

Finance House P.J.S.C.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2014 (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”) comprising of the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three month and six month period then ended, and the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six 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.

Ernst & Young


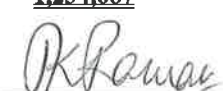
Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

23 July 2014
Abu Dhabi

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 (unaudited)

		<i>30 June</i>	<i>(Audited)</i>
		<i>2014</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
ASSETS			
Cash balances	6	8,946	9,497
Due from banks	6	1,369,692	1,093,081
Investments carried at fair value through other comprehensive income	7	289,854	258,240
Investments carried at fair value through profit or loss	7	104,058	201,355
Investments carried at amortized cost	7	260,391	284,485
Loans and advances, net	8.1	1,605,805	1,478,401
Islamic financing and investing assets	8.2	121,799	100,442
Investment in associates	9	37,139	30,422
Statutory deposit		6,000	6,000
Property, fixtures and equipment		298,977	288,082
Intangibles		14,682	15,596
Investment properties		81,200	81,200
Interest receivable and other assets		<u>301,744</u>	<u>269,409</u>
TOTAL ASSETS		<u>4,500,287</u>	<u>4,116,210</u>
LIABILITIES			
Customers' deposits	10	2,656,712	2,178,142
Due to banks	6	75,286	207,528
Short term borrowings	11	80,000	-
Interest payable and other liabilities		848,278	864,645
Provision for employees' end of service benefits		9,099	7,882
Non-convertible sukuk	12	<u>127,000</u>	<u>129,000</u>
TOTAL LIABILITIES		<u>3,796,375</u>	<u>3,387,197</u>
EQUITY			
Share capital	13	302,500	302,500
Treasury shares	14	(8,067)	(7,213)
Employees' share-based payment scheme	15	(1,750)	(1,750)
Statutory reserve		123,797	123,797
Revaluation reserve		18,962	18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(29,473)	(25,336)
Retained earnings		155,138	171,461
Proposed directors' remuneration		-	5,404
		<u>561,107</u>	<u>587,825</u>
Non-controlling interests		<u>142,805</u>	<u>141,188</u>
TOTAL EQUITY		<u>703,912</u>	<u>729,013</u>
TOTAL LIABILITIES AND EQUITY		<u>4,500,287</u>	<u>4,116,210</u>
Commitments and contingent liabilities	16	<u>1,234,687</u>	<u>1,274,622</u>
			
Mr. Mohammed Alqubaisi CHAIRMAN			
		Mr. T.K.Raman Group Chief Financial Officer	

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month and six month periods ended 30 June 2014 (unaudited)

	Notes	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Interest income and income from Islamic financing and investing assets	3	47,125	40,820	89,362	91,454
Interest expense and profit distributable to depositors	3	<u>(13,319)</u>	<u>(11,105)</u>	<u>(25,696)</u>	<u>(24,510)</u>
Net interest income and income from Islamic financing and investing assets	3	<u>33,806</u>	<u>29,715</u>	<u>63,666</u>	<u>66,944</u>
Net fee and commission income		20,248	11,418	35,773	20,458
Net contract expense		(2,559)	(1,416)	(4,510)	(2,392)
Net insurance income		1,992	2,815	2,639	7,608
Profit distributable to sukuk holders		(1,953)	(2,028)	(3,969)	(4,056)
Net income from investments	4	15,262	10,622	62,440	21,633
Net income from investment property		1,897	6,194	3,789	8,091
Share of loss of associates	9	(407)	(809)	(830)	(2,032)
Gain on disposal of investment in an associate		-	5,871	-	5,871
Other operating income, net		<u>815</u>	<u>988</u>	<u>1,307</u>	<u>1,384</u>
Total operating income		69,101	63,370	160,305	123,509
Salaries and employee related expenses		(26,540)	(18,653)	(51,235)	(37,553)
Depreciation of property, fixtures and equipment		(1,260)	(1,174)	(2,467)	(2,288)
Amortization of intangibles		(196)	-	(914)	-
General and administrative expenses		(10,308)	(9,419)	(26,198)	(18,800)
Allowance for impairment of loans and advances, net	8.1	(4,289)	(3,317)	(16,231)	(7,913)
Allowance for impairment of Islamic financing and investing assets	8.2	<u>(841)</u>	<u>(100)</u>	<u>(2,079)</u>	<u>(440)</u>
Total operating expenses and allowances		(43,434)	(32,663)	(99,124)	(66,994)
PROFIT FOR THE PERIOD		<u>25,667</u>	<u>30,707</u>	<u>61,181</u>	<u>56,515</u>
Attributable to:					
Equity holders of parent		23,794	28,620	56,262	52,517
Non-controlling interests		<u>1,873</u>	<u>2,087</u>	<u>4,919</u>	<u>3,998</u>
		<u>25,667</u>	<u>30,707</u>	<u>61,181</u>	<u>56,515</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	5	<u>0.08</u>	<u>0.10</u>	<u>0.19</u>	<u>0.18</u>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month and six month periods ended 30 June 2014 (unaudited)

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Profit for the period	25,667	30,707	61,181	56,515
Other comprehensive income:				
Items that will not be reclassified to income statement:				
Net (loss) gain on financial assets measured at fair value through other comprehensive income	(8,897)	7,373	(1,776)	13,038
Directors' remuneration paid	<u>-</u>	<u>-</u>	(5,404)	(4,578)
	(8,897)	7,373	(7,180)	8,460
Items that may be reclassified subsequently to Income statement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive (loss) income for the period	(8,897)	<u>7,373</u>	(7,180)	<u>8,460</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>16,770</u>	<u>38,080</u>	<u>54,001</u>	<u>64,975</u>
<i>Attributable to:</i>				
Equity holders of the parent	15,942	35,702	49,761	60,483
Non-controlling interests	<u>828</u>	<u>2,378</u>	<u>4,240</u>	<u>4,492</u>
	<u>16,770</u>	<u>38,080</u>	<u>54,001</u>	<u>64,975</u>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2014 (unaudited)

	Share capital AED '000	Treasury shares AED '000	Employees' share-based payment scheme AED '000	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 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	-	-	-	-	-	4,607	(4,637)	-	(30)	30	-
Profit for the period	-	-	-	-	-	-	52,517	-	52,517	3,998	56,515
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	12,544	-	(4,578)	12,544	494	13,038
Directors' remuneration paid	-	-	-	-	-	-	-	(4,578)	(4,578)	-	(4,578)
Total comprehensive income (expense) for the period	-	-	-	-	-	12,544	52,517	(4,578)	60,483	4,492	64,975
Cash dividend paid	-	-	-	-	-	-	(36,300)	-	(36,300)	-	(36,300)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(363)	(363)
Purchase of treasury shares	-	(1,797)	-	-	-	-	-	-	(1,797)	-	(1,797)
Balance at 30 June 2013	302,500	(6,486)	(1,750)	116,112	18,962	(49,637)	160,935	-	540,636	136,937	677,573
Balance at 1 January 2014	302,500	(7,213)	(1,750)	123,797	18,962	(25,336)	171,461	5,404	587,825	141,188	729,013
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(3,040)	3,040	-	-	-	-
Profit for the period	-	-	-	-	-	-	56,262	-	56,262	4,919	61,181
Decrease in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,097)	-	-	(1,097)	(679)	(1,776)
Directors' remuneration paid	-	-	-	-	-	-	-	(5,404)	(5,404)	-	(5,404)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,097)	56,262	(5,404)	49,761	4,240	54,001
Cash dividend paid	-	-	-	-	-	-	(75,625)	-	(75,625)	-	(75,625)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(2,623)	(2,623)
Purchase of treasury shares	-	(854)	-	-	-	-	-	-	(854)	-	(854)
Balance at 30 June 2014	302,500	(8,067)	(1,750)	123,797	18,962	(29,473)	155,138	-	561,107	142,805	703,912

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2014 (unaudited)

	Note	Six month period ended 30 June 2014 AED'000	Six month period ended 30 June 2013 AED'000
OPERATING ACTIVITIES			
Profit for the period		61,181	56,515
Non cash adjustments:			
Depreciation of property, fixtures and equipment		2,467	2,288
Amortization of intangible asset		914	-
Loss on sale of investments carried at amortized cost	4	997	-
Gain on disposal of investment property		-	(4,297)
Share of results of associates, net	9	830	-
Dividend income from investments	4	(8,509)	(8,886)
Gain on disposal of investments carried at fair value through profit or loss	4	(88,872)	(2,821)
Gain on disposal of investment in an associate		-	(5,871)
Unrealised loss (gain) on investments carried at fair value through profit or loss	4	33,944	(9,926)
Allowance for impairment of loans and advances	8.1	16,231	7,913
Allowance for impairment of Islamic financing and investing assets	8.2	2,079	440
Net movement in provision for employees' end of service benefits		<u>1,217</u>	<u>542</u>
		22,479	37,929
Working capital adjustments:			
Decrease in due from banks maturing after three months		88,100	199,549
Increase in Islamic financing and investing assets		(23,436)	(22,137)
Increase in loans and advances		(143,635)	(49,349)
(Increase) decrease in interest receivable and other assets		(32,335)	39,223
Decrease in term loan		-	(228,831)
(Decrease) increase in due to banks maturing after three months		(140,000)	164,144
Increase (decrease) in customers' deposits		478,570	(37,815)
(Decrease) increase in interest payable and other liabilities		<u>(16,367)</u>	<u>77,346</u>
Net cash from operating activities		<u>233,376</u>	<u>180,059</u>
INVESTING ACTIVITIES			
Purchase of investments carried at fair value through other comprehensive income		(46,637)	-
Proceeds from sale of investments carried at fair value through other comprehensive income		13,247	24,490
Purchase of investments carried at fair value through profit or loss		(99,093)	(76,805)
Proceeds from sale investments carried at fair value through profit or loss		251,318	32,635
Purchase of investments carried at amortized cost		-	(172,980)
Proceeds from sale of investments carried at amortized cost		23,097	-
Proceeds from sale of investment property		-	29,013
Addition to investment property		-	(647)
Purchase of property, fixtures and equipment		(13,362)	(25,082)
Acquisition of a subsidiary, net of cash acquired		-	(3,918)
Investments in an associate	9	(7,547)	-
Proceeds from sale of investment in an associate		-	16,201
Dividend income received		<u>8,509</u>	<u>8,886</u>
Net cash from (used in) investing activities		<u>129,532</u>	<u>(168,207)</u>
FINANCING ACTIVITIES			
Increase in short term borrowings	11	80,000	-
Directors' remuneration paid		(5,404)	(4,578)
Cash dividends paid		(75,625)	(36,300)
Non-convertible Sukuk		(2,000)	1,200
Purchase of treasury shares		(854)	(1,797)
Change in non-controlling interest		<u>(2,623)</u>	<u>-</u>
Net cash used in financing activities		<u>(6,506)</u>	<u>(41,475)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		356,402	(29,623)
Cash and cash equivalents at 1 January		<u>816,950</u>	599,074
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	<u>1,173,352</u>	<u>569,451</u>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2014 (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 period ended 30 June 2014 were authorised for issue by Board of Directors on 23 July 2014.

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. Dirham (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:

Name of subsidiary	Country of incorporation	Ownership interest %		Principal activity
		30 June 2014	31 December 2013	
Third Vision Investment L.L.C.	U.A.E.	100	100	Management
Finance House Holding L.L.C.	U.A.E.	100	100	Investment and development
National Project House L.L.C.	U.A.E.	100	100	Construction
Benyan Development Company L.L.C.	U.A.E.	100	100	Construction
Emirates National Electromechanical L.L.C.	U.A.E.	100	100	Electromechanical contracting
FH Capital Limited (D.I.F.C.)	U.A.E.	100	100	Investment and asset management
Finance House Sukuk Company l	Cayman Islands	100	100	Sukuk issuance
Islamic Finance House P.J.S.C.	U.A.E.	47.83	47.83	Islamic financing services
Insurance House P.S.C.	U.A.E.	44.38	44.38	Insurance
Finance House Securities Co L.L.C.	U.A.E.	70	65	Brokerage
CAPM Investment P.J.S	U.A.E.	100	100	Investment and asset management

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014 (unaudited)

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 2013.

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 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013, except for the adoption of the following new standards and amendments to standards effective for the annual periods beginning on or after 1 January 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the financial position or performance of the Group.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the financial position or performance of the Group.

Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments have no impact on the financial statements of the Group for the period.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the financial position or performance of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014 (unaudited)

**3 NET INTEREST INCOME AND INCOME FROM ISLAMIC
FINANCING AND INVESTING ASSETS**

	<i>Three month period ended 30 June 2014 AED'000</i>	<i>Three month period ended 30 June 2013 AED'000</i>	<i>Six month period ended 30 June 2014 AED'000</i>	<i>Six month period ended 30 June 2013 AED'000</i>
Due from banks	4,348	2,300	7,840	6,271
Loans and advances	36,996	31,715	69,894	72,002
Income from Islamic financing and investing assets	3,091	2,126	5,689	4,336
Others	<u>2,690</u>	<u>4,679</u>	<u>5,939</u>	<u>8,845</u>
Interest income and income from Islamic financing and investing assets	<u>47,125</u>	<u>40,820</u>	<u>89,362</u>	<u>91,454</u>
Customer deposits	(11,937)	(8,969)	(22,594)	(19,899)
Profit distributable to depositors	(658)	(704)	(1,288)	(1,381)
Due to banks	<u>(724)</u>	<u>(1,432)</u>	<u>(1,814)</u>	<u>(3,230)</u>
Interest expense and profit distributable to depositors	<u>(13,319)</u>	<u>(11,105)</u>	<u>(25,696)</u>	<u>(24,510)</u>
Net interest income and income from Islamic financing and investing assets	<u>33,806</u>	<u>29,715</u>	<u>63,666</u>	<u>66,944</u>

4 NET INCOME FROM INVESTMENTS

	<i>Three month period ended 30 June 2014 AED'000</i>	<i>Three month period ended 30 June 2013 AED'000</i>	<i>Six month period ended 30 June 2014 AED'000</i>	<i>Six month period ended 30 June 2013 AED'000</i>
Gain (loss) on disposal of investments carried at fair value through profit or loss	53,614	(298)	88,872	2,821
Change in fair value of investments carried at fair value through profit or loss	(40,431)	8,046	(33,944)	9,926
Dividends from investments carried at fair value through profit or loss	<u>1,136</u>	<u>538</u>	<u>2,160</u>	<u>2,399</u>
Net income from investments carried at fair value through profit or loss	14,319	8,286	57,088	15,146
Dividend income from investments carried at fair value through other comprehensive income	1,499	2,336	6,349	6,487
Loss on disposal of investment carried at amortized cost	<u>(556)</u>	<u>-</u>	<u>(997)</u>	<u>-</u>
Net income from investments	<u>15,262</u>	<u>10,622</u>	<u>62,440</u>	<u>21,633</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014 (unaudited)

5 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 June 2014, 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>Three month period ended 30 June 2014 AED'000</i>	<i>Three month period ended 30 June 2013 AED'000</i>	<i>Six month period ended 30 June 2014 AED'000</i>	<i>Six month period ended 30 June 2013 AED'000</i>
Profit for the period attributable to equity holders of the parent (AED '000)	<u>23,794</u>	<u>28,620</u>	<u>56,262</u>	<u>52,517</u>
Number of ordinary shares in issue ('000)	302,500	302,500	302,500	302,500
Less: Treasury shares ('000)	(2,285)	(1,882)	(2,285)	(1,882)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>
	<u>298,465</u>	<u>298,868</u>	<u>298,465</u>	<u>298,868</u>
Earnings per share (AED)	<u>0.08</u>	<u>0.10</u>	<u>0.19</u>	<u>0.18</u>

6 CASH AND CASH EQUIVALENTS

	<i>30 June 2014 AED'000</i>	<i>30 June 2013 AED'000</i>
Current and demand accounts	127,866	52,517
Fixed placements	787,037	518,840
Wakala deposits with banks	35,007	18,500
Call accounts	<u>419,782</u>	<u>55,441</u>
Due from banks	1,369,692	645,298
Cash balances	8,946	8,533
Due to banks with original maturity of less than three months	(75,286)	(5,540)
Due from banks with original maturity of more than three months	<u>(130,000)</u>	<u>(78,840)</u>
Net cash and cash equivalents	<u>1,173,352</u>	<u>569,451</u>

Fixed deposits due from banks of AED 130,000 thousand (30 June 2013: AED 78,840 thousand) and due to banks amounting to nil (30 June 2013: AED 269,562 thousand) are due to mature after three months from the date of placement and are not included in cash and cash equivalents.

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7 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 June 2014				
Equity instruments:				
- Quoted	98,099	101,520	-	199,619
- Unquoted	181,765	-	-	181,765
Debt instruments:				
- Quoted - fixed rate	-	2,538	260,391	262,929
Investment in managed funds	9,990	-	-	9,990
	<u>289,854</u>	<u>104,058</u>	<u>260,391</u>	<u>654,303</u>
UAE	280,489	104,058	178,155	562,702
Outside UAE	9,365	-	82,236	91,601
	<u>289,854</u>	<u>104,058</u>	<u>260,391</u>	<u>654,303</u>
31 December 2013 (Audited)				
Equity instruments:				
- Quoted	98,415	198,917	-	297,332
- Unquoted	149,416	-	-	149,416
Debt instruments:				
- Quoted - fixed rate	-	2,438	284,485	286,923
Investment in managed funds	10,409	-	-	10,409
	<u>258,240</u>	<u>201,355</u>	<u>284,485</u>	<u>744,080</u>
UAE	248,618	198,917	180,189	627,724
Outside UAE	9,622	2,438	104,296	116,356
	<u>258,240</u>	<u>201,355</u>	<u>284,485</u>	<u>744,080</u>

The fair value of investments carried at amortized cost at 30 June 2014 is AED 259,504 thousand (31 December 2013: 266,852 thousand).

Finance House P.J.S.C.

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8 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS

8.1 LOANS AND ADVANCES, NET

	<i>30 June 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
Commercial loans	1,496,152	1,366,828
Retail finance	<u>291,854</u>	<u>277,543</u>
	1,788,006	1,644,371
Less: allowance for impairment		
Specific	(164,596)	(149,439)
Collective	<u>(17,605)</u>	<u>(16,531)</u>
	<u>1,605,805</u>	<u>1,478,401</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 June 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
At 1 January	165,970	186,512
Charge for the period/year, net	16,231	37,541
Written off during the period/ year	<u>-</u>	<u>(58,083)</u>
At 30 June/31 December	<u>182,201</u>	<u>165,970</u>

8.2 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>30 June 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
Commodities Murabaha	56,992	45,931
Covered card and drawings	34,626	28,114
Purchase & lease back	25,879	19,588
Ijarah	<u>9,609</u>	<u>10,037</u>
	127,106	103,670
Less: allowance for impairment		
Specific	(3,772)	(2,113)
Collective	<u>(1,535)</u>	<u>(1,115)</u>
	<u>121,799</u>	<u>100,442</u>

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

8.2 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:

	30 June 2014 AED'000	<i>(Audited)</i> 31 December 2013 AED'000
At 1 January	3,228	1,887
Charge for the period/ year	<u>2,079</u>	<u>1,341</u>
At 30 June/ 31 December	<u>5,307</u>	<u>3,228</u>

9 INVESTMENT IN ASSOCIATES

The Group has the following investments in an associate

	<i>Country of incorporation</i>	<i>Percentage of holding</i>		<i>Principal activity</i>
		2014	2013	
Mainland Management L.L.C.	United Arab Emirates	33.33%	33.33%	Hospitality management services

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investment in an associate is as follows:

	30 June 2014 AED'000	<i>(Audited)</i> 31 December 2013 AED'000
At 1 January	30,422	43,155
Share of results for the period/year	(830)	(16,070)
Additions during the period/year	7,547	13,666
Disposed off during the period/year	<u>-</u>	<u>(10,329)</u>
At 30 June/31 December	<u>37,139</u>	<u>30,422</u>

During the period, the Group subscribed for its share of the additional capital in Mainland Management L.L.C. amounting to AED 7,547 thousand. This transaction did not change the Group's ownership percentage in the associate.

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10 CUSTOMERS' DEPOSITS

	<i>30 June</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
Call and demand deposits	573,883	85,289
Time deposits	1,980,763	1,989,249
Wakala deposits	<u>102,066</u>	<u>103,604</u>
	<u>2,656,712</u>	<u>2,178,142</u>

Analysis of customers' deposits by sector is as follows:

Government	908,111	785,365
Corporate	<u>1,748,601</u>	<u>1,392,777</u>
	<u>2,656,712</u>	<u>2,178,142</u>

11 SHORT TERM BORROWINGS

During the period, the Group issued short term notes of AED 80 million with original maturity of 1 to 6 months.

12 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% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. Profit distribution accrued as of 30 June 2014 relating to sukuk held by external parties amounted to AED 104 thousand (2013: AED 112 thousand). Sukuk amounting to AED 23 million (2013: AED 21million) were held by subsidiaries of the Group and, accordingly eliminated in the interim consolidated statement of financial position.

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13 SHARE CAPITAL

	<i>30 June</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
<i>Authorised, issued and fully paid</i>		
302.5 million shares (2013: 302.5 million shares)		
of AED 1 each (2013: AED 1 each)	<u>302,500</u>	<u>302,500</u>

14 TREASURY SHARES

Treasury shares represent the cost of 2,285 thousand shares of the Company held by the Company and a subsidiary as at 30 June 2014 (31 December 2013: 2,041 thousand shares).

	<i>30 June</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
Share held by Finance House PJSC (150 thousand shares)	<u>523</u>	-
Share held by Insurance House PJSC (2,135 thousand shares)	<u>7,544</u>	<u>7,213</u>
	<u>8,067</u>	<u>7,213</u>

During the period, the Company obtained the necessary regulatory approvals to undertake a share buy-back programme. A total of 150 thousand shares were purchased from the market at an average price of 3.48 per share amounting to AED 523 thousand.

15 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, no shares were granted to employees and the value of outstanding shares not yet granted to employees as of 30 June 2014 were AED 1,750 thousand (31 December 2013: AED 1,750 thousand).

16 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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16 COMMITMENTS AND CONTINGENT LIABILITIES continued

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:

	30 June 2014 AED'000	<i>(Audited)</i> 31 December 2013 AED'000
Letters of credit	38,649	45,540
Letters of guarantee	994,676	1,014,802
Capital commitments	7,357	70,838
Irrevocable commitments to extend credit	<u>194,005</u>	<u>143,442</u>
	<u>1,234,687</u>	<u>1,274,622</u>

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

17 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 June 2014 AED'000	<i>(Audited)</i> 31 December 2013 AED'000
<i>Loans and advances to customers</i>		
To key management staff	<u>546</u>	<u>343</u>
<i>Customer deposits</i>		
From others	<u>5,283</u>	<u>9,590</u>

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

	Six month period ended 30 June 2014 AED'000	30 June 2013 AED'000
<i>Interest and commission income</i>		
From key management	<u>4</u>	<u>1</u>
<i>Interest expense</i>		
To others	<u>18</u>	<u>40</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>10,184</u>	<u>9,296</u>

18 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated income statement for the six months ended 30 June 2014 and 30 June 2013.

19 DIVIDENDS

The Company's General Assembly in their annual meeting held on 12 March 2014 approved a cash dividend of AED 25 fils per share (2013: AED 12 fils per share) amounting to AED 75,625 thousand (2013: AED 36,300 thousand) in total. The dividend was approved by the U.A.E Central Bank and paid during the period.

20 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.

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

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20 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 June 2014 (unaudited)								
Operating income	<u>54,945</u>	<u>73,084</u>	<u>6,301</u>	<u>(4,365)</u>	<u>13,798</u>	<u>16,542</u>	<u>-</u>	<u>160,305</u>
Inter-segment revenues	<u>(31,207)</u>	<u>31,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits (loss) from operations	<u>20,670</u>	<u>68,896</u>	<u>75</u>	<u>(7,068)</u>	<u>8,453</u>	<u>4,214</u>	<u>(34,059)</u>	<u>61,181</u>
Segmental assets	<u>1,649,267</u>	<u>2,091,842</u>	<u>255,958</u>	<u>48,690</u>	<u>194,703</u>	<u>259,827</u>	<u>-</u>	<u>4,500,287</u>
Segmental liabilities	<u>1,628,597</u>	<u>1,673,800</u>	<u>153,961</u>	<u>69,250</u>	<u>154,241</u>	<u>116,526</u>	<u>-</u>	<u>3,796,375</u>
30 June 2013 (unaudited)								
Operating income	<u>57,721</u>	<u>45,412</u>	<u>4,812</u>	<u>(2,375)</u>	<u>4,586</u>	<u>13,353</u>	<u>-</u>	<u>123,509</u>
Inter-segment revenues	<u>(29,590)</u>	<u>29,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits (loss) from operations	<u>28,684</u>	<u>48,646</u>	<u>730</u>	<u>(6,057)</u>	<u>1,152</u>	<u>5,777</u>	<u>(22,417)</u>	<u>56,515</u>
Segmental assets	<u>1,509,434</u>	<u>1,291,995</u>	<u>312,447</u>	<u>70,914</u>	<u>103,334</u>	<u>258,015</u>	<u>-</u>	<u>3,546,139</u>
Segmental liabilities	<u>1,474,750</u>	<u>830,597</u>	<u>211,045</u>	<u>154,130</u>	<u>73,467</u>	<u>124,577</u>	<u>-</u>	<u>2,868,566</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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21 FAIR VALUE MEASUREMENT

While the Group prepares its interim condensed consolidated financial statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the interim condensed consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits and performing loans and advances, frequently repriced. For impaired loans and advances, expected cash flows, including anticipated realisation of collateral, were discounted using the original interest rates, considering the time of collection and a provision for the uncertainty of the cash flows.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 30 June 2014:

	<i>Date of valuation</i>	<i>Level 1 AED 000</i>	<i>Level 2 AED 000</i>	<i>Level 3 AED 000</i>	<i>Total AED 000</i>
ASSETS MEASURED AT FAIR VALUE					
Investment property	15 December 2013	—	—	<u>81,200</u>	<u>81,200</u>
Property, fixtures and equipment (land)	31 December 2012	—	<u>85,667</u>	—	<u>85,667</u>
<i>At fair value through profit or loss</i>					
Quoted equities	30 June 2014	101,520	—	—	101,520
Quoted debt instruments	30 June 2014	<u>2,538</u>	—	—	<u>2,538</u>
		<u>104,058</u>	—	—	<u>104,058</u>
<i>At fair value through other comprehensive income</i>					
Quoted equities	30 June 2014	98,099	—	—	98,099
Unquoted equities	30 June 2014	—	62,777	118,988	181,765
Investment in managed funds	30 June 2014	—	<u>9,990</u>	—	<u>9,990</u>
		<u>98,099</u>	<u>72,767</u>	<u>118,988</u>	<u>289,854</u>
ASSETS FOR WHICH FAIR VALUE IS DISCLOSED					
Investment carried at amortized cost	30 June 2014	<u>259,504</u>	—	—	<u>259,504</u>

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December 2013:

	<i>Date of valuation</i>	<i>Level 1 AED 000</i>	<i>Level 2 AED 000</i>	<i>Level 3 AED 000</i>	<i>Total AED 000</i>
ASSETS MEASURED AT FAIR VALUE					
Investment property	15 December 2013	—	—	<u>81,200</u>	<u>81,200</u>
Property, fixtures and equipment (land)	31 December 2012	—	<u>85,667</u>	—	<u>85,667</u>
<i>At fair value through profit or loss</i>					
Quoted equities	31 December 2013	198,917	—	—	198,917
Quoted debt instruments	31 December 2013	<u>2,438</u>	—	—	<u>2,438</u>
		<u>201,355</u>	—	—	<u>201,355</u>
<i>At fair value through other comprehensive income</i>					
Quoted equities	31 December 2013	98,415	—	—	98,415
Unquoted equities	31 December 2013	—	54,303	95,113	149,416
Investment in managed funds	31 December 2013	—	<u>10,409</u>	—	<u>10,409</u>
		<u>98,415</u>	<u>64,712</u>	<u>95,113</u>	<u>258,240</u>
ASSETS FOR WHICH FAIR VALUE IS DISCLOSED					
Investment carried at amortized cost	31 December 2013	<u>266,852</u>	—	—	<u>266,852</u>

Transfers between categories

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2013: None).