

Chairman's Report for the half year ended 30 June 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 June 2019 and the results of its operations for the half year ended 30 June 2019.

FH Group has registered a consolidated net profit of AED 21.87 million for the first half of 2019, which is 7.4% higher than the net profit of AED 20.36 million earned during the same 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 half of 2019 was AED 89.24 million compared to AED 101.45 million in the first half of the previous year. Net Fee & Commission Income earned in the first half of 2019 weighed in at AED 23.49 million compared to AED 24.60 million in the first half of 2018. Net Insurance Income was higher at AED 31.78 million in the first half of 2019 compared to AED 30.24 million registered in the same period of the previous year, on account of yet another steady performance at our insurance subsidiary. Net Investment & Other Operating Income earned in the first half of 2019 was higher by 19.5%, at AED 23.13 million compared to AED 19.35 million in the same period last year. As a combined result of the above, Net Operating Income for the first half of 2019 stood at AED 131.89 million compared to AED 133.11 million in the first half of 2018.

Net Loans & Advances including Islamic Financing & Investing Assets as of 30 June 2019 were lower at AED 2.32 billion compared to AED 2.54 billion at the same time last year. The reduction is largely on account of unexpected prepayments of term facilities by some of our prime corporate customers, owing to the tepid economic environment. These prepayments had an adverse effect on our Net Interest Income for the first six months of 2019. Credit Portfolio to Stable Resources ratio at the consolidated level as of 30 June 2019 stood at a healthy



71.3%, reflecting the Group's balanced approach to growth in assets and liabilities. Capital Adequacy ratio at the consolidated level as of 30 June 2019 stood at 20.7%, providing a solid footing for sustained future growth in assets. Cash & cash equivalents as of 30 June 2019 stood at AED 667.98 million or 16.4% of Total Assets, underlining the extremely comfortable liquidity position of the FH Group.

Total operating expenses at the consolidated level were lower at AED 110.91 million compared to AED 112.64 million in the same period of the previous year. This is a result of stringent group-wide cost control 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 half of 2019 were AED 35.75 million compared to AED 42.54 million in the first half 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 profitable business growth despite fluctuating 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 maximize returns for our shareholders.

On behalf of the Board of Directors,



Mohammed Abdulla Jumaa Alqubaisi
Chairman



Abu Dhabi
30 July 2019