



Chairman's Report for the nine months ended 30 September 2021

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 2021 and the results of its operations for the nine months ended 30 September 2021.

FH Group has posted a Net Profit of AED 19.82 million for the nine months ended 30 September 2021 compared to AED 21.25 million registered during the corresponding period of the previous year. Total Comprehensive Income registered during the first nine months of 2021 galloped to AED 54.88 million, on the back of sustained recovery in the marked to market valuations of equity and fixed income investments of the FH Group.

Net Interest Income and Income from Islamic Financing and Investing Assets weighed in at AED 100.76 million in the first nine months of 2021 compared to AED 118.22 million in the same period last year. This is primarily due to a planned downsizing of our Retail Finance lending book pursuant to challenging market conditions and accelerated repayment of funded facilities by some of our corporate borrowers. As a result of a cautious approach towards onboarding new borrowing clients, Net Fee & Commission income was lower at AED 12.44 million in the first nine months of 2021 compared to AED 19.81 million in the same period of the previous year. In line with subdued economic conditions as a result of the pandemic, Net Insurance Income was marginally lower at AED 31.26 million in the first nine months of 2021 compared to AED 32.91 million in the corresponding period of the previous year.





With local and global equity and fixed income markets stabilizing in 2021, after the shock deflation of investment valuations witnessed in the first half of 2020, Net Investment Income (including fair value gains accounted through Other Comprehensive Income) was significantly higher at AED 51.15 million compared to AED 2.97 million in the corresponding period of the previous year. We are optimistic that local & global equity and fixed income markets will remain relatively stable for the rest of this financial year.

Net Loans & Advances including Islamic Financing & Investing Assets as of 30 September 2021 were slightly lower at AED 2.11 billion compared to AED 2.23 billion as at 31 December 2020. Customers' Deposits & Margin Accounts as of 30 September 2021 stood at AED 1.76 billion compared to AED 1.92 billion as at 31 December 2020. Consequently, the loan book continues to be substantially funded by the deposit book, reflecting the Group's cautious and balanced approach to asset/liability growth.

Total Operating Expenses at the consolidated level were lower by 13.3% at AED 118.96 million in the first nine months of 2021 compared to AED 137.21 million in the corresponding period of the previous year. This is a result of several planned cost rationalization and cost reduction measures implemented across the FH Group starting Q2 2020.

FH's loan loss provisioning policy continues to be prudent. With the implementation of IFRS 9 based credit impairment provisioning (expected credit loss model) effective 1 Jan 2018, loan loss provision set aside in the first nine months of 2021 was AED 36.31 million compared to AED 53.62 million in the corresponding period of the prior year. Effective collection and recovery strategies implemented across Retail Finance and Commercial Finance Lending Portfolios are beginning to show





encouraging results, thereby moderating the requirement for incremental credit impairment provisions compared to the previous year.

The FH Group's liquidity position as of 30 September 2021 continues to be strong, with Cash & Cash equivalents accounting for 15.2% of Total Assets. Similarly, Capital Adequacy Ratio at the consolidated level as of 30 September 2021 continues to be robust at 27.7%, providing a solid footing for sustained future growth in assets.

On 2 November 2021, 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, is a fitting testament to the soundness of our business strategies, the resilience of our operating model and the robustness of our liquidity management & strategy execution capabilities.

With ongoing investments into shoring our digital sourcing and servicing capabilities, we are well positioned to profitably leverage economic growth opportunities as local, regional and global economies emerge from the adverse impacts of the pandemic.

On behalf of the Board of Directors,

Mohammed Abdulla Jumaa Alqubaisi

Vice Chairman

Abu Dhabi

04 November 2021

