

CONTACT FINANCIAL ANNOUNCES 1H-2022 RESULTS

Contact continued to build on a strong start to the year, recording solid growth across its financing and insurance divisions despite a challenging operating environment

Cairo, 16 August 2022

Contact Financial Holding SAE (CNFN.CA), Egypt's largest non-bank financial services provider, announced today its consolidated financial results for the six-month period ending 30 June 2022, reporting net income after minority interest of EGP 258 million, up 18% versus the same period of last year.

1H-2022 Key Financial and Operational Highlights¹

	1H-2021	1H-2022	Change
Financing Division			
Total Portfolio (EGP bn)	8.97	12.38	38%
Financing Operating Income (EGP mn)	487	681	40%
Financing Net Income (EGP mn)	195	238	22%
Insurance Division			
Gross Written Premiums (EGP mn)	254	504	98%
Insurance Operating Income (EGP mn)	76	105	37%
Insurance Net Income (EGP mn)	24	29	25%
Consolidated Results			
Total Operating Income (EGP mn)	566	787	39%
Net Income (EGP mn)	218	258	18%
Annualized Return on Average Equity	21.3%	22.1%	1.8 pts

At the Financing Division, total new financing extended in 1H-2021 grew 52% year-on-year to reach EGP 5.1 billion, primarily driven by Contact's consumer finance, working capital, commercial trucks, and mortgage products. Strong growth in new financing for the period supported a 22% year-on-year increase in financing net income, which recorded EGP 238 million in 1H-2022. Meanwhile, at the insurance division, gross written premiums increased 98% year-on-year in 1H-2022 recording EGP 504 million versus EGP 254 million in 1H-2021. The division's performance was supported by strong results across both insurance companies as they effectively capitalised on their increased market penetration and new product launches. Insurance net income grew 25% year-on-year to reach EGP 29 million in 1H-2022.

Consolidated net income on a comparative basis, adjusting for the new accounting treatment for rent and newly incurred losses in the tech investment group, recorded EGP 304 million with an increase of 34% on a like for like basis.

Commenting on the results, management said: "We are pleased to report another strong set of results which saw both divisions continue to build on a remarkable start to 2022 to report solid growth and profitability despite an increasingly challenging operating environment. Our performance for the first half of the year continues to reflect the successful implementation of our longer-term investment and transformation strategy, which is allowing us to continue delivering on both our short-term targets and long-term vision. During the first six months of the year, our

¹ During Q4-2021, the Group successfully updated its audited financial statements to present both its segmental Financing and Insurance division performance and its off-balance sheet arrangements, such as portfolios under management and contribution of certain associates, in a manner that better reflects its business activities without the need to issue separate reclassified management accounts. Full-year figures included in this release for both periods reflect such changes.

efforts have been focused on enhancing our customer acquisition capabilities through a multi-faceted strategy involving new product roll outs, an expansion of our direct-to-consumer reach, and the launch of targeted campaigns and promotions. In parallel, we are continuing to develop our digital offering making our products more accessible and the user experience, and in particular the credit assessment process, smoother. Our efforts have already begun paying off with new customers increasingly responsible for driving growth in new financing extended, and 50% of newly acquired consumer finance customers processed using our new AI credit engine. Meanwhile, at the insurance division, both Sarwa Life and Sarwa Insurance reported impressive growth during the six-month period, with our newer product launches and increased market presence playing important roles in the division's success."

On a product basis, the consumer finance and working capital financing segments, were the top performers recording remarkable year-on-year increases in new financing extended during 1H-2022. At the consumer finance segment, which includes Contact Shopping, the near fivefold expansion was supported by the roll out of new products including a new home finishing express product and new club membership and education solutions. Transactions were also boosted by the roll out of new customer touch points such as at malls and merchant stores. Meanwhile, the recently launched working capital financing segment, which includes all of the Contact's short-term products under its factoring offering, such as transportation services, supply chain financing, and reverse factoring, also witnessed strong growth in the period on the back of growing contract volumes. Contact Mortgage also witnessed significant growth, with new financing at the segment expanding 197% year-on-year in 1H-2022, reflecting a rise in activity on Contact's low-income mortgages and higher home equity loans, as well as the recently launched long-term, 10-year mortgage product. Separately, new financing at Contact Trucks rose 75% versus last year on the back of a wider product offering and greater distribution reach. Meanwhile, Contact Auto recorded a 1% year-on-year expansion as Egypt's passenger car market continued to be weighed down by import restrictions global supply issues.

On the digital front, the Contact App continued to grow in popularity, with total downloads and registered users as at 30 June 2022 reaching 160 thousand and 146 thousand, respectively, up from the 105 thousand downloads and 86 thousand registrations as at 31 March 2022. In line with expectations, the app's new AI credit scoring tool has immediately contributed to the financing division's performance, with newly acquired customers increasing to 29 thousand during 1H-2022 up from 15 thousand newly acquired customers in FY-2021. The AI credit engine represented 50% of all newly acquired customers during the period, while 30% of new lending extended during 1H-2022 was directly attributable to the solution.

"As expected, Contact Auto's growth in the first half of the year was weighed down by the ongoing difficulties faced by Egypt's passenger car market. However, thanks to our diversification strategy, which in the last year has seen us focus increasingly on non-auto financing, we were able to continue driving growth in new financing in line with our trajectory. We were particularly happy to note the impressive ramp up at our working capital financing segment which contributed to a growing share of total new financing. It is also worth emphasizing that the impact on new financing of the CBE's multiple rate hikes has thus far been limited, with demand staying strong across our portfolio. All in all, our results for the first six months of the year reinforce our confidence in our long-term growth strategy and the strong fundamentals of the Egyptian market," **management added.**

At the insurance division, Sarwa Life's GWP rose 195% year-on-year, reaching EGP 245 million in 1H-2022. Sarwa Life's solid performance was driven by medical insurance, in addition to a growing contribution from the recently launched SME life and health products. Similarly, Sarwa Insurance saw its GWP rise 51% year-on-year to record EGP 259 million in 1H-2022. GWP growth at the subsidiary came on the back of an increased reach and higher market penetration, in addition to the roll out of Sarwa Insurance's new medical insurance product and commercial lines of business. It is also worth highlighting that Sarwa Insurance recently secured a new strategic partnership with Ahli

United Bank to sell bancassurance to the bank's clients, opening up a new channel to drive further growth in the coming period.

Finally, the recently relaunched contactcars.com is continuing to build on its strong momentum. The portal recorded 1.5 million unique monthly users throughout 1H-2022 along with a user return rate of 61%. To further improve on this, in 2Q-2022 contactcars.com redesigned the portal's homepage, search UX and search results to improve the user experience. In parallel, the platform rolled out a new OCR technology to streamline its application processes and placed increased focus on data collection to improve user acquisition and engagement. Heading forward, Contact is looking to continue updating the platform's offerings in order to attract new users and retain existing ones, fully capitalizing on contactcars' commercial potential.

"While the challenges faced during the first half of 2022 are likely to persist in the second part of the year, we are confident that we have in place a strong strategy to navigate the tough operating environment, and as such our priorities for the year remain unchanged. A key item on our list is the enhancement of our digital capabilities. On this front, we are looking to continue strengthening the Contact App and contactcars.com offerings, adding new features to further simplify the user experience and boost digital sales. At the same time, in the coming months we will continue to survey the market for innovative opportunities to invest in as we look for new ways of serving our expanding audience, and continue to transform the way consumers and businesses access financial services. In parallel, we will continue to grow our physical presence and service offering. On this front, a main area of focus has been broadening our merchant partnerships, and in the first part of the year we signed new agreements with several sports clubs, schools and universities. Building on this, in the second half of the year we will be working to expand our presence across key, defensive sectors of the Egyptian economy. We are currently adding education financing to our service offering and are in the process of signing agreements with several schools and universities to offer fee payment plans. We are also targeting an expansion of our healthcare financing solutions, with a particular focus on dental care. All in all, we are excited for what lies ahead for Contact and we are confident that we are ideally placed to continue leading the Egyptian consumer financing sector while further establishing ourselves in the high potential insurance segment," **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, home finishing through Contact Mortgages, 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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