SARWA CAPITAL

12 August 2020

SARWA CAPITAL ANNOUNCES FIRST HALF RESULTS;

CONSOLIDATED NET INCOME OF EGP 127 MILLION FOR H1 2020,

NORMALIZED NET INCOME OF EGP 210 MILLION,

UP 9% ON H1 2019

Key Highlights*

Financing Business

- Total Portfolio of EGP 6.9 billion, up 9% YoY
- Financing Revenue of EGP 756 million, down 2% from H1 2019
- Net Interest Income of EGP 241 million, down 5% from H1 2019
- Financing Operating Income of EGP 406 million, down 1% from H1 2019
- EGP 49 million in provisions in anticipation of IFRS9

Insurance Business

- GWP of EGP 131 million, up 470% from H1 2019
- Insurance Revenue of EGP 180 million, up 154% from H1 2019
- Insurance Operating Income of EGP 75 million, up 183% from H1 2019

Consolidated Metrics

- Net Operating Income of EGP 481 million, up 10% from H1 2019
- H1 Net Income of EGP 127 million, down 31% from H1 2019
- Normalized Net Income of EGP 210 million, up 9% from H1 2019
- Q2 Net Income of EGP 36 million, down 42% from Q2 2019
- H1 Annualized Return on Average Equity of 13.1%
- H1 Annualized Return on Average Assets of 3.8%

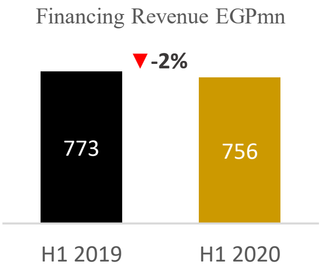
Sarwa Capital Holding for Financial Investments SAE (SRWA.CA), Egypt's leading consumer and structured financial services provider, announced today its consolidated financial results for the period ending 30 June 2020, with consolidated net income after minority interest of EGP 127 million, down 31% from EGP 183 million for the period ending June 30 2019. For the second quarter, net income came to EGP 36 million, down 42% on the second quarter of 2019.

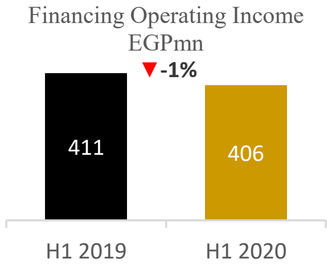
Separating the new insurance businesses, and adjusting for ESOP amortization, new treasury bill tax treatment, and application of contingent provisions, normalized consolidated net profit came in at EGP 210 million, up 9% on a comparable basis from the period ending June 30 2019.

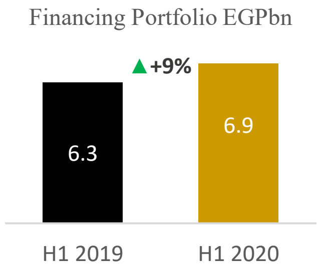
Management commented: "We are pleased to announce our results for the first half of the year – a period marked by unprecedented events with wide ranging interpretations of the ensuing market conditions. Our businesses have demonstrated their resilience and strong footing and have continued to expand despite the challenging environment.

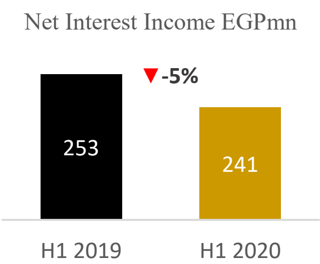
*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

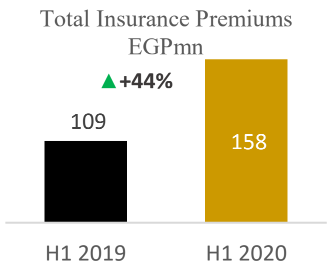
While caution is necessary to not over-interpret signs of a quick recovery, the rebound in activity across many asset classes gives room for optimism, perhaps more so given the good position our businesses are in to take advantage of shifts in the market. Specifically, new distribution channels and execution capability, both in financing and insurance, as well as expanding funding options, set us in a favourable position to capture strong growth going forward."

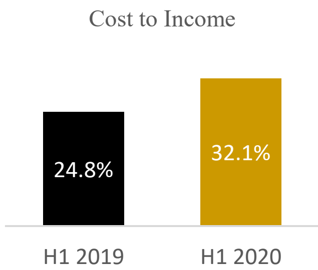


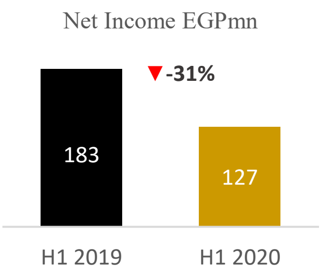


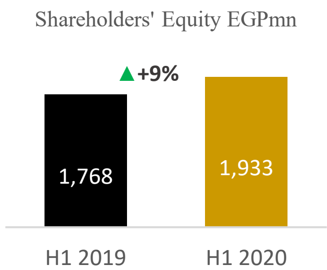


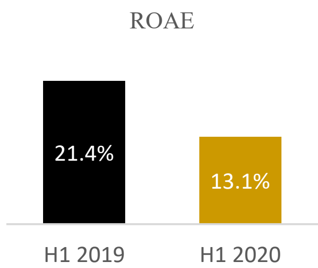












*Summary Consolidated Financial Results**

Income Statement (EGPm)	**H1 2020**	**H1 2019**	**YoY**	**Q2 2020**	**Q2 2019**	**YoY**
Financing Revenue	756	773	-2%	322	317	1%
Financing Operating Income	406	411	-1%	152	135	13%
Insurance Operating Income	75	27	183%	43	17	154%
Net Operating Income	481	437	10%	196	152	29%
Earnings Before Tax	214	294	-27%	66	79	-16%
Net Income after minorities	127	183	-31%	36	63	-42%

*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

Financing Division

Importantly, during the first half of 2020, Contact Credit received the first consumer financing license in line with the new Consumer Credit Act issued by the Financial Regulatory Authority (FRA). The Consumer Credit Act represents an important milestone in the development and formalization of the large and wide-ranging non-bank consumer financing market.

With this license, Contact Credit, Sarwa's largest subsidiary, will be governed and regulated by the Consumer Credit Act no. 18 of the year 2020 instead of the Companies Act no. 159 of the year 1981, and will legally be authorized to operate as a non-banking financing entity regulated by the FRA rather than a trading entity. The change brings a number of structural benefits to the company and its partners with a more efficient legal and operating environment strengthening Contact's position as the largest player in the consumer credit market.

Revenues

Financing Operating Income, which includes net interest income, refinancing income and fee income, remained broadly stable at EGP 406 million during the period ending June 30 2020 compared to the prior year despite the financial impact of coronavirus within the consumer credit market particularly during the first half of 2020.

Net interest margin recorded 7.2% during the period as compared to 8.1% in H1 2019.

Operational Highlights

Total new financing extended for the period recorded EGP 1.81 billion, on a par to that achieved during the first half of 2019.

New Financing Extended by Asset Class	YoY Growth
Passenger Vehicles	2%
Commercial Vehicles	62%
Real Estate Financing & Mortgage	-85%
Consumer Durables	-14%
Medical	-25%
Others	399%
Total	**0%**

Passenger vehicles new financing grew by 2% during the first half of 2020 with a rebound in June, after facing considerable pressure from the early days of the pandemic until May. This has come partially due to demand uncertainty but mainly due to the containment measures taken by the government including suspending vehicle registrations and notary public services.

As shown in the below chart, June witnessed a strong rebound in activity, taking the second quarter as a whole to a 13% increase in new financing over the second quarter of 2019. This looks set to continue into the third quarter with further stability dependent on macro factors including supply-side limitations brought about by pandemic-related disruptions.

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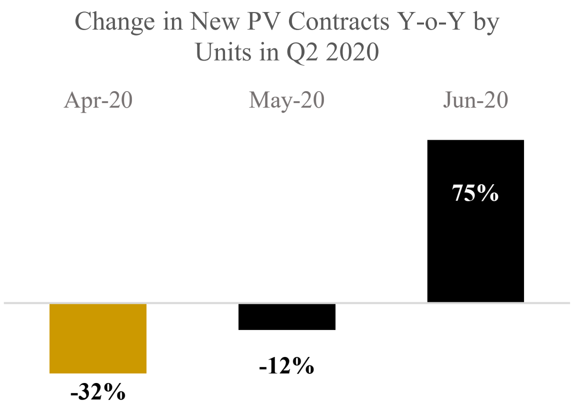


Furthermore, product enhancements, investments in the branch network and distribution, while adopting a more direct-to-client approach started to bear fruit reflected by the growth in the number of new loan applications, rising 40% year on year during the first half of 2020.

Commercial vehicles new financing has been delivering substantially against its plan and growing by 62% year-on-year, despite the slowdown in the second quarter caused by a virtual standstill during April and May with the pandemic containment measures.

Real estate financing & mortgages including home finishing, portfolio acquisition and low-income housing financing were strongly affected during the first half of the year with the continuing 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 during this period.

Consumer durable new financing declined by 14% during the first half of the year, with the pandemic-related slowdown coinciding with the rollout and implementation of the new underlying technical infrastructure, successfully completed during the second quarter. While April and May showed depressed transaction volumes with demand uncertainty and limited commercial hours due to the imposed curfew, June showed a strong rebound pointing to growth going forward. The new platform will accelerate the roll out of new products, alongside the continued investment in and use of technology and artificial intelligence in enhancing distribution and processing.

Financing Portfolio

In total, the portfolio grew by 9% year on year to EGP 6.9 billion at the end of the first quarter. Passenger vehicles represented 75% of the portfolio down from 80%.

Portfolio	**YoY Growth**	**% of Portfolio Q2 2020**	**% of Portfolio Q2 2019**
Passenger Vehicles	2%	75%	80%
Commercial Vehicles	161%	8%	3%
Real Estate Financing & Mortgages	13%	9%	9%
Medical	48%	3%	2%
Consumer Durables	-8%	1%	2%
Others	-3%	3%	4%
Total	**9%**	**100%**	**100%**

*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

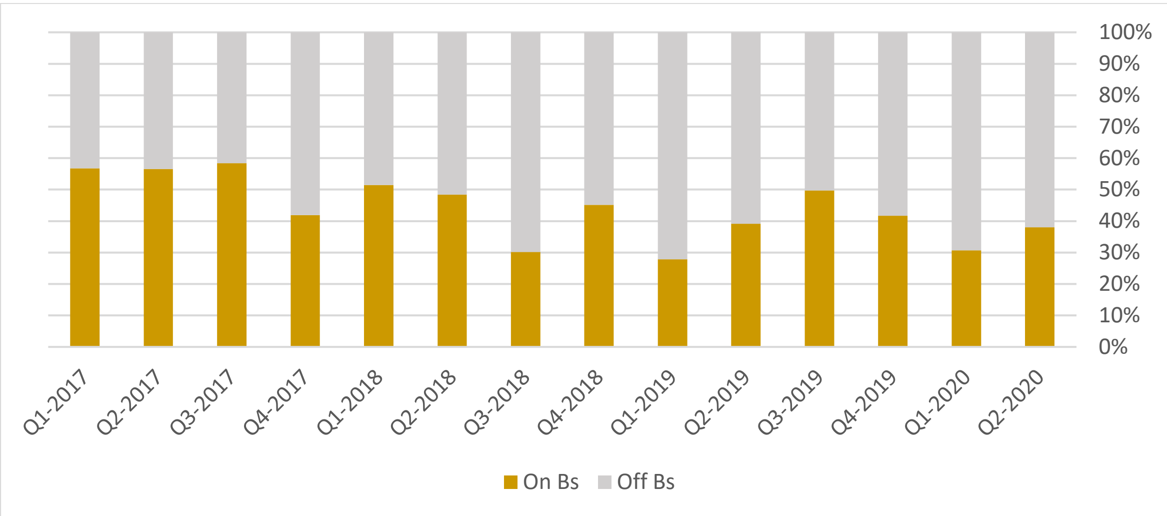
EGP m	June 30 2020	June 30 2019
On-balance sheet portfolio	2,608	2,473
Off-balance sheet portfolio	4,245	3,838
Total	6,854	6,311

Treasury and Debt Capital Market Activities

Leveraging the group's diverse funding base, treasury operations executed EGP 631 million of non-recourse discounting transactions with banks, finding the most favourable balance of terms during the second quarter. Liquidity across all existing funding channels remains high with strong demand for different forms of debt instruments, giving the group financial flexibility. Furthermore, treasury operations are finalizing new and pioneering financing structures to bring to market during the second half of the year.

The discounting transactions come on the heels of an EGP 1.8 billion securitization bond issued in March – and issue that yielded favourable pricing in a volatile market – and the recalling another securitization bond to enhance overall spreads.

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.

*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

Insurance Division

April 2020 marked the first anniversary of Sarwa Insurance and Sarwa Life; the companies celebrated this milestone while reaching gross written premiums of EGP 131 million for the first six months of 2020, a strong showing achieved with a limited offering and developing distribution network, while challenges related to the pandemic were limited.

Insurance Services (EGP 000s)	H1 2020	H1 2019	YoY	Q2 2020	Q2 2019	YoY
Total Premiums	157,774	109,245	44%	72,671	51,151	42%
Of which underwritten by Sarwa	**131,330**	**23,023**	**470%**	**56,564**	**23,023**	**146%**

Growth was primarily driven by the non-life business, achieving solid numbers on both the retail and corporate fronts. Since the launch of operations Sarwa Insurance has enrolled over 100 brokers with a high activity rate, in addition to establishing its initial footprint with branches in Giza and Alexandria. Both businesses' full range of retail products are yet to be activated until the full implementation of the technological infrastructure which is nearing completion.

In total during the first half of the year, revenues from insurance activities including brokerage services reached EGP 180 million, up from EGP 71 million in the first half of 2019. Insurance operating income grew to EGP 75 million from EGP 27 million.

Consolidated Costs

Total operating costs reached EGP 155 million during H1 2020, growing 43% from the comparable period in 2019, reflecting the increased investments in insurance operations, business digitalization and branch and network expansion. As a result, and owing to revenues being affected by market conditions, cost to income, as measured by operating expenses, came in at 32%, up from 25% during H1 2019. Sales and marketing expenses reached EGP 50 million during the year, more than doubling 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 49 million during H1 2020. 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 1.93 billion at the end of the first half compared to closing at EGP 1.77 billion at the end of the same period of 2019.

*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

Group Consolidated Management Reclassified Accounts

Income Statement (EGP000s)	H1 2020	H1 2019	YoY	Q2 2020	Q2 2019	YoY
Interest Income	591,074	615,476		277,571	301,056	
Interest Expense	(350,084)	(362,382)		(169,034)	(182,490)	
Net Interest Income	**240,989**	**253,093**	**-5%**	**108,537**	**118,566**	**-8%**
Fee Income	33,048	34,751	-5%	14,429	16,297	-11%
Refinancing Income	132,028	122,980	7%	29,518	-	-
Financing Operating Income	**406,065**	**410,824**	**-1%**	**152,484**	**134,864**	**13%**
Insurance Services:						
Gross Written Premiums	131,322	23,023		56,559	23,023	
Reinsurance & Reserves	(57,316)	(17,754)		(18,236)	(17,754)	
Claims	(26,374)	(1,645)		(9,296)	(1,645)	
Investment Income	13,707	5,629		6,942	5,629	
Net Insurance Revenue	**61,339**	**9,253**		**35,970**	**9,253**	
Other Insurance Services	13,949	17,353		7,413	7,853	-6%
Insurance Operating Income	**75,288**	**26,606**	**183%**	**43,382**	**17,106**	**154%**
Net Operating Income	**481,352**	**437,430**	**10%**	**195,867**	**151,969**	**29%**
Other Income/Expenses/Services	4,205	1,087		1,858	747	
Provisions	(48,733)	(1,765)		(25,964)	1,559	
Operating Expenses	(154,506)	(108,393)	43%	(73,353)	(55,646)	32%
SG&A	(50,283)	(23,833)	111%	(22,991)	(14,300)	61%
Depreciation	(17,626)	(10,323)		(8,969)	(5,284)	
EBT	**214,409**	**294,203**	**-27%**	**66,448**	**79,046**	**-16%**
Taxes	(69,571)	(60,556)		(25,343)	(4,777)	
Consolidated Income	**144,837**	**233,648**	**-38%**	**41,104**	**74,269**	**-45%**
Minorities	(17,929)	(50,832)		(4,872)	(11,375)	
Net Income	**126,909**	**182,816**	**-31%**	**36,233**	**62,894**	**-42%**

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.

*All figures except Net Income and Equity figures based on reclassified management accounts. See note at end.

(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.

Sarwa's financing division offers market leading services including consumer financing for new and used and an array of consumer durables through Contact Credit, home finishing through Contact Mortgages, as well as commercial finance through 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.

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