

### Chairman's Report for the three months ended 31 March 2024

On behalf of the Board of Directors, I am pleased to present the condensed consolidated interim financial information of Finance House PJSC and its subsidiaries (FH Group) as at 31 March 2024 and the results of its operations for the three months ended 31 March 2024.

FH Group has posted a Net Loss of AED 9.08 million for the first quarter of 2024, compared to a Net Profit of AED 7.60 million for the corresponding period of the previous year. This is largely due to the overhang of Net Insurance Losses sustained in the Insurance vertical (IH) in Q1 2024, from unprofitable Motor insurance policies underwritten up to Q2 2023. Since July 2023, insurance premiums charged for Motor insurance business underwritten by IH are commensurate with the underlying risks being underwritten and therefore, we expect improved Net Insurance results from the Motor business going forward.

In the Financing vertical, Net Interest Income and Income from Islamic Financing and Investing Assets were marginally lower at AED 33.03 million in Q1 2024 compared to AED 35.91 million in the same period last year. This is primarily due to the higher cost of funding experienced on customer deposits and bank borrowings, as a result of the continued "high interest rate environment", that could not be fully passed on to our borrowing customers. Net Fee & Commission income held steady at AED 4.16 million in Q1 2024 compared to AED 4.32 million in the same period of the previous year. Net Insurance Loss in Q1 2024 was lower at AED 5.88 million compared to a Net Insurance Loss of AED 9.59 million registered in the corresponding period of the previous year. Other Operating income in the prior year includes significant one-off recoveries from delinquent corporate accounts. For this year, we expect significant recoveries from delinquent accounts to materialize in the quarters ahead.

Net Loans & Advances including Islamic Financing & Investing Assets as of 31 March 2024 were marginally higher at AED 1.90 billion compared to AED 1.89 billion as of 31 December 2023. Customers' Deposits & Margin Accounts as of 31 March 2024 were significantly higher at AED 1.83 billion compared to AED 1.56 billion as of 31 December 2023. Consequently, the loan book continues to be almost fully funded by the deposit book.

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شركة مساهمة عامة برأس مال وقدره ٢٠٢,٨٢٧,٧٧٠ درهم إماراتي ٣٠٢,٨٢٧,٧٧٠ درهم إماراتي  
Public Joint Stock Company and the share capital is AED 302,837,770

Total operating expenses at the consolidated level for Q1 2024 were pegged at AED 33.80 million, which is almost at the same level of AED 33.64 million in corresponding quarter of the previous year. This is a reflection of the strict groupwide discipline enforced on streamlining operating expenses.

In line with the IFRS 9 based credit impairment provisioning (expected credit loss model) implemented effective 1 Jan 2018, loan loss provision set aside in Q1 2024 was AED 11.05 million. Targeted collection and recovery strategies implemented across Retail Finance and Commercial Finance Lending Portfolios are expected to show positive results in the remaining quarters of the current financial year.

The FH Group's liquidity position as of 31 March 2024 continues to be strong, with Cash & Cash equivalents accounting for circa 16.9% of Total Assets. Balance sheet leverage as of 31 March 2024 at the consolidated level continues to be prudent, providing a solid footing for sustained future growth in assets.

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 that are beginning to emerge across several business sectors in the UAE.

On behalf of the Board of Directors,



**Mohammed Abdulla Jumaa Alqubaisi**

Vice Chairman

Abu Dhabi

14 May 2024