



Chairman's Report for the year ended 31 December 2021

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 2021.

The UAE economy bounced back strongly in 2021 aided by fiscal and monetary support and other government measures, after which it contracted 6.1 per cent in 2020 on the back of the global economic slowdown. Our focus during the year 2021 was on innovative product & service delivery, rebalancing core and non-core activities of the Group, leveraging cloud technology for improved operational efficiency, and re-imagining employee journeys.

Amidst steadily improving economic and financial market conditions, FH Group has posted a Consolidated Net Profit of AED 22.76 million for the financial year ended 31 December 2021, compared to AED 20.90 million registered in the previous financial year ended 31 December 2020.

However, Total Comprehensive Income for the year ended 31 December 2021 skyrocketed to AED 83.80 million compared to AED 6.18 million in the previous year. This is primarily on account of the sustained equity price rally witnessed in domestic and global equity markets during 2021, compared to the pandemic induced lows experienced in 2020. Given that a substantial chunk of these marked to market, fair value gains, relate to our long term strategic investment book, this surge in equity investments valuation is directly reflected in Shareholders' Equity- which has jumped to AED 801.67 million as of 31 December 2021 compared to AED 769.74 million as at the end of the previous year.

Our insurance subsidiary- Insurance House PSC registered a resilient performance, despite the headwinds, with Net Insurance Income of AED 41.89 million in 2021 compared to AED 42.53 million in the previous year. Aggregated income from group-wide investing activities & other operating income (routed through Profit & Loss Account) weighed in at AED 51.54 million in 2021 compared to AED 53.84 million in the previous year, primarily due to pro-active management of our proprietary investment book.

Net Interest Income and Income from Islamic Financing & Investing Assets were lower at AED 137.20 million in 2021 compared to AED 153.46 million in the previous year. This is mainly due to a cautious approach in onboarding new risk assets, under foggy economic conditions, especially for small and mid-sized enterprises in the UAE private sector. Due to very selective fresh loan bookings and significantly lower spends on the Credit Cards Portfolio, Net Fee and Commission income earned in 2021 was also lower at AED 15.86 million compared to AED 25.66



million in the previous year. Higher trading volumes in domestic equity markets during 2021 translated to slightly higher brokerage fees at our local stock broking subsidiary.

As a combined result of the above factors, Net Operating Income for 2021 was lower at AED 193.40 million compared to AED 201.39 million in the previous year.

Net Loans & Advances including Islamic Financing & Investing Assets as of 31 December 2021 stood at AED 2.11 billion compared to AED 2.23 billion as at the end of the previous year. Customers' Deposits & Margin Accounts as of 31 December 2021 stood at AED 1.72 billion compared to AED 1.92 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 2021 was AED 53.01 million compared to AED 74.10 million in the previous year. With gradual improvement in economic conditions anticipated over the coming 12 months, net impairment charge is expected to moderate further, next year.

Total Operating Expenses for 2021 at the Group level were lower by circa 7% at AED 167.74 million compared to AED 180.19 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 continue to expand 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 2021 stood at AED 569.17 million (2020: AED 446.61 million), representing a healthy 16.3% of Total Assets.

At the consolidated level, Shareholders' equity as at 31 December 2021 surged to AED 801.67 million compared to AED 769.74 million as at the end of the previous year. Total Assets ratio as of 31 December 2021 stood at a robust 26.9% (2020: 26.6%), providing a solid footing for sustained future growth in assets.

On 2 November 2021, the investment grade Foreign Currency 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.



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FINANCE HOUSE
ش.م.ع. - P.J.S.C

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Bearing in mind the Share buyback program initiated in 2021 and currently underway, and to preserve the cash resources of the Group for investment in upcoming strategic initiatives, the Board does not recommend distribution of any cash dividend for the financial year ended 31 December 2021.

Without doubt, economic conditions in the UAE significantly improved during 2021. We feel good that the FH Group leveraged this improving economic environment to fortify our level of preparedness 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
Vice Chairman



Abu Dhabi
14 February 2022

