

Chairman's Report for the three months ended 31 March 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 31 March 2021 and the results of its operations for the three months ended 31 March 2021.

FH Group has posted a Net Profit of AED 7.51 million for the first quarter of 2021 compared to AED 1.21 million registered during the first quarter of 2020. Total Comprehensive Income for Q1 2021 was significantly higher at AED 26.60 million compared to a Total Comprehensive Loss of AED 25.50 million in the same period of the previous year.

Net Interest Income and Income from Islamic Financing and Investing Assets weighed in at AED 33.96 million in Q1 2021 compared to AED 40.88 million in the same period last year. This is primarily due to a planned reduction in the size of our Retail Finance lending book, in line with prevailing market conditions and accelerated repayments 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 4.46 million in Q1 2021 compared to AED 7.33 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 slightly lower at AED 11.73 million in Q1 2021 compared to AED 14.95 million in Q1 2020.

With local and global equity and fixed income markets stabilizing after the shock impact of Covid-19 witnessed in the first half of 2020, Net Investment Income in Q1 2021 was significantly higher at AED 9.73 million compared to AED 1.59 million in the corresponding period of the previous year. In addition to this investment income



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شركة مساهمة عامة برأس مال وقدره ٣١٠,٠٤٩,٩٦١ درهم إماراتي 310,049,961 AED share capital and the Public Joint Stock Company



routed through the P&L account, we also witnessed significant gains of AED 19.03 million in the marked to market valuations of investments accounted through Other

Comprehensive Income, compared to a loss of AED 27.18 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 31 March 2021 held steady at AED 2.15 billion compared to AED 2.23 billion as at 31 December 2020. Customers' Deposits & Margin Accounts as of 31 March 2021 were higher at AED 2.01 billion compared to AED 1.92 billion as at 31 December 2020. Consequently, the loan book continues to be almost entirely 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 substantially lower by 21.2% at AED 40.37 million in Q1 2021 compared to AED 51.23 million in the corresponding quarter of the previous year. This is a direct 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 conservative. With the implementation of IFRS 9 based credit impairment provisioning (expected credit loss model) effective 1 Jan 2018, loan loss provision set aside in Q1 2021 was AED 12.30 million compared to AED 18.77 million in Q1 2020. Targeted collection and recovery strategies implemented across Retail Finance and Commercial Finance Lending Portfolios are beginning to show encouraging results in terms of recoveries from non-performing loans.

The FH Group's liquidity position as of 31 March 2021 continues to be strong, with Cash & Cash equivalents accounting for 17.5% of Total Assets. Similarly, Capital

Adequacy Ratio at the consolidated level as of 31 March 2021 continues to be robust at 27.10%, 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 resilience of our operating model and the robustness of our liquidity management & strategy execution capabilities.

With our nimble strategy execution abilities combined with ongoing investments into shoring our digital servicing capabilities, we are well positioned to profitably leverage economic growth opportunities as and when 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
06 May, 2021