

# **Finance House P.J.S.C.**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

**30 SEPTEMBER 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 September 2014 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three month 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.

*Ernst & Young*



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

22 October 2014  
Abu Dhabi

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014 (unaudited)

		<i>30 September</i>	<i>(Audited)</i>
		<i>2014</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED'000</i>	<i>2013</i>
			<i>AED'000</i>
<b>ASSETS</b>			
Cash balances	6	9,095	9,497
Due from banks	6	1,072,245	1,093,081
Investments carried at fair value through other comprehensive income	7	325,833	258,240
Investments carried at fair value through profit or loss	7	162,300	201,355
Investments carried at amortized cost	7	476,762	284,485
Loans and advances, net	8.1	2,160,989	1,478,401
Islamic financing and investing assets	8.2	150,146	100,442
Investment in associates	9	40,242	30,422
Statutory deposit		6,000	6,000
Property, fixtures and equipment		302,879	288,082
Intangibles		14,486	15,596
Investment properties		81,200	81,200
Interest receivable and other assets		<u>326,733</u>	<u>269,409</u>
<b>TOTAL ASSETS</b>		<b><u>5,128,910</u></b>	<b><u>4,116,210</u></b>
<b>LIABILITIES</b>			
Customers' deposits	10	2,773,300	2,178,142
Due to banks		73,520	207,528
Short term borrowings	11	80,000	-
Interest payable and other liabilities		1,308,112	864,645
Provision for employees' end of service benefits		9,249	7,882
Non-convertible sukuk	12	<u>126,300</u>	<u>129,000</u>
<b>TOTAL LIABILITIES</b>		<b><u>4,370,481</u></b>	<b><u>3,387,197</u></b>
<b>EQUITY</b>			
Share capital	13	302,500	302,500
Treasury shares	14	(8,536)	(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		3,779	(25,336)
Retained earnings		180,643	171,461
Proposed directors' remuneration		-	5,404
		<u>619,395</u>	<u>587,825</u>
Non-controlling interests		<u>139,034</u>	<u>141,188</u>
<b>TOTAL EQUITY</b>		<b><u>758,429</u></b>	<b><u>729,013</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>5,128,910</u></b>	<b><u>4,116,210</u></b>
Commitments and contingent liabilities	16	<u>1,345,588</u>	<u>1,274,622</u>
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;">   <hr/>             Mr Mohammed Alqubaisi              CHAIRMAN         </div> <div style="text-align: center;">   <hr/>             Mr Hamid Taylor              GENERAL MANAGER         </div> </div>			

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

OR

# Finance House P.J.S.C.

## INTERIM CONSOLIDATED INCOME STATEMENT

For the three and nine month periods ended 30 September 2014 (unaudited)

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2014 AED '000	2013 AED '000	2014 AED '000	2013 AED '000
Interest income and income from Islamic financing and investing assets	3	50,987	42,951	140,349	134,405
Interest expense and profit distributable to depositors	3	(13,295)	(12,309)	(38,991)	(36,819)
Net interest income and income from Islamic financing and investing assets	3	37,692	30,642	101,358	97,586
Net fee and commission income		13,039	12,261	48,812	32,719
Net contract expense		(707)	(4,451)	(5,217)	(6,843)
Net insurance (expense) income		(9,192)	955	(6,553)	8,563
Profit distributable to sukuk holders		(1,951)	(2,028)	(5,920)	(6,084)
Net income from investments	4	28,213	39,310	90,653	60,943
Net income from investment property		1,898	1,899	5,687	9,990
Share of loss of associates	9	(397)	(8,621)	(1,227)	(10,653)
Gain on disposal of investment in an associate		-	-	-	5,871
Other operating income, net		2,883	393	4,190	1,777
<b>Total operating income</b>		<b>71,478</b>	<b>70,360</b>	<b>231,783</b>	<b>193,869</b>
Salaries and employee related expenses		(28,516)	(19,429)	(79,751)	(56,982)
Depreciation of property, fixtures and equipment		(1,269)	(1,158)	(3,736)	(3,446)
Amortization of intangibles		(196)	-	(1,110)	-
General and administrative expenses		(12,807)	(11,353)	(39,006)	(30,153)
Allowance for impairment of loans and advances, net	8.1	(7,889)	(14,258)	(24,120)	(22,171)
Allowance for impairment of Islamic financing and investing assets	8.2	(723)	(474)	(2,801)	(914)
<b>Total operating expenses and allowances</b>		<b>(51,400)</b>	<b>(46,672)</b>	<b>(150,524)</b>	<b>(113,666)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>20,078</b>	<b>23,688</b>	<b>81,259</b>	<b>80,203</b>
Attributable to:					
Equity holders of parent		25,178	21,473	81,440	73,990
Non-controlling interests		(5,100)	2,215	(181)	6,213
		<b>20,078</b>	<b>23,688</b>	<b>81,259</b>	<b>80,203</b>
<b>Basic and diluted earnings per share attributable to ordinary shares (AED)</b>	5	<b>0.08</b>	<b>0.07</b>	<b>0.27</b>	<b>0.25</b>

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 COMPREHENSIVE INCOME

For the three and nine month periods ended 30 September 2014 (unaudited)

	<i>Three month period ended</i>		<i>Nine month period ended</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>
<b>Profit for the period</b>	<b>20,078</b>	<b>23,688</b>	<b>81,259</b>	<b>80,203</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to income statement:</b>				
Net gain on financial assets measured at fair value through other comprehensive income	34,930	8,103	33,154	21,141
Directors' remuneration paid	-	-	(5,404)	(4,578)
	<b>34,930</b>	<b>8,103</b>	<b>27,750</b>	<b>16,563</b>
<b>Items that may be reclassified subsequently to income statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>34,930</b>	<b>8,103</b>	<b>27,750</b>	<b>16,563</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>55,008</b>	<b>31,791</b>	<b>109,009</b>	<b>96,766</b>
<i>Attributable to:</i>				
Equity holders of the parent	58,757	29,316	108,518	89,882
Non-controlling interests	(3,749)	2,475	491	6,884
	<b>55,008</b>	<b>31,791</b>	<b>109,009</b>	<b>96,766</b>

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 nine month period ended 30 September 2014 (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 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	-	(4,578)	20,470	671	21,141
Directors' remuneration paid	-	-	-	-	-	-	-	(4,578)	(4,578)	-	(4,578)
Total comprehensive income (expense) for the period	-	-	-	-	-	20,470	73,990	(4,578)	89,882	6,884	96,766
Cash dividend paid	-	-	-	-	-	-	(36,300)	-	(36,300)	-	(36,300)
Purchase of treasury shares	-	(2,482)	-	-	-	-	-	-	(2,482)	-	(2,482)
Balance at 30 September 2013	302,500	(7,171)	(1,750)	116,112	18,962	(42,083)	182,780	-	569,343	139,692	709,035
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	-	-	-	-	-	(3,367)	3,367	-	-	-	-
Profit for the period	-	-	-	-	-	-	81,440	-	81,440	(181)	81,259
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	32,482	-	(5,404)	32,482	672	33,154
Directors' remuneration paid	-	-	-	-	-	-	-	(5,404)	(5,404)	-	(5,404)
Total comprehensive income (expense) for the period	-	-	-	-	-	32,482	81,440	(5,404)	108,518	491	109,009
Cash dividend paid	-	-	-	-	-	-	(75,625)	-	(75,625)	-	(75,625)
Change in non-controlling interest	-	(1,323)	-	-	-	-	-	-	-	(2,645)	(2,645)
Purchase of treasury shares	-	(8,536)	(1,750)	-	-	-	-	-	(1,323)	-	(1,323)
Balance at 30 September 2014	302,500	(8,536)	(1,750)	123,797	18,962	3,779	180,643	-	619,395	139,034	758,429

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 nine month period ended 30 September 2014 (unaudited)

	<i>Notes</i>	<i>Nine month period ended 30 September 2014 AED'000</i>	<i>Nine month period ended 30 September 2013 AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		81,259	80,203
Non cash adjustments:			
Depreciation of property, fixture and equipment		3,736	3,446
Amortization of intangibles		1,110	-
Loss on sale of investments carried at amortized cost	4	972	-
Gain on disposal of investment property		-	(4,297)
Share of results of associate, net	9	1,227	10,653
Dividend income from investments	4	(13,453)	(13,464)
Gain on disposal of investments carried at fair value through profit or loss	4	(89,583)	(9,571)
Gain on disposal of investment in an associate		-	(5,871)
Unrealised loss (gain) on investments carried at fair value through profit or loss	4	11,411	(37,908)
Allowance for impairment of loans and advances	8.1	24,120	22,171
Allowance for impairment of Islamic financing and investing assets	8.2	2,801	914
Net movement in provision for employees' end of service benefits		<u>1,367</u>	<u>209</u>
		<b>24,967</b>	<b>46,485</b>
Working capital adjustments:			
Decrease in due from banks maturing after three months		218,100	55,568
Increase in Islamic financing and investing assets		(52,505)	(25,875)
Increase in loans and advances		(706,708)	(58,761)
(Increase) decrease in interest receivable and other assets		(57,324)	32,169
Decrease in term loan		-	(228,831)
(Decrease) increase in due to banks maturing after three months		(140,000)	34,582
Increase in customers' deposits		595,158	85,086
Increase in interest payable and other liabilities		<u>443,467</u>	<u>83,416</u>
Net cash from operating activities		<b><u>325,155</u></b>	<b><u>23,839</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments carried at fair value through other comprehensive income		(53,975)	(2,018)
Proceeds from sale of investments carried at fair value through other comprehensive income		19,536	24,490
Purchase of investments carried at fair value through profit or loss		(145,881)	(117,958)
Proceeds from sale investments carried at fair value through profit or loss		263,108	251,819
Purchase of investments carried at amortized cost		(249,513)	(324,607)
Proceeds from sale of investments carried at amortized cost		56,264	-
Addition to investment property		-	(647)
Proceeds from sale of investment property		-	29,013
Purchase of property, fixtures and equipment		(18,533)	(39,385)
Acquisition of subsidiary, net of cash acquired		-	(3,918)
Investments in associate	9	(11,047)	-
Proceeds from sale of investment in associate		-	16,201
Dividend income received		<u>13,453</u>	<u>13,464</u>
Net cash used in investing activities		<b><u>(126,588)</u></b>	<b><u>(153,546)</u></b>
<b>FINANCING ACTIVITIES</b>			
Increase in short term borrowings		80,000	-
Directors' remuneration paid		(5,404)	(4,578)
Cash dividend paid		(75,625)	(36,300)
Non-convertible sukuk		(2,700)	1,200
Purchase of treasury shares		(1,323)	(2,126)
Change in non-controlling interest		<u>(2,645)</u>	<u>-</u>
Net cash used in financing activities		<b><u>(7,697)</u></b>	<b><u>(41,804)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		<u>816,950</u>	<u>599,074</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>6</b>	<b><u>1,007,820</u></b>	<b><u>427,563</u></b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 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 nine month period ended 30 September 2014 were authorised for issue by Board of Directors on 22 October 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. 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:

Name of subsidiary	Country of incorporation	Ownership interest %		Principal activity
		30 September 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 1	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



## 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 nine month period ended 30 September 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 September 2014 (unaudited)

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

	<i>Three month period ended 30 September 2014 AED'000</i>	<i>Three month period ended 30 September 2013 AED'000</i>	<i>Nine month period ended 30 September 2014 AED'000</i>	<i>Nine month period ended 30 September 2013 AED'000</i>
Due from banks	2,481	1,992	10,321	8,263
Loans and advances	37,873	33,657	107,767	105,659
Income from Islamic financing and investing assets	3,778	2,640	9,467	6,976
Others	<u>6,855</u>	<u>4,662</u>	<u>12,794</u>	<u>13,507</u>
<b>Interest income and income from Islamic financing and investing assets</b>	<b>50,987</b>	<b>42,951</b>	<b>140,349</b>	<b>134,405</b>
Customer deposits	(12,470)	(10,286)	(35,064)	(30,185)
Profit distributable to depositors	(589)	(734)	(1,877)	(2,115)
Due to banks	<u>(236)</u>	<u>(1,289)</u>	<u>(2,050)</u>	<u>(4,519)</u>
<b>Interest expense and profit distributable to depositors</b>	<b>(13,295)</b>	<b>(12,309)</b>	<b>(38,991)</b>	<b>(36,819)</b>
<b>Net interest income and income from Islamic financing and investing assets</b>	<b><u>37,692</u></b>	<b><u>30,642</u></b>	<b><u>101,358</u></b>	<b><u>97,586</u></b>

**4 NET INCOME FROM INVESTMENTS**

	<i>Three month period ended 30 September 2014 AED'000</i>	<i>Three month period ended 30 September 2013 AED'000</i>	<i>Nine month period ended 30 September 2014 AED'000</i>	<i>Nine month period ended 30 September 2013 AED'000</i>
Gain on disposal of investments carried at fair value through profit or loss	711	6,750	89,583	9,571
Change in fair value of investments carried at fair value through profit or loss	22,533	27,982	(11,411)	37,908
Dividends from investments carried at fair value through profit or loss	<u>136</u>	<u>574</u>	<u>2,296</u>	<u>2,973</u>
Net income from investments carried at fair value through profit or loss	<b>23,380</b>	<b>35,306</b>	<b>80,468</b>	<b>50,452</b>
Dividend income from investments carried at fair value through other comprehensive income	4,808	4,004	11,157	10,491
Loss on disposal of investment carried at amortized cost	<u>25</u>	<u>-</u>	<u>(972)</u>	<u>-</u>
<b>Net income from investments</b>	<b><u>28,213</u></b>	<b><u>39,310</u></b>	<b><u>90,653</u></b>	<b><u>60,943</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 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 September 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 September 2014 AED'000</i>	<i>Three month period ended 30 September 2013 AED'000</i>	<i>Nine month period ended 30 September 2014 AED'000</i>	<i>Nine month period ended 30 September 2013 AED'000</i>
Profit for the period attributable to equity holders of the parent (AED '000)	25,178	21,473	81,440	73,990
Number of ordinary shares in issue ('000)	302,500	302,500	302,500	302,500
Less: Treasury shares ('000)	(2,416)	(1,981)	(2416)	(1,981)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>
	<u>298,334</u>	<u>298,769</u>	<u>298,334</u>	<u>298,769</u>
Earnings per share (AED)	<u>0.08</u>	<u>0.07</u>	<u>0.27</u>	<u>0.25</u>

**6 CASH AND CASH EQUIVALENTS**

	<i>30 September 2014 AED'000</i>	<i>30 September 2013 AED'000</i>
Current and demand accounts	24,709	42,074
Fixed placements	680,000	578,840
Wakala deposits with banks	35,007	18,500
Call accounts	<u>332,529</u>	<u>74,957</u>
Due from banks	1,072,245	714,371
Cash balances	9,095	6,517
Due to banks with original maturity of less than three months	(73,520)	(70,504)
Due from banks with original maturity of more than three months	<u>-</u>	<u>(222,821)</u>
Net cash and cash equivalents	<u>1,007,820</u>	<u>427,563</u>

Fixed deposits due from banks of AED nil (30 September 2013: AED 222,821 thousand) and due to banks of AED nil (30 September 2013: AED 140,000 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>
<b>30 September 2014</b>				
Equity instruments:				
- Quoted	113,650	159,796	-	273,446
- Unquoted	203,469	-	-	203,469
Debt instruments:				
- Quoted - fixed rate	-	2,504	358,912	361,416
- Unquoted leverage funds	-	-	102,850	102,850
- Unquoted commercial papers	-	-	15,000	15,000
Investment in managed funds	<u>8,714</u>	<u>-</u>	<u>-</u>	<u>8,714</u>
	<u>325,833</u>	<u>162,300</u>	<u>476,762</u>	<u>964,895</u>
UAE	316,442	162,300	282,314	761,056
Outside UAE	<u>9,391</u>	<u>-</u>	<u>194,448</u>	<u>203,839</u>
	<u>325,833</u>	<u>162,300</u>	<u>476,762</u>	<u>964,895</u>
<b>31 December 2013</b>				
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	<u>10,409</u>	<u>-</u>	<u>-</u>	<u>10,409</u>
	<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	<u>9,622</u>	<u>2,438</u>	<u>104,296</u>	<u>116,356</u>
	<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 September 2014 is AED 479,233 thousand (31 December 2013: 266,852 thousand).

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**8 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS**

**8.1 LOANS AND ADVANCES, NET**

	<i>30 September</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
Commercial loans	2,039,803	1,366,828
Retail finance	<u>309,271</u>	<u>277,543</u>
	<b>2,349,074</b>	<b>1,644,371</b>
Less: allowance for impairment		
Specific	(170,271)	(149,439)
Collective	<u>(17,814)</u>	<u>(16,531)</u>
	<b><u>2,160,989</u></b>	<b><u>1,478,401</u></b>

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>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
At 1 January	165,970	186,512
Charge for the period/year, net	24,120	37,541
Written off during the period/year, net	<u>(2,005)</u>	<u>(58,083)</u>
At 30 September/31 December	<b><u>188,085</u></b>	<b><u>165,970</u></b>

**8.2 ISLAMIC FINANCING AND INVESTING ASSETS**

	<i>30 September</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
Commodities Murabaha	63,562	45,931
IPO Murabaha	20,250	-
Covered card and drawings	38,600	28,114
Purchase & lease back	24,154	19,588
Ijarah	<u>9,609</u>	<u>10,037</u>
	<b>156,175</b>	<b>103,670</b>
Less: allowance for impairment		
Specific	(4,109)	(2,113)
Collective	<u>(1,920)</u>	<u>(1,115)</u>
	<b><u>150,146</u></b>	<b><u>100,442</u></b>

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:

	<i>30 September</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
At 1 January	3,228	1,887
Charge for the year	<u>2,801</u>	<u>1,341</u>
At 30 September/ 31 December	<u>6,029</u>	<u>3,228</u>

**9 INVESTMENT IN AN ASSOCIATE**

The Group has the following investment in an associate

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

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

	<i>30 September</i> <i>2014</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>AED'000</i>
At 1 January	30,422	43,155
Share of results for the period/year	(1,227)	(16,070)
Additions during the period/year	11,047	13,666
Disposed off during the period/year	<u>-</u>	<u>(10,329)</u>
At 30 September/31 December	<u>40,242</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 11,047 thousand. This transaction did not change the Group's ownership percentage in the associate.

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**10 CUSTOMERS' DEPOSITS**

	<i>30 September 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
Call and demand deposits	126,049	85,289
Time deposits	2,529,885	1,989,249
Wakala deposits	<u>117,366</u>	<u>103,604</u>
	<b><u>2,773,300</u></b>	<b><u>2,178,142</u></b>

Analysis of customers' deposits by sector is as follows:

Government	976,301	785,365
Corporate	<u>1,796,999</u>	<u>1,392,777</u>
	<b><u>2,773,300</u></b>	<b><u>2,178,142</u></b>

**11 SHORT TERM BORROWINGS**

During the period, the Group issued short term notes of AED 80 million with original maturities 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 3.00% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. Profit distribution accrued as of 30 September 2014 relating to sukuk held by external parties amounted to AED 2,061 thousand (31 December 2013: AED 112 thousand). Sukuk amounting to AED 23,700 thousand (2013: AED 21,000 thousand) were held by subsidiaries of the Group and, accordingly eliminated in the interim consolidated statement of financial position.

**13 SHARE CAPITAL**

	<i>30 September 2014 AED'000</i>	<i>(Audited) 31 December 2013 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>

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**14 TREASURY SHARES**

Treasury shares represent the cost of 2,416 thousand shares of the Company held by the Company and a subsidiary as at 30 September 2014 (31 December 2013: 2,041 thousand shares).

	<i>30 September</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 (281 thousand shares)	992	-
Share held by Insurance House PJSC (2,135 thousand shares)	<u>7,544</u>	<u>7,213</u>
	<u>8,536</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 281 thousand shares were purchased from the market at an average price of 3.53 per share amounting to AED 992 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 September 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.

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



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

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

	<i>30 September 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
Letters of credit	55,204	45,540
Letters of guarantee	1,030,629	1,014,802
Capital commitments	7,357	70,838
Irrevocable commitments to extend credit	<u>252,398</u>	<u>143,442</u>
	<u><b>1,345,588</b></u>	<u><b>1,274,622</b></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:

	<i>30 September 2014 AED'000</i>	<i>(Audited) 31 December 2013 AED'000</i>
<i>Loans and advances to customers</i>		
To key management staff	<u>346</u>	<u>343</u>
<i>Customers' deposits</i>		
From others	<u>7,600</u>	<u>9,590</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**17 RELATED PARTY DISCLOSURES** continued

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

	<i>Nine month period ended</i>	
	<i>30 September</i>	<i>30 September</i>
	<i>2014</i>	<i>2013</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Interest and commission income</i>		
From key management	<u>6</u>	<u>2</u>
<i>Interest expense</i>		
To others	<u>22</u>	<u>40</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>14,990</u>	<u>13,953</u>

**18 SEASONALITY OF RESULTS**

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

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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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
<b>30 September 2014 (unaudited)</b>								
Operating income	<u>83,840</u>	<u>112,721</u>	<u>10,291</u>	<u>(5,647)</u>	<u>18,457</u>	<u>12,121</u>	<u>-</u>	<u>231,783</u>
Inter-segment revenues	<u>(49,679)</u>	<u>49,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits (loss) from operations	<u>32,035</u>	<u>108,604</u>	<u>898</u>	<u>(10,014)</u>	<u>11,110</u>	<u>(7,160)</u>	<u>(54,214)</u>	<u>81,259</u>
Segmental assets	<u>2,174,024</u>	<u>2,194,618</u>	<u>296,071</u>	<u>35,064</u>	<u>160,630</u>	<u>268,503</u>	<u>-</u>	<u>5,128,910</u>
Segmental liabilities	<u>2,141,989</u>	<u>1,725,032</u>	<u>193,099</u>	<u>58,570</u>	<u>117,435</u>	<u>134,356</u>	<u>-</u>	<u>4,370,481</u>
<b>30 September 2013 (unaudited)</b>								
Operating income	<u>77,973</u>	<u>84,623</u>	<u>7,551</u>	<u>(6,825)</u>	<u>8,994</u>	<u>21,553</u>	<u>-</u>	<u>193,869</u>
Inter-segment revenues	<u>(44,803)</u>	<u>44,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits (loss) from operations	<u>30,788</u>	<u>83,305</u>	<u>1,069</u>	<u>(12,011)</u>	<u>3,619</u>	<u>7,890</u>	<u>(34,457)</u>	<u>80,203</u>
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>

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 September 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>
<b>ASSETS MEASURED AT FAIR VALUE</b>					
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 September 2014	<u>159,796</u>	—	—	<u>159,796</u>
Quoted debt instruments	30 September 2014	<u>2,504</u>	—	—	<u>2,504</u>
		<u>162,300</u>	—	—	<u>162,300</u>
<i>At fair value through other comprehensive income</i>					
Quoted equities	30 September 2014	<u>113,650</u>	—	—	<u>113,650</u>
Unquoted equities	30 September 2014	—	<u>77,170</u>	<u>126,299</u>	<u>203,469</u>
Investment in managed funds	30 September 2014	—	<u>8,714</u>	—	<u>8,714</u>
		<u>113,650</u>	<u>85,884</u>	<u>126,299</u>	<u>325,833</u>
<b>ASSETS FOR WHICH FAIR VALUE IS DISCLOSED</b>					
Investments carried at amortized cost	30 September 2014	<u>360,224</u>	<u>119,009</u>	—	<u>479,233</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>
<b>ASSETS MEASURED AT FAIR VALUE</b>					
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	<u>198,917</u>	—	—	<u>198,917</u>
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	<u>98,415</u>	—	—	<u>98,415</u>
Unquoted equities	31 December 2013	—	<u>54,303</u>	<u>95,113</u>	<u>149,416</u>
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>
<b>ASSETS FOR WHICH FAIR VALUE IS DISCLOSED</b>					
Investments 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).