



### Chairman's Report for the nine months ended 30 September 2019

On behalf of the Board of Directors, I am pleased to present the condensed consolidated interim financial statements of Finance House PJSC and its subsidiaries (FH Group) as at 30 September 2019 and the results of its operations for the nine months ended 30 September 2019.

FH Group has registered a Net Profit of AED 26.08 million for the nine months ended 30 September 2019 compared to AED 25.22 million earned during the corresponding period of the previous year.

Aggregate of Net Interest Income, income from Islamic Financing and Investing Assets and net income from perpetual instruments earned during the first nine months of 2019 was lower at AED 132.17 million compared to AED 147.93 million in the corresponding period of the previous year.

This is the result of a conscious attempt to deleverage the balance sheet through a planned reduction in risk assets under volatile economic conditions. Net Fee & Commission Income earned in the first nine months of 2019 weighed in at AED 32.29 million compared to AED 36.38 million in the corresponding period of the previous year. Net Insurance Income was higher at AED 41.47 million in the first nine months of 2019 compared to AED 37.21 million registered in the corresponding period of the previous year. Net Investment & Other Operating Income earned in the first nine months of 2019 was higher at AED 32.79 million compared to AED 29.72 million in the corresponding period of the previous year. As a combined result of the above, Net Operating Income for the first nine months of 2019 was marginally higher at AED 188.70 million compared to AED 188.34 million in the corresponding period of the previous year.





Net Loans & Advances including Islamic Financing & Investing Assets as of 30 September 2019 were held flat at AED 2.44 billion, reflecting the Group's cautious approach to lending portfolio growth under sluggish economic conditions. Credit Portfolio to Stable Resources ratio at the consolidated level as of 30 September 2019 stood at a healthy 77.2%, reflecting the Group's balanced approach to growth in assets and liabilities. Capital Adequacy ratio at the consolidated level as of 30 September 2019 stood at 20.7%, providing a solid footing for sustained future growth in assets. Cash & cash equivalents as of 30 September 2019 stood at AED 624.21 million or 15.7% of Total Assets, underlining the extremely comfortable liquidity position of the FH Group.

Total operating expenses for the first nine months of 2019, at the consolidated level, were almost flat at AED 162.88 million compared to AED 162.07 million in the corresponding period of the previous year. This is a result of stringent group-wide cost containment measures implemented since the beginning of the year, in line with approved 2019 expenditure budget.

FH's credit impairment provisioning policy continues to be conservative. In line with the forward looking Expected Credit Loss (ECL) model as per IFRS 9, additional credit impairment provisions set aside during the first nine months of 2019 were AED 50.01 million compared to AED 62.89 million in the corresponding period of the previous year.

The results achieved till date in 2019 are a continuing reflection of a resilient business model that has stood the test of time. Our key business areas, viz. Commercial Finance, Retail Finance, Insurance, Brokerage & Investments complement each other, and are seamlessly integrated to deliver reasonable profits even under subdued economic conditions.





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

Our strategy is sound and we have the necessary mechanisms and structures in place to exploit profitable opportunities, to adapt quickly to changing market conditions, to continue managing risks well and to generate consistent returns for our shareholders.

On behalf of the Board of Directors,

**Mohammed Abdulla Jumaa Alqubaisi**  
**Chairman**

Abu Dhabi  
6 November 2019

