

27 February 2019

**SARWA CAPITAL ANNOUNCES 2019 RESULTS;
CONSOLIDATED NET INCOME OF EGP 389 MILLION FOR 2019,
UP 37% FROM 2018**

Key Highlights*

- Financing Revenue of EGP 1,636 million, up 18% from 2018
- Net Interest Income of EGP 494 million, up 18% from 2018
- Financing Operating Income of EGP 880 million, up 30% from 2018
- Insurance Revenue of EGP 221 million, up 146% from 2018
- Insurance Operating Income of EGP 83 million, up 113% from 2018
- Net Operating Income of EGP 963 million, up 35% from 2018
- Net Income of EGP 389 million, up 37% from 2018
- Q4 Net Income of EGP 109 million, up 215% from Q4 2018
- Total Portfolio of EGP 6.6 billion, up 7% YoY
- Annualized Return on Average Equity of 21.7%
- Annualized Return on Average Assets of 6.2%



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 year ending 31 December 2019, with consolidated net income after minority interest of EGP 389 million, up 37% from EGP 283 million for the year ending 31 December 2018. For the fourth quarter, net income came to EGP 109 million, up 215% on the fourth quarter of 2018.

Separating the new insurance businesses and adjusting for ESOP amortization and new treasury bill tax treatment, normalized consolidated net profit came in at 410 million, up 45% from 2018.

Management commented: “We are delighted to report our full year results for 2019, delivering strong growth while continuing to expand our business in a year marked by inconsistent market conditions and weaker than anticipated underlying asset markets. During the year we launched Sarwa Insurance and Sarwa Life insurance, important and integral parts of our business going forward, as well as expanded our financing product range and reach. In the financing business, our focus on healthy economics in tight markets bore fruit during 2019 and puts us in a strong position going forward.

We start 2020 with strong momentum which will be further supported by a number of planned product launches and technological implementations coming online across both the financing and insurance divisions.”

Summary Financial Results*

Income Statement (EGPm)	FY 2019	FY 2018	YoY	Q4 2019	Q4 2018	YoY
Financing Revenue	1,636	1,392	18%	495	346	43%
Financing Operating Income	880	676	30%	287	149	92%
Insurance Revenue	221	90	146%	82	23	257%
Insurance Operating Income	83	39	113%	31	10	201%
Net Operating Income	963	714	35%	317	159	99%
Earnings Before Tax	632	466	35%	205	57	262%
Net Income after minorities	389	283	37%	109	35	215%

Financing Division

Revenues

Financing Operating Income, which includes net interest income, refinancing income and fee income, increased to a record of EGP 880 million, up by 30% from 2018. For the full year, refinancing income increased by 64% on the back of efficient treasury management working on improving the funding mix and enhancing spreads going forward.

Net interest margin recorded 7.7% during the period as compared to 7.5% in the previous year.

Operational Highlights

In 2019, management decided to rebrand all financing activities within the businesses under the “Contact” brand; a valuable asset to the group. Consequently, the company names of Plus Leasing and Plus Factoring changed to Contact Leasing and Contact Factoring. Having Contact as the primary brand for the financing arm of the group, we continue to diversify our portfolio mix across multiple segments.

Total new financing extended for the period recorded EGP 3.9 billion, down 10% from EGP 4.3 billion for the period to December 2018.

New Financing Extended by Asset Class	YoY Growth
Passenger Vehicles	-21%
Commercial Vehicles	231%
Real Estate Financing & Mortgage	-14%
Medical	69%
Consumer Durables	3%
Others	141%
Total	-10%

Passenger vehicles new financing declined by 21% during the period on the back of the decline in number of new contracts and the average loan ticket. This is a result of a slowdown in the new and used passenger car market from the end of 2018 into 2019 with custom duty cuts and currency appreciation resulting in continually falling prices combined with supply shifts. Nevertheless, penetration levels in both the new and used segments are strong and the outlook is improving supported by new partnerships, geographic expansion within Egypt and substantial investment in digital platforms.

Commercial vehicles new and used truck financing was introduced this year to retail clients through the retail credit platform, in addition to existing schemes to SMEs via commercial leasing. A large and underserved market, we see strong growth potential within this segment capitalising on the nationwide front and back office presence through the Contact network which continued to grow during 2019 adding 9 new branches including 6 credit offices.

Real estate financing & mortgages, including home finishing, portfolio acquisition and low-income housing financing, slowed by 14%. As part of the Central Bank of Egypt initiative for

low-income housing mortgages, Contact extended 1,365 loans during 2019 as one of the largest private sector mortgage companies to extend financing under the initiative. The program is currently on hold while being shifted to a new formula currently being finalized between the CBE and the Ministry of Finance. Separately, a new home finishing product is in the pipeline to be launched in 2020.

Medical equipment financing grew with the segment being one of the areas of focus of the small business leasing and factoring programs.

Consumer durable new financing grew by 3% during the year. Substantial reworking of the underlying technical infrastructure slowed network expansion and transaction growth. The new platform was completed at the end of the year and is launching in Q1 2020, bringing a better customer experience and improved operating platform for our business partners. In addition, ongoing investment in technology in consumer finance in the areas of artificial intelligence and credit analysis will accelerate growth potential.

In parallel, an agreement was signed to invest in a joint venture alongside Premium International for Credit Services (“Premium Card”), one of the pioneers and distinctive players in the consumer finance market, to offer an innovative consumer finance product. The new venture to be operational by Q2 2020.

Other asset classes include a leasing portfolio for heavy and light equipment which was discontinued, in addition to a factoring portfolio which was recently added to cater for small and medium sized businesses in the medical and transportation segments as well as a range of other businesses.

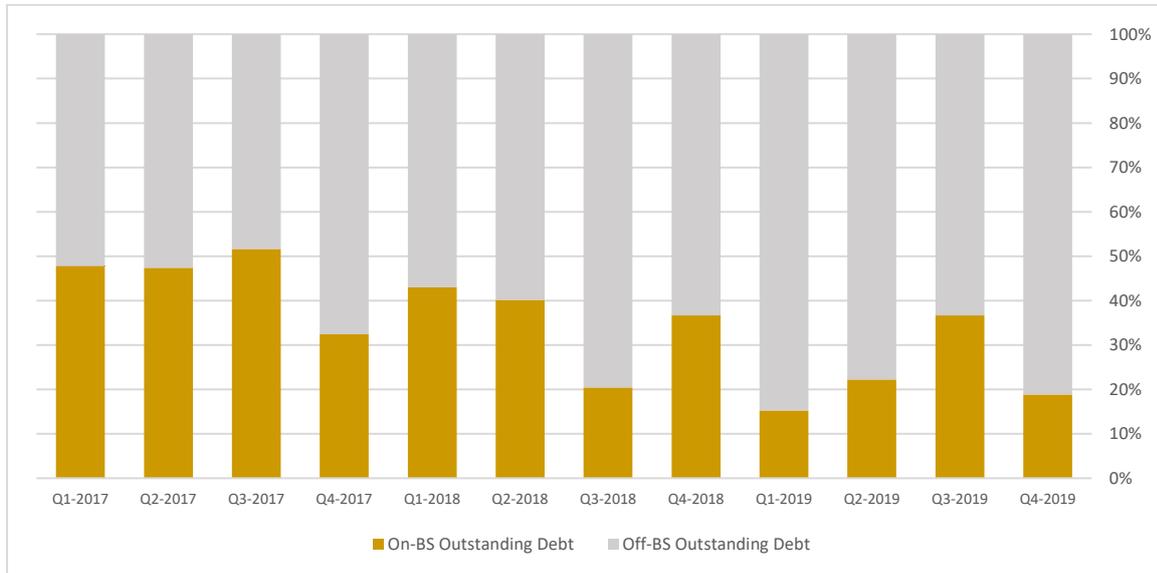
Financing Portfolio

In total, the portfolio grew by 7% year on year to EGP 6.6 billion at the end of 2019. Passenger vehicles represented 77% of the portfolio down from 82%.

Portfolio	YoY Growth	% of Portfolio Q4 2019	% of Portfolio Q4 2018
Passenger Vehicles	0%	77%	82%
Commercial Vehicles	76%	5%	3%
Real Estate Financing & Mortgages	53%	10%	7%
Medical	93%	3%	1%
Consumer Durables	2%	1%	1%
Others	-12%	4%	5%
Total	7%	100%	100%

EGP m	FY 2019	FY 2018
On-balance sheet portfolio	2,754	2,789
Off-balance sheet portfolio	3,858	3,381
Total	6,612	6,170

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



Treasury and Debt Capital Market Activities

On the group level and with the changing interest rate environment, the group recalled a number of its outstanding securitization bonds to improve the funding mix and enhance spreads. Additionally, we continued to broaden the group funding base and attract new financial institutions as we closed two securitization bonds during the year totalling EGP 3.6 billion backed by the portfolios of Contact Auto Credit and its affiliate companies.

During 2019, the group received final approvals and the operating license for Sarwa Sukuk Company, the first licensed Sukuk issuer in the market. We look at the sharia-compliant bonds as a new alternative tool for asset and liability management to diversify our funding base.

In parallel, Sarwa led the structuring of a securitization bond issue for Egypt’s New Urban Communities Authority (NUCA). The issue size was EGP 4 billion in which the net proceeds will be used to finance the development of new sustainable cities and other national projects

Sarwa additionally issued two securitization bonds for Palm Hills Development this year bringing the total bond issuances under this program to EGP 2.7 billion to date, representing the largest pool for a private real estate developer in the market.

Insurance Division

Operational Highlights

Insurance Services (EGP 000s)	FY 2019	FY 2018	YoY	Q4 2019	Q4 2018	QoQ
Total Premiums	247,849	144,772	71%	80,938	40,919	98%
Of which underwritten by Sarwa	109,227	-	-	53,516	-	-

In 2019, during the second quarter, Sarwa Insurance and Sarwa Life Insurance started operations. This represents a key strategic milestone for the group. Strong synergies with our business, both structurally and in cross-selling opportunities, while addressing the massive growth potential of the market, underscore the significance of our insurance expansion. With significant investment in technology undergoing, we aim at enhancing the client experience and increasing access to digital solutions to new & underserved segments.

Moreover, in the second half of the year, it was announced that a wholly-owned subsidiary of U.S. headquartered Prudential Financial, Inc., through its Impact & Responsible Investing unit, has signed an agreement with Sarwa to invest in Sarwa Life Insurance. Prudential Financial, Inc. is a leading finance and life insurance company in the world with more than \$1.4 trillion of assets under management and approximately \$3.7 trillion of gross life insurance in force worldwide. Prudential's investment will help Sarwa Life accelerate the roll-out of quality and innovative products to the market.

Since Sarwa Life and Sarwa Insurance began operations at the beginning of April, gross written premiums reached EGP 109 million for the nine months of operations. This growth was achieved with a limited offering and distribution network as the businesses are both in the early stages still to be activated post the full implementation of the technological infrastructure in the second half of 2020.

In total, during 2019, revenues from insurance activities including brokerage services reached EGP 221 million, up 146% from 2018. Insurance operating income rose by 113% to EGP 83 million for the year.

Consolidated Costs

Total operating costs reached EGP 231 million in 2019, growing 42% from 2018, reflecting the increased investments in insurance operations, business digitalization, and network expansion. As a result, cost to income, as measured by operating expenses, came in at 24%, up from 23% during 2018. Sales and marketing expenses, grew by 34% to EGP 54 million for 2019, with insurance commissions contributing all of the increase.

Provisions

Provisions for financing division excluding insurance recorded EGP 29.9 million during the year bringing the total provisions for the portfolio EGP 64 million. This is to comply with the new provision rules for leasing and factoring by the FRA and the partial implementation of IFRS 9, to be fully applied in 2020.

Equity

Consolidated equity net of minority interest reached EGP 1.96 billion at the end of the fourth quarter compared to closing at EGP 1.61 billion at the end of 2018.

Dividends

At the Extraordinary General Meeting dated 8 September 2019, shareholders approved the distribution of the proposed stock dividend and increase in paid in capital of the company by issuing 3 shares for every five shares. The increase has been executed in October 2019 bringing the total number of shares outstanding to 1,196,974,000.

The Board of Directors convened on February 27, 2020, proposed a dividend of EGP 0.10 per share. It will be submitted for approval at the Shareholder's General Meeting on March 30, 2020.

Consolidated Management Reclassified Accounts

Income Statement (EGP000s)	FY 2019	FY 2018	YoY	Q4 2019	Q4 2018	YoY
Interest Income	1,249,708	1,133,946	10%	285,654	325,196	
Interest Expense	(755,523)	(716,400)		(208,483)	(197,422)	
Net Interest Income	494,185	417,546	18%	77,171	127,774	-40%
Fee Income	89,878	77,082	17%	35,973	21,217	70%
Refinancing Income	296,414	180,985	64%	173,434	0	
Financing Operating Income	880,477	675,613	30%	286,578	148,990	92%
Insurance Services:						
Gross Written Premiums	109,228	-		53,516	-	
Reinsurance & Reserves	(66,495)	-		(27,190)	-	
Claims and Provisions	(20,564)	-		(11,739)	-	
Investment Income	18,984	-		6,689	-	
Net Insurance Income	41,152	-		21,276	-	
Other Insurance Services	41,740	38,841	7%	9,495	10,239	-7%
Insurance Operating Income	82,892	38,841	113%	30,771	10,239	201%
Net Operating Income	963,369	714,454	35%	317,349	159,229	99%
Other Income	5,800	3,975		1,298	3,049	
Provisions	(28,951)	(14,430)		(24,555)	(5,183)	
Operating Expenses	(231,479)	(163,378)	42%	(65,645)	(49,569)	32%
Sales Expenses	(54,153)	(40,451)	34%	(16,249)	(13,704)	19%
IPO Fees	-	(22,745)		0	(22,745)	
Depreciation & Amortization	(22,631)	(10,965)		(7,006)	(4,193)	
EBT	631,955	466,460	35%	205,192	56,738	262%
Taxes	(161,761)	(104,838)		(71,177)	(28,008)	
Consolidated Income	470,194	361,622	30%	134,015	38,875	245%
Minorities	(81,482)	(78,869)		(25,229)	(4,286)	
Net Income	388,712	282,752	37%	108,787	34,588	215%

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.

Sarwa offers market leading services including new and used car financing through Contact Auto Credit, home finishing finance through Contact Mortgages, consumer goods financing through getGo Credit Services, SME asset finance through Plus Leasing, insurance products through Sarwa Insurance and Sarwa Life Insurance, in addition to 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.