



### Chairman's Report for the nine months ended 30 September 2018

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 2018 and the results of its operations for the nine months ended 30 September 2018.

FH Group has registered a consolidated net profit of AED 25.22 million for the first nine months of 2018.

Aggregate of Net Interest Income and income from Islamic Financing and Investing Assets earned during the first nine months of 2018 was higher at AED 147.93 million compared to AED 144.28 million in the first nine months of the previous year. Net Fee & Commission Income earned in the first nine months of 2018 was higher at AED 36.38 million compared to AED 35.19 million in the first nine months of 2017. Net Insurance Income catapulted to AED 41.14 million in the first nine months of 2018 compared to AED 18.99 million registered in the same period of the previous year, on account of the vastly improved underwriting performance of our insurance subsidiary. Net Investment & Other Operating Income earned in the first nine months of 2018 was lower at AED 28.68 million compared to AED 38.32 million in the same period last year. This is primarily due to (i) the lacklustre performance of UAE equity markets (both ADX & DFM) in the first nine months of 2018, which resulted in marked-to-market reductions (albeit transitory) in the carry values of our UAE equities trading portfolio and (ii) certain one-off investment gains recorded in the same period of the previous year. As a combined result of the above, Total Operating Income for the first nine months of 2018 was higher by 7.33% at AED 254.13 million compared to AED 236.77 million in the first nine months of 2017.

Customers' Deposits and Margin Accounts as of 30 September 2018 soared to AED 3.16 billion, registering a remarkable growth of 16.4% compared to AED 2.65 billion at the same time of the



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previous year. However, Net Loans & Advances including Islamic Financing & Investing Assets as of 30 September 2018 were only marginally higher at AED 2.43 billion compared to AED 2.39 billion as of 30 September 2017. Credit Portfolio to Stable Resources ratio at the consolidated level as of 30 September 2018 stood at 67.1%, reflecting the Group's conservative approach to growth in risk assets in an uncertain economic environment. Capital Adequacy ratio at the consolidated level as of 30 September 2018 stood at 20.2%, providing a solid footing for sustained future growth in assets. Cash & cash equivalents as of 30 September 2018 stood at AED 1.10 billion or 23% of Total Assets, highlighting the extremely comfortable liquidity position of the FH Group.

Total operating expenses for the first nine months of 2018, at the consolidated level, were held flat at AED 166.01 million compared to AED 165.79 million in the comparable period of the previous year. A number of strategic measures to reduce operating costs have been designed and implemented during the second half of 2018. The full annual impact of these measures will be reflected in the next year's performance.

FH's credit impairment provisioning policy continues to be conservative. With the introduction of the forward looking Expected Credit Loss (ECL) model as per IFRS 9 from 1 Jan 2018, credit impairment provisions for the first nine months of 2018 were higher at AED 62.89 million compared to AED 40.87 million in the first nine months of the previous year.

The results achieved till date in 2018 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 profitable business growth despite challenging economic conditions.

In December 2017, 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

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شركة مساهمة عامة برأس مال وقدره ٣١٠.٠٤٩.٩٦١ درهم إماراتي Public Joint Stock Company and the share capital is AED 310,049,961



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internationally reputed credit rating agency. We are proud to maintain this investment grade credit rating since 2012, despite fluctuating 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 maximize returns for our shareholders.

On behalf of the Board of Directors,

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

Abu Dhabi  
04 November 2018