

Chairman's Report for the year ended 31 December 2022

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 2022.

Overall economic activity in the UAE picked-up momentum in 2022 due to higher oil prices and supportive government policies. However, private sector corporates across several economic segments continued to remain vulnerable due to liquidity and resource constraints, rapidly rising borrowing costs and supply chain dislocations. In line with its conservative approach to asset growth amidst uncertain economic conditions, the FH Group continued to focus its energies on strengthening Capital Ratios, shoring-up Liquidity buffers, improving asset quality and leveraging cloud technology for improved operational efficiencies.

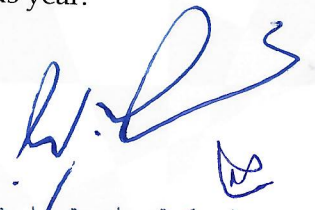
For the year ended 31 December 2022, the FH Group has posted a Consolidated Net Profit of AED 20.79 million, compared to AED 22.76 million registered in the previous financial year ended 31 December 2021.

Net Interest Income and Income from Islamic Financing & Investing Assets were higher at AED 138.25 million in 2022 compared to AED 137.20 million in the previous year. Despite a rapidly rising interest rate scenario, we successfully protected our net-interest margins with timely interest-rate management actions, on both sides of the balance sheet. Net Fee and Commission income earned in 2022 was higher at AED 18.31 million compared to AED 15.86 million in the previous year. Improving trading volumes in domestic equity markets during 2022 translated to slightly higher brokerage fees at our local stock broking subsidiary.

Intense price competition in the UAE non-life insurance business, resulted in a squeeze on Net Underwriting Income across the whole sector. Our insurance subsidiary- Insurance House PJSC registered a lower Net Insurance Income of AED 33.15 million in 2022 compared to AED 41.89 million in the previous year. Net Investment Income from group-wide investing activities was lower at AED 12.36 million compared to AED 25 million in the previous year, primarily due to certain one-off gains in the investment book in the prior year.

As a combined result of the above factors, Net Operating Income for 2022 was marginally lower at AED 190.04 million compared to AED 193.40 million in the previous year.

In line with our conservative asset growth strategy, Net Loans & Advances including Islamic Financing & Investing Assets as of 31 December 2022 stood at AED 2.02 billion compared to AED 2.11 billion as at the end of the previous year. On the other hand, the focused execution of our strategy to shore-up liquidity buffers, resulted in a 20% growth in Customers' Deposits & Margin Accounts to AED 2.06 billion as of 31 December 2022, compared to AED 1.72 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 2022 was AED 38.29 million compared to AED 53.09 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 2022 at the Group level were lower at AED 164.99 million compared to AED 167.74 million in the previous year. This is a direct result of maintaining a tight leash on expenses, across the FH Group.

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 2022 stood at AED 730.43 million (2021: AED 569.17 million), representing a healthy 20.2% of Total Assets.

At the consolidated level, Shareholders' equity as at 31 December 2022 stood at AED 755.19 million. Total Assets ratio as of 31 December 2022 stood at a robust 26.2%, providing a solid footing for sustained future growth in assets.

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 2022.

In line with continued albeit gradual improvements in private sector operating conditions across the UAE, we fine-tune our strategies and strategy execution capabilities on a regular basis to take advantage of improving market conditions. We remain confident that we will continue to spot and exploit profitable opportunities, adapt quickly to changing market conditions, manage risks prudently and maximize returns for our shareholders.

On behalf of the Board of Directors,



Mohammed Abdulla Jumaa Alqubaisi
Vice Chairman

Abu Dhabi
14 February 2023