

Finance House P.J.S.C.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2013 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF FINANCE HOUSE P.J.S.C.

Introduction

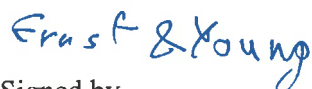
We have reviewed the accompanying interim condensed consolidated financial statements of Finance House P.J.S.C (the “Company”) and its subsidiaries (the “Group”) as of 30 September 2013, comprising of the interim consolidated statement of financial position as at 30 September 2013 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three and nine month periods then ended, and the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine month period then ended, and other explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Hasan Samir Mohammad Barakat
Partner
Ernst & Young
Registration No 533

28 October 2013
Abu Dhabi

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (unaudited)

		<i>(Audited)</i>
		<i>31 December</i>
		<i>2012</i>
	<i>Notes</i>	<i>AED'000</i>
		<i>30 September</i>
		<i>2013</i>
		<i>AED'000</i>
ASSETS		
Cash balances	5	6,517
Due from banks	5	714,371
Investments carried at fair value through other comprehensive income	6	240,668
Investments carried at fair value through profit or loss	6	218,958
Investment carried at amortized cost	6	324,607
Loans and advances, net	7.1	1,415,375
Islamic financing and investing assets	7.2	103,256
Investment in associates		22,172
Goodwill		15,596
Statutory deposit		6,000
Property, fixtures and equipment		271,430
Investment property		77,494
Interest receivable and other assets		<u>225,197</u>
TOTAL ASSETS		<u>3,641,641</u>
LIABILITIES		
Customers' deposits	8	1,888,757
Due to banks	5	210,504
Term loans		-
Interest payable and other liabilities		695,775
Provision for employees' end of service benefits		7,770
Non-convertible sukuk	9	<u>129,800</u>
TOTAL LIABILITIES		<u>2,932,606</u>
EQUITY		
Share capital	10	302,500
Treasury shares	11	(7,178)
Employees' share-based payment scheme	12	(1,750)
Statutory reserve		116,112
Revaluation reserve		18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(42,083)
Retained earnings		182,780
Proposed directors' remuneration		<u>-</u>
		569,343
Non-controlling interests		<u>139,692</u>
TOTAL EQUITY		<u>709,035</u>
TOTAL LIABILITIES AND EQUITY		<u>3,641,641</u>
Commitments and contingent liabilities	13	<u>1,266,573</u>
Mr. Mohammed Alqubaisi		Mr. Hamid Taylor
CHAIRMAN		GENERAL MANAGER

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three and nine month periods ended 30 September 2013 (unaudited)

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>AED '000</i>	<i>Restated AED '000</i>	<i>AED '000</i>	<i>Restated AED '000</i>
Interest income		40,311	46,934	127,429	140,870
Interest expense		(11,575)	(14,702)	(34,704)	(49,100)
Net interest income	3	<u>28,736</u>	<u>32,232</u>	<u>92,725</u>	<u>91,770</u>
Fee and commission income		14,883	11,772	39,596	29,951
Fee and commission expense		(2,622)	(1,362)	(6,877)	(7,188)
Net fee and commission income		<u>12,261</u>	<u>10,410</u>	<u>32,719</u>	<u>22,763</u>
Contract revenue		22,194	31,253	38,960	89,162
Contract expense		(26,645)	(30,402)	(45,803)	(86,845)
Net contract (expense) income		<u>(4,451)</u>	<u>851</u>	<u>(6,843)</u>	<u>2,317</u>
Net insurance premiums earned		32,960	10,452	66,112	24,317
Net insurance claims incurred		(22,117)	(1,351)	(31,332)	(4,977)
Net insurance commission expense		(9,888)	(11,621)	(26,217)	(20,247)
Net insurance income (expense)		<u>955</u>	<u>(2,520)</u>	<u>8,563</u>	<u>(907)</u>
Income from Islamic financing and investing assets		2,640	1,683	6,976	6,040
Profit distributable to depositors		(734)	(551)	(2,115)	(973)
Profit distributable to sukuk holders		(2,028)	(2,344)	(6,084)	(2,448)
Dividend income from investments carried at fair value through other comprehensive income		4,004	736	10,491	10,507
Net income from investments carried at fair value through profit or loss		35,306	10,283	50,452	13,879
Net income from investment property		1,899	1,897	9,990	5,690
Gain on disposal of investments carried at amortized cost		-	11,084	-	31,440
Share of loss of associates		(8,621)	(2,216)	(10,653)	(6,620)
Gain on disposal of investment in an associate		-	-	5,871	-
Other operating income, net		<u>393</u>	<u>1,004</u>	<u>1,777</u>	<u>2,117</u>
Total operating income		<u>70,360</u>	<u>62,549</u>	<u>193,869</u>	<u>175,575</u>
Salaries and employee related expenses		(19,429)	(16,286)	(56,982)	(48,137)
Depreciation of property, fixtures and equipment		(1,158)	(1,393)	(3,446)	(3,812)
General and administrative expenses		(11,353)	(12,118)	(30,153)	(31,862)
Allowance for impairment of Islamic financing and investing assets		(474)	54	(914)	(508)
Allowance for impairment of loans and advances, net		(14,258)	(18,242)	(22,171)	(18,627)
Total operating expenses and allowances		<u>(46,672)</u>	<u>(47,985)</u>	<u>(113,666)</u>	<u>(102,946)</u>
Profit for the period		<u>23,688</u>	<u>14,564</u>	<u>80,203</u>	<u>72,629</u>
Attributable to:					
Equity holders of the parent		21,473	14,156	73,990	68,976
Non-controlling interests		<u>2,215</u>	<u>408</u>	<u>6,213</u>	<u>3,653</u>
		<u>23,688</u>	<u>14,564</u>	<u>80,203</u>	<u>72,629</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	4	<u>0.07</u>	<u>0.05</u>	<u>0.25</u>	<u>0.23</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine month periods ended 30 September 2013 (unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2013 AED '000</i>	<i>2012 Restated AED '000</i>	<i>2013 AED '000</i>	<i>2012 Restated AED '000</i>
Profit for the period	23,688	14,564	80,203	72,629
Other comprehensive income:				
Items that will not be reclassified to statement of income:				
Net gain (loss) on financial assets measured at fair value through other comprehensive income	8,103	(2,915)	21,141	1,377
Directors' remuneration paid	-	-	(4,578)	(4,179)
	8,103	(2,915)	16,563	(2,802)
Items that may be reclassified subsequently to statement of income	-	-	-	-
Other comprehensive income (loss) for the period	<u>8,103</u>	<u>(2,915)</u>	<u>16,563</u>	<u>(2,802)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>31,791</u>	<u>11,649</u>	<u>96,766</u>	<u>69,827</u>
<i>Attributable to:</i>				
Equity holders of the parent	29,316	11,609	89,882	66,796
Non-controlling interests	<u>2,475</u>	<u>40</u>	<u>6,884</u>	<u>3,031</u>
	<u>31,791</u>	<u>11,649</u>	<u>96,766</u>	<u>69,827</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2013 (unaudited)

	Share capital AED '000	Treasury shares AED '000	Employees' share-based payment scheme	Statutory reserve AED '000	Revaluation reserve AED '000	Cumulative changes in fair value AED '000	Retained earnings AED '000	Proposed directors' remuneration AED '000	Attributable to shareholders of the parent company AED '000	Non controlling interest AED '000	Total AED '000
Balance at 1 January 2012 - Restated	302,500	(4,182)	(1,750)	109,345	18,962	(136,200)	213,064	4,179	505,918	128,935	634,853
Loss on disposal of investments carried at fair value through other comprehensive income - Restated	-	-	-	-	-	63,559	(63,559)	-	-	-	-
Profit for the period - Restated	-	-	-	-	-	-	68,976	-	68,976	3,653	72,629
Increase (decrease) in fair value of investments carried at fair value through other comprehensive income - Restated	-	-	-	-	-	1,999	-	-	1,999	(622)	1,377
Directors' remuneration paid	-	-	-	-	-	-	-	(4,179)	(4,179)	-	(4,179)
Total comprehensive income (loss) for the period - Restated	-	-	-	-	-	1,999	68,976	(4,179)	66,796	3,031	69,827
Cash dividend paid	-	-	-	-	-	-	(60,500)	-	(60,500)	-	(60,500)
Purchase of treasury shares - Restated	-	(507)	-	-	-	-	-	-	(507)	-	(507)
Balance at 30 September 2012 - Restated	302,500	(4,689)	(1,750)	109,345	18,962	(70,642)	157,981	-	511,707	131,966	643,673
Balance at 1 January 2013	302,500	(4,689)	(1,750)	116,112	18,962	(66,788)	149,355	4,578	518,280	132,778	651,058
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	4,235	(4,265)	-	(30)	30	-
Profit for the period	-	-	-	-	-	-	73,990	-	73,990	6,213	80,203
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	20,470	-	-	20,470	671	21,141
Directors' remuneration paid	-	-	-	-	-	-	(73,990)	(4,578)	(89,882)	-	(4,578)
Total comprehensive income (loss) for the period	-	-	-	-	-	20,470	(73,990)	(4,578)	6,884	6,884	96,766
Cash dividend paid	-	-	-	-	-	-	(36,300)	-	(36,300)	-	(36,300)
Purchase of treasury shares	-	(2,489)	-	-	-	-	-	-	(2,489)	-	(2,489)
Balance at 30 September 2013	302,500	(7,178)	(1,750)	116,112	18,962	(42,083)	182,780	-	569,343	139,692	709,035

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2013 (unaudited)

	<i>Note</i>	<i>Nine months ended 30 September 2013 AED'000</i>	<i>Restated Nine months ended 30 September 2012 AED'000</i>
OPERATING ACTIVITIES			
Profit for the period		80,203	72,629
Non cash adjustments:			
Depreciation		3,446	3,812
Gain on sale of investments carried at amortized cost		-	(31,440)
Gain on disposal of investment property		(4,297)	-
Share of loss of associates		10,653	6,620
Gain on disposal of investment in an associate		(5,871)	-
Allowance for impairment of loans and advances		22,171	18,627
Allowance for impairment of Islamic financing and investing assets		914	508
Net movement in provision for employees' end of service benefits		209	646
Working capital adjustments:			
Decrease (increase) in due from banks maturing after three months		55,568	(233,650)
Increase in Islamic financing and investing assets		(25,875)	(6,557)
Increase in loans and advances		(58,761)	(160,900)
Decrease (increase) in interest receivable and other assets		32,169	(31,552)
Decrease in term loan		(228,831)	(182,172)
Increase (decrease) in due to banks maturing after three months		34,582	(106,231)
Increase in customers' deposits		85,086	197,678
Increase in interest payable and other liabilities		83,416	92,940
Dividend income from investments carried at fair value through other comprehensive income		(10,491)	(10,507)
Dividend income from investment carried at fair value through profit or loss		(2,973)	(251)
Gain on disposal of investments carried at fair value through profit or loss		(9,571)	(866)
Unrealised gain on investments carried at fair value through profit or loss		<u>(37,908)</u>	<u>(12,762)</u>
Net cash from (used in) operating activities		<u>23,839</u>	<u>(383,428)</u>
INVESTING ACTIVITIES			
Purchase of investments carried at fair value through other comprehensive income		(2,018)	(5,070)
Proceeds from sale of investments carried at fair value through other comprehensive income		24,490	29,566
Purchase of investments carried at fair value through profit or loss		(117,958)	(10,386)
Proceeds from sale investments carried at fair value through profit or loss		251,819	2,791
Purchase of investments carried at amortized cost		(324,607)	(438,244)
Proceeds from sale of investments carried at amortized cost		-	712,346
Addition to investment property		(647)	(4,452)
Proceeds from sale of investment property		29,013	-
Purchase of property, fixtures and equipment		(39,385)	(48,291)
Acquisition of subsidiary, net of cash acquired		(3,918)	-
Proceeds from sale of investment in associate		16,201	-
Dividend income received		<u>13,464</u>	<u>10,758</u>
Net cash (used in) from investing activities		<u>(153,546)</u>	<u>249,018</u>
FINANCING ACTIVITIES			
Directors' remuneration paid		(4,578)	(4,179)
Cash dividends paid		(36,300)	(60,500)
Non-convertible sukuk		1,200	150,000
Purchase of treasury shares		<u>(2,126)</u>	-
Net cash (used in) from financing activities		<u>(41,804)</u>	<u>85,321</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(171,511)	(49,089)
Cash and cash equivalents at 1 January		<u>599,074</u>	<u>526,092</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	<u>427,563</u>	<u>477,003</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2013 (unaudited)

1 ACTIVITIES

Finance House P.J.S.C. (the “Company”) is a Public Joint Stock Company incorporated in Abu Dhabi, United Arab Emirates (U.A.E.) in accordance with the provisions of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), the U.A.E. Central Bank, the Monetary System and Organization of Banking Law No. (10) of 1980 and under authority of resolutions of the Board of Directors of the U.A.E. Central Bank relating to Finance Companies.

The Company was established on 13 March 2004 and commenced its operations on 18 July 2004. The Company performs its activities through its head office in Abu Dhabi and its Abu Dhabi, Dubai and Sharjah branches. The principal activities of the Company consist of investments, consumer and commercial financing and other related services.

The registered head office of the Company is at P.O. Box 7878, Abu Dhabi, U.A.E.

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2013 were authorised for issue by Board of Directors on 28 October 2013.

2.1 BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

Accounting convention

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties which are carried at fair value.

The interim condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) which is the functional currency of the Group. All values are rounded to the nearest thousand (AED ‘000), except otherwise indicated.

Basis of consolidation

The accompanying interim condensed consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together referred to as the “Group”). The details of the Company’s subsidiaries and their principal activities are as follows:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership interest %</i>	<i>Principal activity</i>
Third Vision Investment L.L.C.	U.A.E.	100	Own and manage head office premises
Benyan Development Co L.L.C.	U.A.E.	100	Construction
Emirates National Electromechanical L.L.C.	U.A.E.	100	Electromechanical contracting
FH Capital Limited (D.I.F.C.)	U.A.E.	100	Investment and asset management
Finance House Sukuk Company 1	Cayman Islands	100	Sukuk issuance
Islamic Finance House P.J.S.C.	U.A.E.	47.83	Islamic financing services
Insurance House P.S.C.	U.A.E.	44.38	Insurance
FH Services L.L.C.	U.A.E.	100	Investment management
Finance House Securities Co L.L.C.	U.A.E.	65	Brokerage
CAPM Investment P.J.S	U.A.E.	100	Investment management

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2013 (unaudited)

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued

Summarized financial information on subsidiaries with non-controlling interests before elimination entries is as follows:

	<i>Insurance House P.S.C.</i>		<i>Islamic Finance House P.J.S.C.</i>		<i>Finance House Securities Co. LLC</i>		<i>Total</i>	
	<i>30 September 2013</i>	<i>31 December 2012</i>	<i>30 September 2013</i>	<i>31 December 2012</i>	<i>30 September 2013</i>	<i>31 December 2012</i>	<i>30 September 2013</i>	<i>31 December 2012</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Non-controlling interests %	55.62	55.62	52.17	52.17	35	35	-	-
<i>Subsidiaries' statement of financial position</i>								
Assets	225,429	302,566	263,496	263,549	110,530	70,794	599,455	636,909
Liabilities	89,411	175,882	161,769	162,928	78,196	42,079	329,376	380,889
Net assets	136,018	126,684	101,727	100,621	32,334	28,715	270,079	256,020
<i>Subsidiaries' revenues and profits (losses)</i>								
	<i>Nine month period ended 30 September 2013</i>		<i>Nine month period ended 30 September 2013</i>		<i>Nine month period ended 30 September 2013</i>		<i>Nine month period ended 30 September 2013</i>	
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Revenue, net	21,553	20,091	7,551	7,103	8,994	1,661	38,098	28,855
Net profit (loss) for the period	7,890	7,654	1,069	747	3,619	(2,841)	12,578	5,560
Total comprehensive income (loss) for the period	9,697	7,032	1,104	217	3,619	(2,841)	14,420	4,408

2.2 ACCOUNTING POLICIES

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2012.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the nine months ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the following new standards and amendments to standards effective for the annual periods beginning on or after 1 January 2013:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income- 1 July 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

The amendment impacts the presentation of the statement of comprehensive income and did not have any impact on the accounting policy, financial position and performance of the Group during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2013 (unaudited)

2.2 ACCOUNTING POLICIES continued

IAS 19 Employee Benefits (Amendment) – 1 January 2013

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group during the period.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities – 1 January 2013

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group during the period.

IFRS 13 Fair Value Measurement – 1 January 2013

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group during the period.

Standards early adopted for the year ended 31 December 2012

The Company had voluntarily adopted IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 for the year ended 31 December 2012. The Company had chosen to use 1 January 2012 as its date of initial application.

The early adoption of IFRS 10 resulted in the establishment of 'de facto' control over two of the Company's investees, Insurance House PSC and Islamic Finance House PJSC which were previously accounted for as associates. These entities are consolidated in the Group's consolidated financial statements retrospectively from April 2011 being the date on which the Company obtained control. Accordingly, the interim consolidated income statement and statement of comprehensive income for the three and nine month periods ended 30 September 2012 and the statement of changes in equity and statement of cash flows for the nine month period ended 30 September 2012 presented in these interim condensed consolidated financial statements have been restated to consolidate Insurance House PSC and Islamic Finance House PJSC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2013 (unaudited)

2.2 ACCOUNTING POLICIES continued

As a result of the voluntary changes in accounting policies described above, the following adjustments were made to the interim consolidated statement of income for the three and nine month periods ended 30 September 2012:

	<i>Three month period ended 30 September 2012 AED'000</i>	<i>Nine month period ended 30 September 2012 AED'000</i>
<i>Changes in income/expenses</i>		
Increase in interest income	2,100	5,725
Decrease in interest expense	<u>2,992</u>	<u>4,160</u>
Increase in net interest income	<u>5,092</u>	<u>9,885</u>
Increase in fee and commission income	<u>-</u>	<u>3</u>
Increase in net insurance premium earned	10,452	24,317
Increase in net insurance claims incurred	(1,351)	(4,977)
Increase in net insurance commission expense	<u>(11,621)</u>	<u>(20,247)</u>
Decrease in net insurance income	<u>(2,520)</u>	<u>(907)</u>
Increase in income from Islamic financing and investing assets	1,683	6,040
Increase in dividend income from investments carried at fair value- through other comprehensive income	12	541
Increase in net income from investments carried at fair value through profit and loss	5,051	8,650
Increase in share of loss of associates	(1,462)	(1,473)
Increase in profit distributable to depositors	(551)	(973)
Increase in profit distributable to sukuk holders	(2,448)	(2,448)
Increase in other operating income	<u>495</u>	<u>879</u>
Increase in total operating income	<u>5,352</u>	<u>20,197</u>
Increase in salaries and employees related expenses	(2,029)	(5,500)
Increase in depreciation of property, fixtures and equipment	(547)	(1,143)
Increase in general and administrative expenses	(2,906)	(6,120)
Decrease (increase) in allowance for impairment of Islamic financing assets	<u>54</u>	<u>(508)</u>
Increase in total operating expenses and allowances	<u>(5,428)</u>	<u>(13,271)</u>
(Decrease) increase in profit for the period	<u>(76)</u>	<u>6,926</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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2.2 ACCOUNTING POLICIES continued

The following adjustments were made to the interim consolidated statement of changes in equity as at 1 January 2012:

	<i>1 January 2012 AED'000</i>
<i>Changes in equity</i>	
Increase in treasury shares	<u>4,182</u>
Increase in changes in fair value of investments carried at fair value through other comprehensive income	<u>1,022</u>
Decrease in retained earnings	<u>(1,518)</u>
Increase in non-controlling interest	<u>117,594</u>

2.3 ACQUISITION OF A SUBSIDIARY

During May 2013, the Group acquired 100% ownership interest in CAPM Investments PJS for a total consideration of AED 58,918 thousand.

The principal activities of CAPM Investments PJS include providing investment banking, asset management and brokerage services in the United Arab Emirates.

The Group has provisionally accounted for the acquisition in these interim condensed consolidated financial statements and recognized a goodwill of AED 3,918 thousand on acquisition

3 NET INTEREST INCOME

	<i>Nine month period ended 30 September 2013 AED'000</i>	<i>Restated Nine month period ended 30 September 2012 AED'000</i>
Interest income		
Due from banks	8,263	20,970
Loans and advances	105,659	101,538
Others	<u>13,507</u>	<u>18,362</u>
Total interest income	<u>127,429</u>	<u>140,870</u>
Interest expense		
Customer deposits	(30,185)	(39,791)
Due to banks	<u>(4,519)</u>	<u>(9,309)</u>
Total interest expense	<u>(34,704)</u>	<u>(49,100)</u>
Net interest income	<u>92,725</u>	<u>91,770</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the net profit and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares. As of 30 September 2013, the Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

The calculation of the basic and diluted earnings per share is based on the following data:

	<i>30 September</i> <i>2013</i>	<i>Restated</i> <i>30 September</i> <i>2012</i>
Profit for the period attributable to equity holders of the parent (AED '000)	<u>73,990</u>	<u>68,976</u>
Number of ordinary shares in issue ('000)	302,500	302,500
Less: Treasury shares ('000)	(1,981)	(1,183)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>
	<u>298,769</u>	<u>299,567</u>
Earnings per share (AED)	<u>0.25</u>	<u>0.23</u>

5 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>Restated</i> <i>30 September</i> <i>2012</i> <i>AED'000</i>
Current and demand accounts	42,074	84,213
Fixed placements	578,840	774,549
Wakala deposits with banks	18,500	25,300
Call accounts	74,957	94,543
Other bank balances	<u>-</u>	<u>2,772</u>
Due from banks	714,371	981,377
Cash balances	6,517	8,984
Due to banks with original maturity of less than three months	(70,504)	(156,269)
Due from banks with original maturity of more than three months	<u>(222,821)</u>	<u>(357,089)</u>
Net cash and cash equivalents	<u>427,563</u>	<u>477,003</u>

Fixed deposits due from banks of AED 222,821 thousand (30 September 2012: AED 357,089 thousand) and due to banks of AED 140,000 thousand (30 September 2012: AED 102,808 thousand) are due to mature after three months from the date of placement and are not included in cash and cash equivalents.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6 INVESTMENTS

	<i>At fair value through OCI AED '000</i>	<i>At fair value through profit or loss AED '000</i>	<i>At amortized cost AED '000</i>	<i>Total AED '000</i>
30 September 2013				
Equity instruments:				
- Quoted	81,585	182,381	-	263,966
- Unquoted	145,461	-	-	145,461
Debt instruments:				
- Quoted - fixed rate	-	36,577	324,607	361,184
Investment in managed funds	13,622	-	-	13,622
	<u>240,668</u>	<u>218,958</u>	<u>324,607</u>	<u>784,233</u>
UAE	230,931	212,306	206,704	649,941
Outside UAE	9,737	6,652	117,903	134,292
	<u>240,668</u>	<u>218,958</u>	<u>324,607</u>	<u>784,233</u>
31 December 2012 (Audited)				
Equity instruments:				
- Quoted	78,562	50,053	-	128,615
- Unquoted	148,131	-	-	148,131
Debt instruments:				
- Quoted - fixed rate	-	255,287	-	255,287
Investment in managed funds	15,669	-	-	15,669
	<u>242,362</u>	<u>305,340</u>	<u>-</u>	<u>547,702</u>
UAE	228,724	93,752	-	322,476
Outside UAE	13,638	211,588	-	225,226
	<u>242,362</u>	<u>305,340</u>	<u>-</u>	<u>547,702</u>

The Group enters into asset repurchase transactions whereby it retains substantially all of the risks and rewards of ownership of the assets and accordingly, the assets are not derecognized from the interim consolidated statement of financial position. The Group has entered into repurchase agreements relating to investments carried at fair value through profit or loss amounting to Nil (31 December 2012: AED 67,874 thousand). The related liability amounting to Nil (31 December 2012: AED 56,295 thousand) is included in due to banks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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7 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS

7.1 LOANS AND ADVANCES, NET

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Commercial loans	1,298,785	1,267,289
Retail finance	<u>297,918</u>	<u>298,008</u>
	1,596,703	1,565,297
Less: allowance for impairment		
Specific	(165,977)	(170,765)
Collective	<u>(15,351)</u>	<u>(15,747)</u>
	<u>1,415,375</u>	<u>1,378,785</u>

Loans and advances are stated net of allowance for impairment. The movement in the allowance during the period / year is as follows:

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
At 1 January	186,512	162,184
Charge for the period/year, net	22,171	35,153
Written off during the period/year	<u>(27,355)</u>	<u>(10,825)</u>
At 30 September / 31 December	<u>181,328</u>	<u>186,512</u>

7.2 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Commodities Murabaha	43,094	35,242
Covered card and drawings	33,906	19,239
Purchase and lease back	17,775	12,403
Ijarah	<u>11,282</u>	<u>13,298</u>
	106,057	80,182
Less: allowance for impairment		
Specific	(1,752)	(1,339)
Collective	<u>(1,049)</u>	<u>(548)</u>
	<u>103,256</u>	<u>78,295</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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7 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS continued

7.2 ISLAMIC FINANCING AND INVESTING ASSETS continued

Islamic financing and investing assets are stated net of allowance for impairment. The movement in the allowance during the period/year is as follows:

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
At 1 January	1,887	677
Charge for the period/year	<u>914</u>	<u>1,210</u>
At 31 December	<u><u>2,801</u></u>	<u><u>1,887</u></u>

8 CUSTOMERS' DEPOSITS

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Call and demand deposits	60,197	65,111
Time deposits	1,703,676	1,593,290
Wakala deposits	<u>124,884</u>	<u>145,270</u>
	<u><u>1,888,757</u></u>	<u><u>1,803,671</u></u>

Analysis of customers' deposits by sector is as follows:

Government	732,655	673,351
Corporate	<u>1,156,102</u>	<u>1,130,320</u>
	<u><u>1,888,757</u></u>	<u><u>1,803,671</u></u>

9 NON CONVERTIBLE SUKUK

In June 2012, the Company raised financing by way of a Shari'a compliant subordinated sukuk issued by Finance House Sukuk Company 1 (the issuer and a special purpose vehicle) amounting to AED 150 million and maturing in June 2017. The sukuk carries a profit rate of 6 months EIBOR plus 3.00% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. Profit distribution accrued as of 30 September 2013 relating to sukuk held by external parties amounted to AED 2,118 thousand (31 December 2012: AED 112 thousand). Sukuk amounting to AED 20,200 thousand (31 December 2012: AED 21,400 thousand) were held by subsidiaries of the Group and, accordingly, were eliminated in the interim consolidated statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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10 SHARE CAPITAL

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
<i>Authorised, issued and fully paid</i>		
302.5 million shares (2012: 302.5 million shares)		
of AED 1 each (31 December 2012: AED 1 each)	<u>302,500</u>	<u>302,500</u>

11 TREASURY SHARES

Treasury shares represent the cost of 1,980,865 shares of the Company held by a subsidiary as at 30 September 2013 (31 December 2012: 1,219,357 shares).

12 EMPLOYEES' SHARE-BASED PAYMENT SCHEME

The share-based payment scheme is administered by a trustee and gives the Board of Directors the authority to determine which employees of the Group will be granted the shares. The values of shares granted to employees are expensed in the period in which they are granted, and that of the remaining shares are included within shareholders' equity.

During the period, nil shares were granted to employees and the value of outstanding shares not yet granted to employees as of 30 September 2013 were AED 1,750 thousand (31 December 2012: AED 1,750 thousand).

13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group provides letters of credit and financial guarantees on behalf of customers to third parties. These agreements have fixed limits and are generally for a certain period of time.

Capital commitments represent future capital expenditures that the Group has committed to spend on assets over a period of time.

Irrevocable commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits.

The Group had the following commitments and contingent liabilities outstanding at period / year end:

	<i>30 September</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Letters of credit	77,963	62,176
Letters of guarantee	1,021,985	858,612
Capital commitments	70,838	70,837
Irrevocable commitments to extend credit	<u>95,787</u>	<u>88,789</u>
	<u>1,266,573</u>	<u>1,080,414</u>

All financial guarantees were issued in the ordinary course of business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14 RELATED PARTY DISCLOSURES

In the ordinary course of business, the Group enters into transactions with major shareholders, directors, senior management and their related concerns at commercial interest and commission rates.

The period / year end balances in respect of related parties included in the interim consolidated statement of financial position are as follows:

	30 September 2013 AED'000	<i>(Audited)</i> 31 December 2012 AED'000
<i>Loans and advances to customers</i>		
To key management staff	<u>464</u>	<u>166</u>
<i>Customers' deposits</i>		
From associates	<u>-</u>	<u>261</u>
From others	<u>10,391</u>	<u>926</u>

Significant transactions with related parties during the period were as follows:

	<i>Nine month period ended</i> 30 September 2013 AED'000	<i>30 September 2012 AED'000</i>
<i>Interest and commission income</i>		
From associates	<u>-</u>	<u>1</u>
From key management	<u>2</u>	<u>3</u>
<i>Interest expense</i>		
To associates	<u>-</u>	<u>5</u>
To others	<u>40</u>	<u>-</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>13,953</u>	<u>12,999</u>

15 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated income statement for the nine months ended 30 September 2013 and 30 September 2012.

16 SEGMENT INFORMATION

For management purposes, the Group is organised into six major business segments:

- (i) Commercial and retail financing, which principally provides loans and other credit facilities for institutional and individual customers.
- (ii) Investment, which involves the management of the Group's investment portfolio and its treasury activities.
- (iii) Islamic financing and investing, which involves one of the Group's subsidiaries principally providing investment, consumer and commercial financing and other related services based on Islamic Sharia's rules and principles.
- (iv) Insurance, which involves one of the Group's subsidiaries providing non-life insurance services.
- (v) Construction, which involves the Group's subsidiaries performing real estate construction related activities.
- (vi) Brokerage, which involves one of the Group's subsidiaries providing brokerage services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2013 (unaudited)

16 SEGMENT INFORMATION continued

Products and services from which reportable segments derive their revenues

Information regarding the Group's reportable segments is presented below:

	Commercial and retail financing AED '000	Investment AED '000	Islamic financing and investing AED '000	Construction AED '000	Brokerage AED '000	Insurance AED '000	Unallocated AED '000	Total AED '000
30 September 2013								
Operating income	77,973	84,623	7,551	(6,825)	8,994	21,553	-	193,869
Inter-segment revenues	(44,803)	44,803	-	-	-	-	-	-
Segmental results and profits from operations	30,788	83,305	1,069	(12,011)	3,619	7,890	(34,457)	80,203
Segmental assets	<u>1,487,471</u>	<u>1,481,704</u>	<u>263,496</u>	<u>73,011</u>	<u>110,530</u>	<u>225,429</u>	<u>-</u>	<u>3,641,641</u>
Segmental liabilities	<u>1,456,683</u>	<u>984,366</u>	<u>161,769</u>	<u>162,181</u>	<u>78,196</u>	<u>89,411</u>	<u>-</u>	<u>2,932,606</u>
30 September 2012								
Operating income	80,376	70,836	7,187	2,505	1,661	13,010	-	175,575
Inter-segment revenues	(41,251)	41,251	-	-	-	-	-	-
Segmental results and profits from operations	43,870	69,109	831	(8,444)	(2,841)	6,095	(35,991)	72,629
31 December 2012 (Audited)								
Segmental assets	<u>1,540,725</u>	<u>1,775,104</u>	<u>29,449</u>	<u>106,098</u>	<u>70,794</u>	<u>199,895</u>	<u>-</u>	<u>3,722,065</u>
Segmental liabilities	<u>1,261,129</u>	<u>1,245,732</u>	<u>162,928</u>	<u>183,257</u>	<u>42,079</u>	<u>175,882</u>	<u>-</u>	<u>3,071,007</u>