenyan market, but to also expand further into the region over the coming years.

"As we enter the second half of the year, our strategic goals and priorities remain unchanged. In line with our digital strategy, we will continue to enhance our market leading platforms, ContactNow and Contactcars.com, to ensure they remain at the forefront of the AI revolution. Meanwhile, we are confident that as macroeconomic conditions continue to stabilize and inflation declines, we are going to see a recovery in market activity, with an associated favourable impact on our financing activities. In parallel, we remain on the lookout for attractive investment opportunities that enable us to provide new services to our customers, as well as secure new growth and expansion avenues for the Group. On that front, our consumer finance arm, Contact Credit, is set to kick off its Dubai operations in September, and will serve Egyptians living abroad as well as GCC nationals with Egyptian residencies. Finally, and as part of our efforts in enhancing our insurance operations, Contact is set to launch its new insurance consultancy company in 4Q-2024 after receiving the final license approvals from the financial regulatory authority," **management concluded.**

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About Contact Financial

Contact Financial Holding SAE (CNFN.CA) is the largest non-bank financial services provider in Egypt changing the way people and business access finance and insurance. Operating since 2001, Contact 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. Contact's financing division offers market leading services including consumer financing for new and used passenger and commercial vehicles and an array of consumer durables through Contact Credit and Contact CrediTech, Mortgage finance through Contact Mortgage, as well as commercial finance through Contact Leasing and Contact Factoring. Contact operates in insurance through Sarwa Insurance and Sarwa Life Insurance. Contact also offers an array of corporate financing services including securitization, structured debt and debt investment management. Contact Financial Holding SAE is authorized and regulated by the Financial Regulatory Authority (FRA).

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