

## Chairman's Report for the year ended 31 December 2020

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of Finance House P.J.S.C. and its subsidiaries (FH Group) for the financial year ended 31 December 2020.

While most of us are happy to put 2020 in the rear-view mirror, it is important to realize that the circumstances of the past year forced us to tap into our deepest reserves of ingenuity and resourcefulness, develop new skills and capabilities, and be the best version of ourselves. I am glad that very early into the pandemic, the FH Group seamlessly embraced these changes, in order to position ourselves to face the post-pandemic world, which is certainly going to be significantly different than the world we knew before.

Despite challenging economic and financial market conditions, FH Group has posted a Consolidated Net Profit of AED 20.90 million for the financial year ended 31 December 2020, compared to AED 22.45 million registered in the previous financial year ended 31 December 2019.

Our insurance subsidiary- Insurance House PSC chipped in with a resilient performance, despite the headwinds, with Net Insurance Income of AED 42.53 million in 2020 compared to AED 45.59 million in the previous year. Aggregated income from group-wide investing activities & other operating income (of a recurring nature) was substantially higher at AED 53.84 million in 2020 compared to AED 35.31 million in the previous year, primarily due to pro-active management of our proprietary investment book, in spite of volatile market conditions.

Net Interest Income and Income from Islamic Financing & Investing Assets were lower at AED 153.46 million in 2020 compared to AED 174.34 million in the previous year. This is mainly due to a very cautious approach in onboarding new risk assets, under foggy economic conditions as a result of the pandemic. Due to very selective fresh loan bookings and significantly lower spends on the Credit Cards Portfolio, Net Fee and Commission income earned in 2020 was also lower at AED 25.66 million compared to AED 43.05 million in the previous year. Higher trading volumes in domestic equity markets during 2020 translated to slightly higher brokerage fees at our local stock broking subsidiary.

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شركة مساهمة عامة برأس مال وقدره ٣١٠٠٤٩,٩٦١ درهم إماراتي Public Joint Stock Company and the share capital is AED 310,049,961



As a combined result of the above factors, Net Operating Income for 2020 was lower at AED 201.39 million compared to AED 227.82 million in the previous year.

Net Loans & Advances including Islamic Financing & Investing Assets as of 31 December 2020 stood at AED 2.23 billion compared to AED 2.54 billion as at the end of the previous year. Customers' Deposits & Margin Accounts as of 31 December 2020 stood at AED 1.92 billion compared to AED 2.47 billion as at the end of the previous year.

Our loan loss provisioning policy continues to be prudent. In line with the expected credit loss model (ECL) for loan impairment provisioning under IFRS 9, net impairment charge for the year 2020 was higher at AED 74.10 million compared to AED 70.46 million in the previous year. With gradual improvement in economic conditions anticipated over the coming 12 months, net impairment charge is expected to moderate next year.

Total Operating Expenses for 2020 at the Group level were significantly lower by circa 12% at AED 180.19 million compared to AED 205.01 million in the previous year. This is a direct result of several strategic cost rationalization and cost reduction measures implemented group-wide, very early into the pandemic. At the same time, we continue to invest heavily in upgrading our digital sourcing & digital service delivery capabilities across all businesses. In addition, we have also selectively expanded capacity & resources in business segments that have demonstrated profitable growth.

FH Group continues to manage its liquidity in a prudent and conservative manner. Since the onset of the financial crisis in October 2008, we have remained net lenders to the UAE inter-bank market and continue to maintain this position till date. Net cash and cash equivalents as at 31 December 2020 stood at AED 446.61 million, representing a healthy 13.1% of Total Assets.

At the consolidated level, Shareholders' equity as at 31 December 2020 stood AED 769.74 million and the Total Assets ratio at a robust 26.6%, providing a solid footing for sustained future growth in assets.

In October 2020, the investment grade Corporate Credit Ratings of Finance House PJSC were reaffirmed by Capital Intelligence, at "A3" Short Term and "BBB-" Long Term, both with a Stable outlook. This independent reaffirmation of our investment grade credit ratings, at the peak of the pandemic, is a fitting testament to the soundness of our business strategies, the

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resilience of our operating model and the robustness of our liquidity management & strategy execution capabilities.

Subject to regulatory approvals, the Board recommends for FH Shareholders' approval, the pay out of a cash dividend not exceeding 50% of the Stand Alone Net Profit of Finance House PJSC for the year ended 31 December 2020.

Undoubtedly, 2020 was not a great year by most conventional measurements. Yet, we feel good knowing that we came through it with our organization relatively intact and better prepared to compete in the world that lies ahead. We continue to fine-tune our strategies and strategy execution capabilities on a regular basis in response to dynamic changes in market conditions. We are alert and geared 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

14 February 2021

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