

CONTACT FINANCIAL ANNOUNCES 1Q-2024 RESULTS

Contact kicked off the new year delivering total consolidated operating income of EGP 442.8 million as the Group's robust mitigation and growth strategies enabled it to effectively navigate a challenging macroeconomic environment. The Group remains ideally placed to capitalize on Egypt's improving macroeconomic conditions throughout 2024 and beyond.

Cairo, 16 May 2024

Contact Financial Holding SAE (CNFN.CA), Egypt's largest non-bank financial services provider, announced today its consolidated financial results for the quarter ending 31 March 2024, reporting consolidated operating profit of EGP 442.8 million and consolidated normalized¹ net income of EGP 57.4 million in 1Q-2024. At the Group's financing division, a challenging macroeconomic environment weighed on the first quarter's results, with the division reporting operating income of EGP 325.1 million and net income of EGP 20.2 million due to a slowdown in portfolio transfer activities, which was partially offset by an increase in net interest income during the quarter. Meanwhile, at the insurance division operating income recorded EGP 120.3 million in 1Q-2024, while insurance net income reached EGP 35.8 million during the three-month period.

1Q-2024 Key Financial and Operational Highlights

	1Q-2023	1Q-2024	Change
Financing Division			
Total Portfolio (EGP bn)	16.8	20.9	24%
Net Interest Income (EGP mn)	129	239	85%
Net Interest Margin	8.3%	11.1%	2.8 pts
Financing Operating Income (EGP mn)	462	325	-30%
Financing Net Income (EGP mn)	121	20	-83%
Insurance Division			
Gross Written Premiums (EGP mn)	437	696	59%
Insurance Operating Income (EGP mn)	81	120	48%
Insurance Net Income (EGP mn)	25	36	45%
Consolidated Results			
Total Operating Income (EGP mn)	548	443	-19%
Net Income (EGP mn)	136	45	-67%
Annualized Return on Average Equity	22.2%	6.2%	-16.0 pts
Normalized Net Income (EGP mn)	178	57	-68%

In 1Q-2024, new financing extended at Contact's financing division stood at EGP 2.6 billion, a 38% y-o-y decline primarily due to the issuance slowdown at Contact's Auto and Consumer Finance segments on the back of an unfavorable interest rate environment, coupled with consumer product price instability. On the profitability front, the division's operating income contracted by 30% y-o-y to EGP 325 million in 1Q-2024, while financing net income fell to EGP 20 million, an 83% y-o-y decline. The decline in profitability came as Contact decided to delay part of its portfolio transfer activities, a revenue line that has contributed significantly to its profitability in recent history, given the current interest rate environment. This was partially offset by an increase in net interest income generated by the portfolio held on Contact's balance sheet. On the other hand, Contact's insurance division achieved strong results across both its subsidiaries, with total gross written premiums (GWP) rising by 59% y-o-y to EGP 696 million during

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

the quarter. Similarly, insurance operating income grew by 48% y-o-y to EGP 120 million in 1Q-2024, and the division's bottom-line closed the quarter at EGP 36 million, an impressive 45% y-o-y expansion.

Commenting on the results, management said: "Reflecting back of a challenging quarter, we are pleased with the results reported by the Group, as we continued to successfully leverage our leading market position, comprehensive and diverse product offering, and proven mitigation strategies to navigate a challenging and rapidly-evolving set of operating conditions. As the country begins to turn the corner and look to the future, we are well positioned to contribute to, and capitalize on, the anticipated economic recovery by providing businesses and individuals with the capital and security needed to thrive."

"Taking a more in-depth look at our results, new financing extended at both our Auto and Truck segments contracted in 1Q-2024 following a decline in demand on the back of challenging market conditions, with automobile sales in March 2024 across the local market falling to their lowest level since January 2019.¹ This was further exacerbated by supply chain shortages and disruptions, as well as the adoption of a more cautious lending strategy due to unstable market conditions. Similarly, the aforementioned factors all weighed on the Consumer Finance segment, which recorded the largest year-on-year decline in new financing extended among all of Contact's segments for the quarter. Unfavorable market conditions also slowed down portfolio transfer activities during the quarter, heavily impacting the performance of the financing division, which historically has generated a large proportion of its revenues from portfolio transfer activities. We expect to resume our regular portfolio transfer activities during the second half of the year. On a more positive note, both companies at our insurance division, Sarwa Life and Sarwa Insurance, continued to deliver solid performances, leveraging an expanded market presence, enhanced cross-selling capabilities, and ramped-up product offering to deliver impressive year-on-year results. Finally, in line with our digitalization strategy, both of our online platforms, the ContactNow app and the Contactcars.com platform, recorded a strong start to the year, growing operationally and contributing increasingly to our financial results," **management added.**

At the **financing division**, the Consumer Finance segment delivered the division's largest year-on-year contraction, 69%, in new financing extended. The segment's negative performance during the quarter came as a consequence of a significant drop in demand due to an elevated interest rate environment (800 basis point interest rate hikes implemented in 1Q-2024), coupled with persistent high inflation rates leading to prices sitting at significantly higher levels than those of 1Q-2023. Additionally, the supply chain shortages and disruptions witnessed during the past quarter, as well as the adoption of a more conservative lending strategy further dampened the segment's performance. Similarly, Contact Auto and Contact Trucks both delivered respective year-on-year declines of 35% and 11% in new financing extended during the quarter as demand at both segments was significantly impacted by the aforementioned interest rate hike and inflationary conditions. Additionally, sales were further dampened by the impact of Ramadan, where consumer spending patterns are different. Meanwhile, Contact's Mortgage segment shrank by 15% y-o-y in 1Q-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 continued to shield the business from ongoing market challenges saw new financing extended drop 2% y-o-y during the quarter.

At the **insurance division**, Sarwa Life's GWP reached EGP 455 million in 1Q-2024, representing a 76% y-o-y increase. Solid expansion during the period was mainly driven by substantial growth in Term and Medical Insurance. Additionally, Sarwa Life's new operational issuance system is now online and fully operational, with 100% of the company's retail operations, as well as its group life insurance services currently operating through the system. In parallel, Sarwa Insurance's GWP rose by 35% y-o-y to EGP 240 million during the quarter, as the company continues

¹ Automotive Markets Information Council (AMIC)

to reap the rewards of its increased reach and enhanced market penetration, demonstrating the success of management's strategy over the past years.

On the digital front, **ContactNow**, a rebranded and reworked version of the Contact App, and Egypt's first comprehensive digital financial platform, continued to ramp up nicely. The app offers its users an unmatched selection of services covering the entire customer cycle, complemented by a best-in-class user experience. Since the relaunch, the app has continued to leverage the latest AI technology to allow new customers to obtain instantaneous approvals and credit limits. On top of that, the app also includes several unique features that allow users to manage their accounts and purchases, complete loan installment repayments, settle utility and mobile bills, and conduct a variety of other transactions. On the back of the comprehensive range of services available through ContactNow, the app has quickly gained traction in the market, with the total number of registered customers since its launch reaching 643 thousand at the close of 1Q-2024, with 43 thousand new registrations coming during the quarter.

At **Contactcars.com**, the average number of unique monthly users stood at 1.0 million in 1Q-2024, with the number of classified car page views reaching 7.7 million during the quarter. During the quarter, the average number of paid dealer subscriptions rose 116% y-o-y. Additionally, in line with Contactcars' dealership cross-sales strategy, the Group succeeded in selling new marketing and promotional products to subscribed dealers. Furthermore, organic traffic on the platform increased by 51% y-o-y in 1Q-2024. Going forward, Contactcars will continue to grow its primary product lines, and will expand the services offered to B2B dealers in the Delta region. Additionally, Contactcars intends to utilize AI-powered user segmentation to personalize its customers' user experience, increase advertising revenue, and strengthen user retention.

Regionally, the Group's Kenyan affiliate, Almasi, continues to grow on par with expectations. On that front, as of 31 March 2024, Almasi has financed 136 contracts worth KES 2.1 billion since inception, with an average loan amount of KES 15 million. The success of Almasi provides Contact with a platform that can be used to capitalize on the favourable dynamics of the Kenyan market, as well as expand further into the region throughout the coming years.

"Looking ahead, while the challenging macroeconomic environment is likely going to accompany us for the remainder of the year, we are cautiously optimistic that the worst is now behind us. As such, our strategic priorities and long-term goals remain unchanged, as we continue to work on empowering our communities one financing and insurance solution at a time. More specifically, on the digital front the constant expansion and enhancement of our digital capabilities remains at the top of our list, and we will continue to deliver new and upgraded solutions across both ContactNow and Contactcars.com over the coming year. At the financing division, we will continue to create additional value through the diversification and enhancement of our product portfolio. 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, we reaffirm our ambitions to expand into the Emirati market during the second half of the year, and we are currently studying the possibility of also venturing into the Saudi market by 2025, with an eye on serving the three million Egyptian expats residing in the Kingdom," **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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