

Chairman's Report for the three months ended 31 March 2019

On behalf of the Board of Directors, I am pleased to present the condensed consolidated interim financial statements of Finance House PJSC and its subsidiaries (FH Group) as at 31 March 2019 and the results of its operations for the three months ended 31 March 2019.

FH Group has posted a Total Comprehensive Income of AED 22.49 million for the first quarter of 2019 compared to AED 11.90 million registered during the first quarter of 2018.

Net Interest Income, Income from Islamic Financing and Investing Assets and Net Income from Perpetual instruments were lower at AED 44.77 million in Q1 2019 compared to AED 50.49 million in the same period last year. This is largely due to a reduction in the size of our Retail Finance lending book as a result of more stringent lending criteria, in line with prevailing market conditions. Net Insurance Income rose to AED 17.68 million in Q1 2019 from AED 12.80 million in Q1 2018, on the back of a robust underwriting performance logged in by our insurance subsidiary. Net Investment Income from Trading & Strategic investment portfolios was higher at AED 17.88 million in Q1 2019 compared to AED 10.03 million in the corresponding period of the previous year. This was mainly on account of dividend income from the domestic equities portfolio, supplemented by a profitable exit from the private equity portfolio. Net Fee & Commission Income earned in Q1 2019 was lower at AED 12.14 million compared to AED 13.45 million in Q1 2018. This was mainly on account of lower trading commission earned at our local stock broking subsidiary, which in turn was due to low overall trading volumes witnessed in ADX & DFM during Q1 2019.

Net Loans & Advances including Islamic Financing & Investing Assets as of 31 March 2019 stood at AED 2.33 billion compared to AED 2.44 billion at the same time last year. This is due to accelerated repayments of funded credit facilities by some of our corporate customers and reduction in the size of our Retail Finance lending book due to more stringent lending criteria.



Customers' Deposits & Margin Accounts as of 31 March 2019 increased to AED 2.87 billion compared to AED 2.76 billion at the same time in the previous year. The resultant Loans to Deposits ratio at the consolidated level as of 31 March 2019 stood at a healthy 81.1%, reflecting the Group's cautious and balanced approach to asset/liability growth.

Total operating expenses at the consolidated level were marginally higher by 3% at AED 54.15 million in Q1 2019 compared to AED 52.59 million in Q1 2018. This is mainly on account of planned increases in branch network and staff head count at our insurance subsidiary that has demonstrated a 38% YOY growth in Net Insurance Income during the same period.

FH's loan loss provisioning policy continues to be conservative. With the implementation of IFRS 9 based credit impairment provisioning (expected credit loss model) effective 1 Jan 2018, loan loss provision set aside in Q1 2019 was AED 20.36 million compared to AED 24.13 million in Q1 2018.

The FH Group's liquidity position as of 31 March 2019 continues to be rock-solid, with Cash & Cash equivalents accounting for 18.1% of Total Assets. Similarly, Capital Adequacy Ratio at the consolidated level as of 31 March 2019 continues to be robust at 21.7%, providing a solid footing for sustained future growth in assets.


The results achieved in Q1 2019 are a continuing reflection of a resilient business model that has stood the test of time. Within FH, our three main business areas, viz. Commercial Finance, Retail Finance & Investments complement each other and are integrated to deliver profitable business growth despite fluctuating economic conditions. As a Group, we offer a much wider range of financial services including Shari'a compliant financing solutions, a bouquet of non-life insurance solutions, investment portfolio advisory & asset management solutions, access to debt and equity capital markets for funding as well as securities brokerage & margin lending services.



In December 2018, FH's investment grade corporate credit rating of "A3" (Short Term) and "BBB-" (Long Term), both with a "Stable" outlook were reaffirmed by Capital Intelligence (CI), an internationally reputed credit rating agency. We are proud to maintain this investment grade credit rating for six years in a row, despite challenging economic conditions - locally & globally.

We remain confident that our strategy of continuously seeking and addressing profitable niche segments will enable us to continue generating decent returns to our shareholders on a sustained basis.

On behalf of the Board of Directors,



Mohammed Abdulla Jumaa Alqubaisi
Chairman



Abu Dhabi
01 May 2019

