Q4 2017

Earnings Disclosure

15 February 2018

IDLC Finance Limited

financing happiness

Forward Looking Statements

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12 months' (Jan–Dec 2017) Performance Highlights

28% ▲ **NET PROFIT AFTER TAX**

BDT 2.28 bn

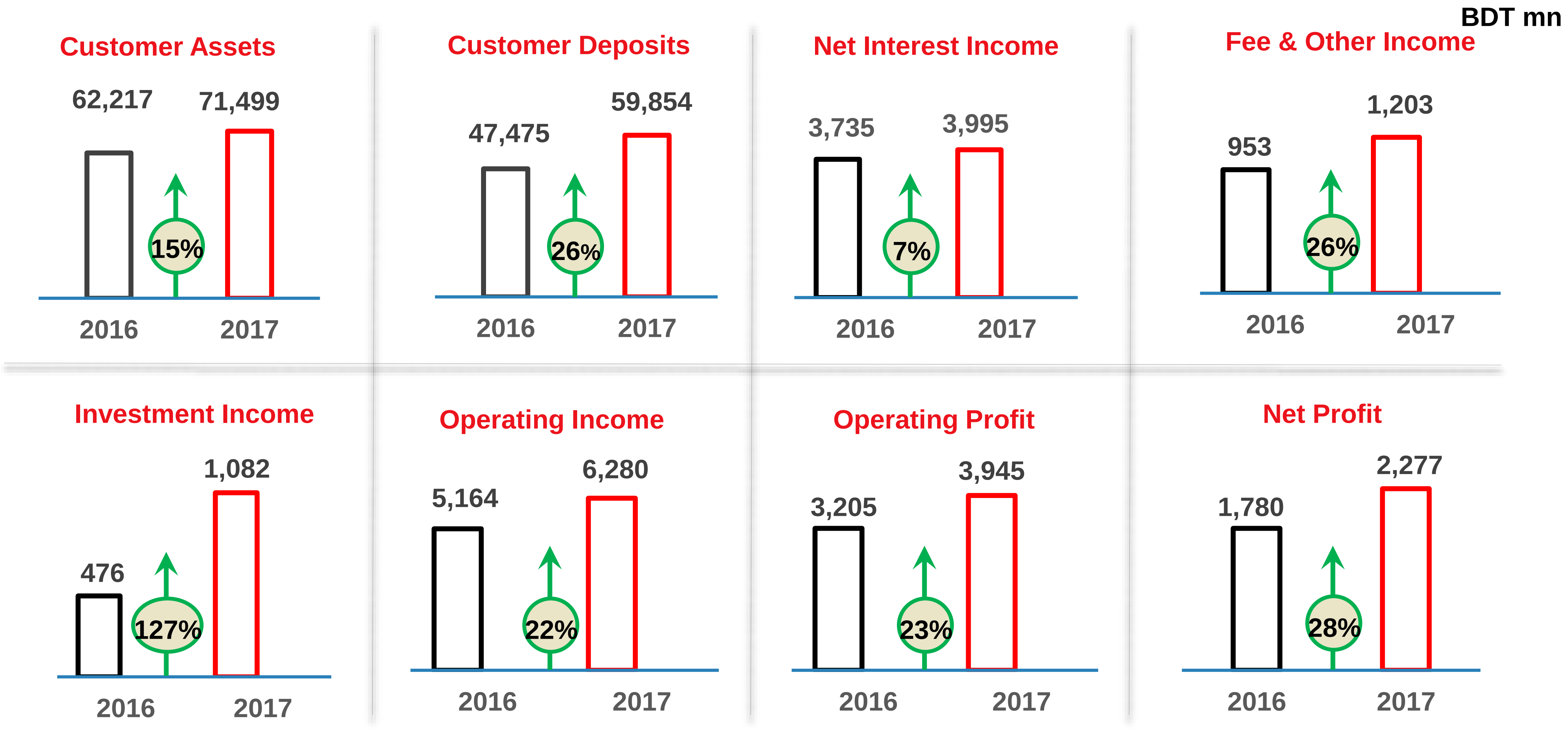
15% ▲ **CUSTOMER ADVANCES**

BDT 71.5 bn

21 bps ▼ **NON PERFORMING LOANS**

2.77%

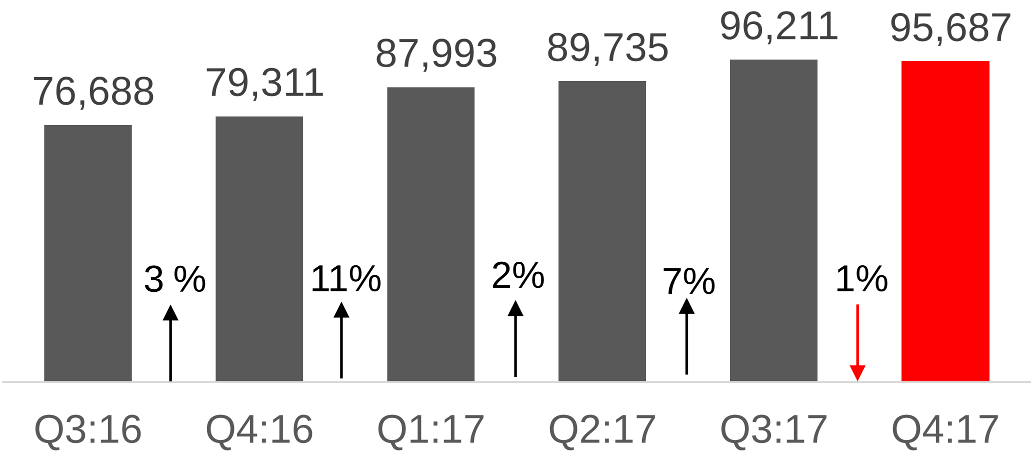
YoY Performance Metrics (Jan-Dec)



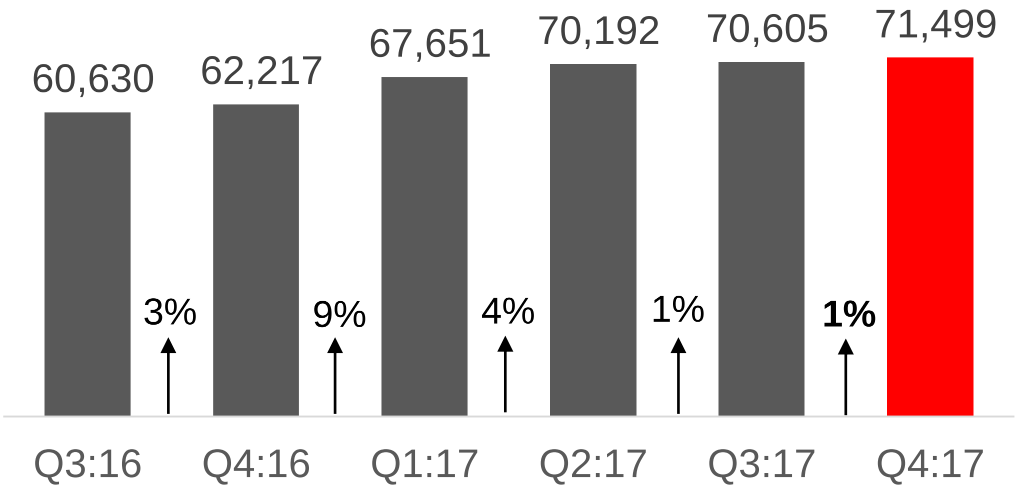
Early growth in Q1-Q2 helped improve earnings

BDT mn

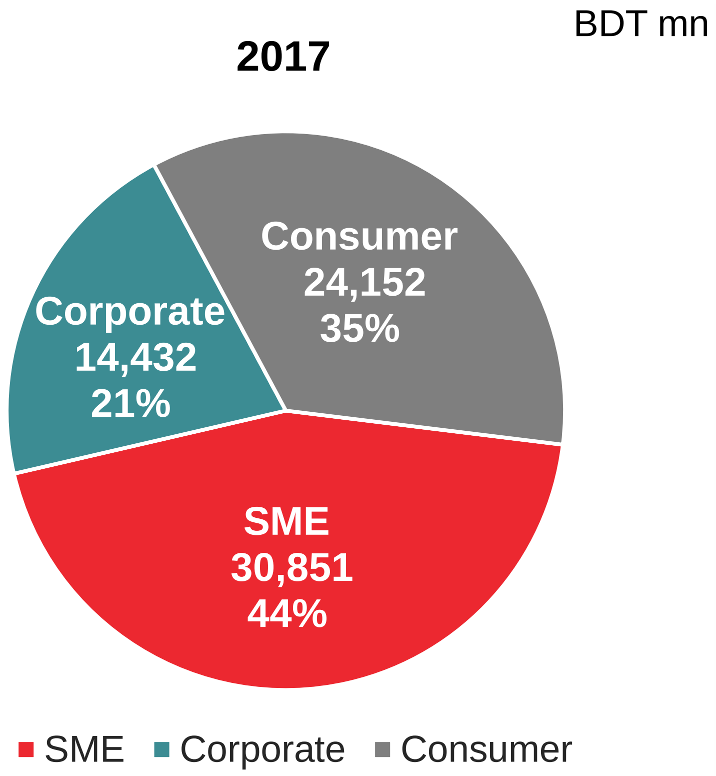
Balance Sheet

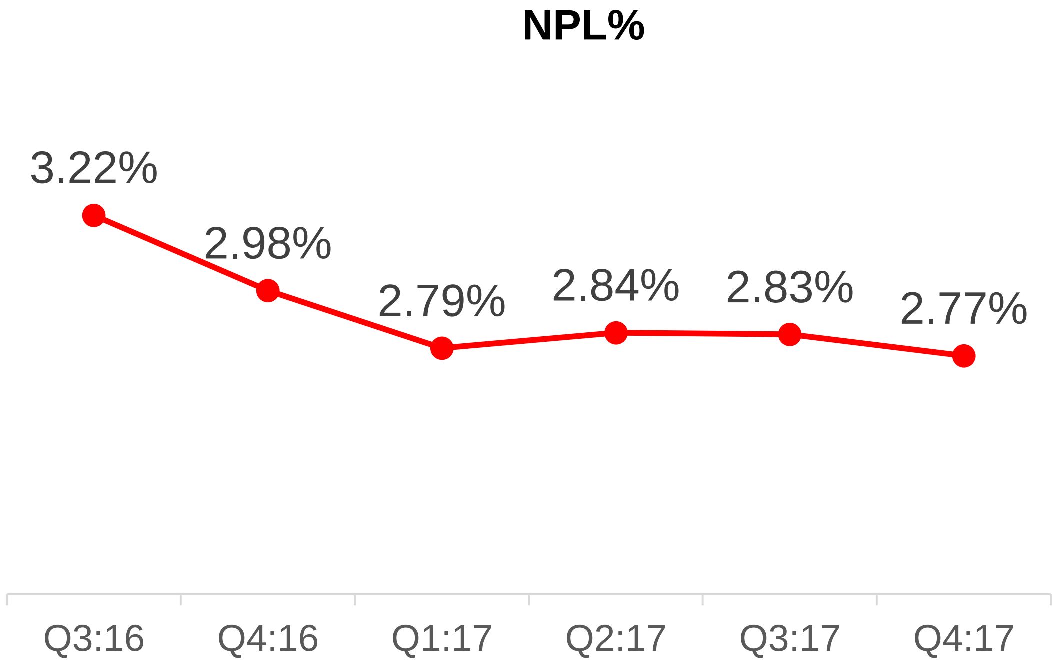


Customer Advances

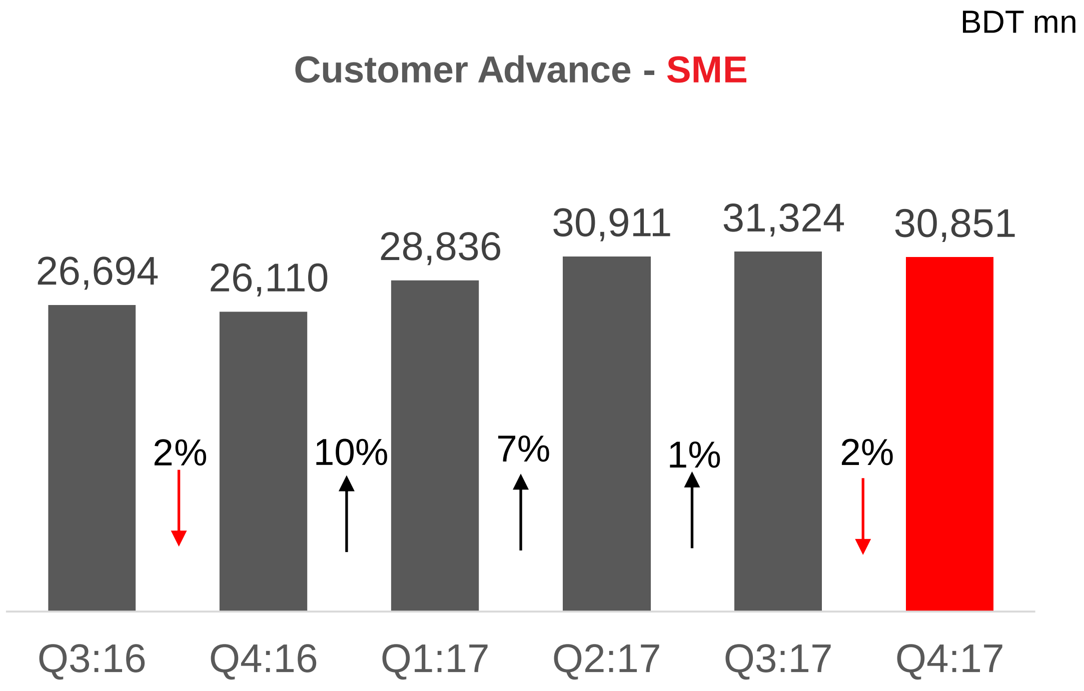


SME continued its dominance, NPL remained controlled



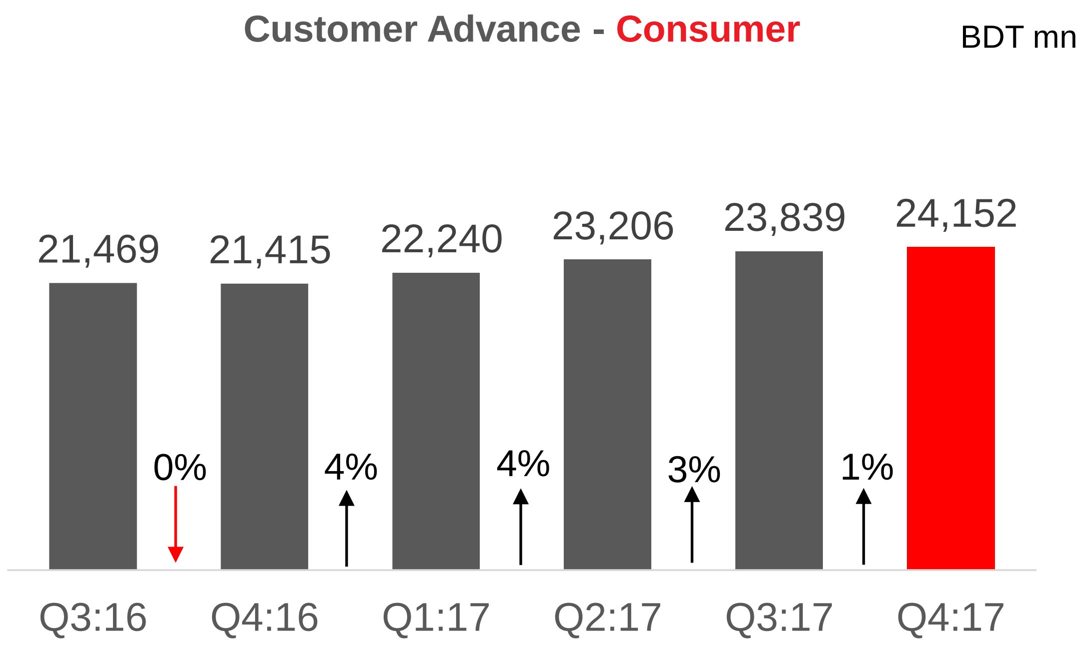


SME delivered strong growth despite increasing competition



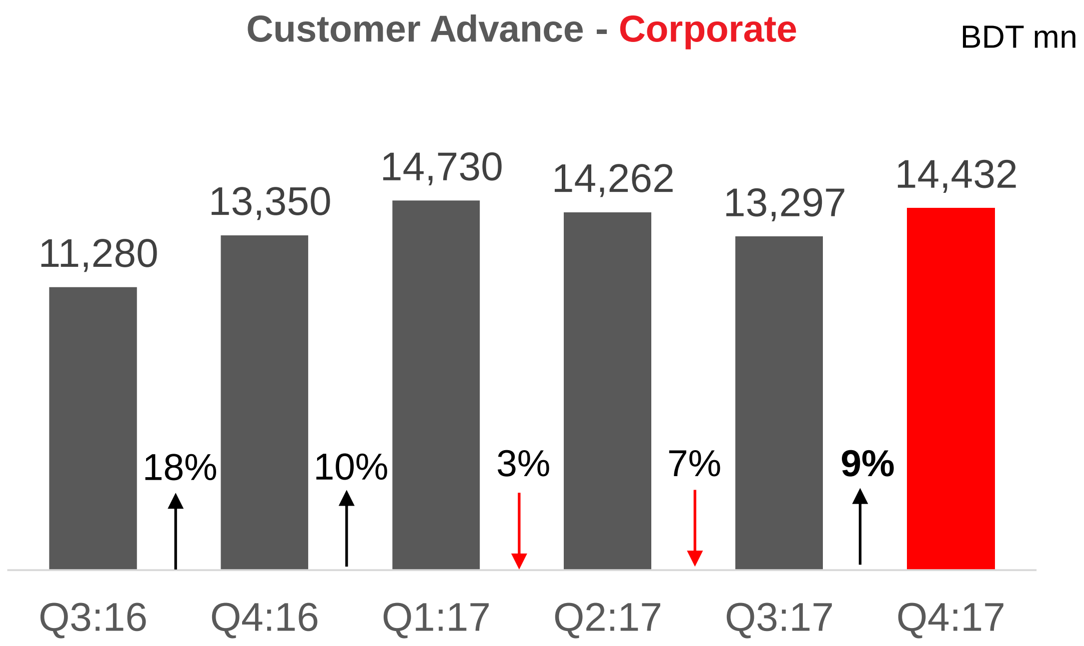
- Good growth throughout the year with usual dip in Q4
- Majority of the growth delivered by ***Small Enterprise Finance (SEF)***, which now stands at BDT 23,058mn - having **grown 23% in 2017**
- **Momentum expected to continue** in 2018 as well

Consumer loan growth picked up again



- Consumer loans, of which 90% are Home Loans, grew consistently throughout 2017
- After a meagre **5% growth in 2016**, **Home loans grew by 18% in 2017**
- Efforts to continue to **penetrate the diversified segments**, both in terms of geography and demography, to pursue growth in Housing Loans

Corporate portfolio demonstrated opportunistic growth

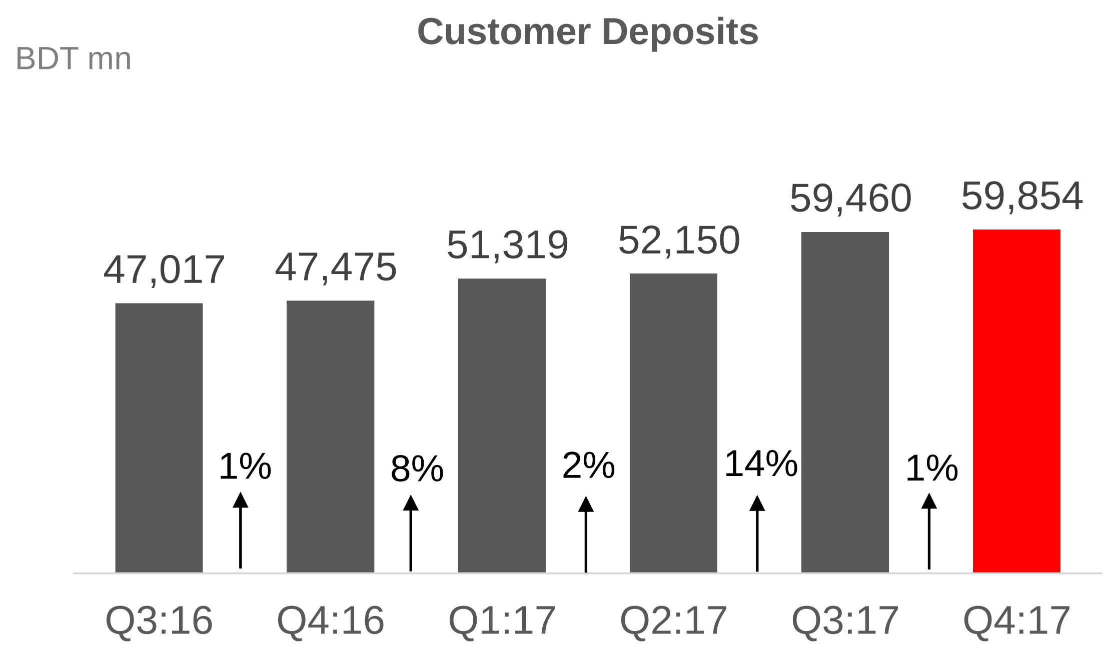


- Corporate portfolio **experienced de-growth in Q2 and Q3** with the expiry of several short term loans
- **Bounced back in Q4 amidst** industry-wide slowdown in lending due to liquidity concerns. The **portfolio grew by 8% in 2017**
- **Prudent lending** to continue in 2018

Deposits observed 26% growth, Funding cost bottomed out

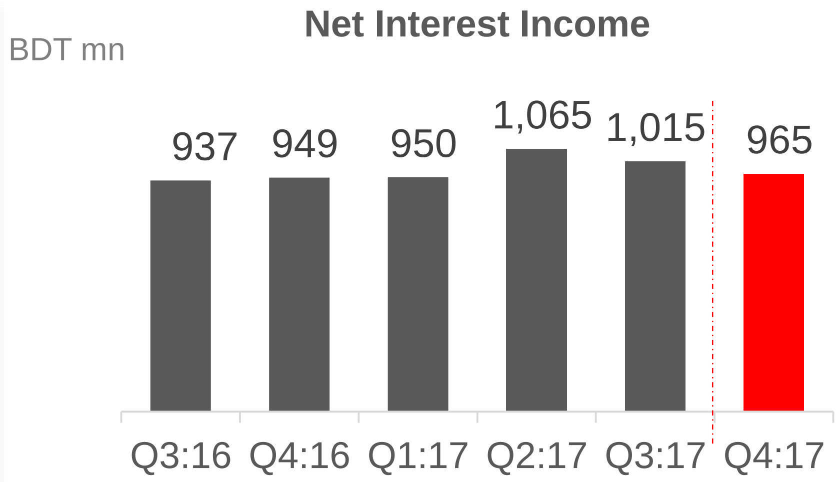
- **Deposits contribute 84%** to the total funding basket

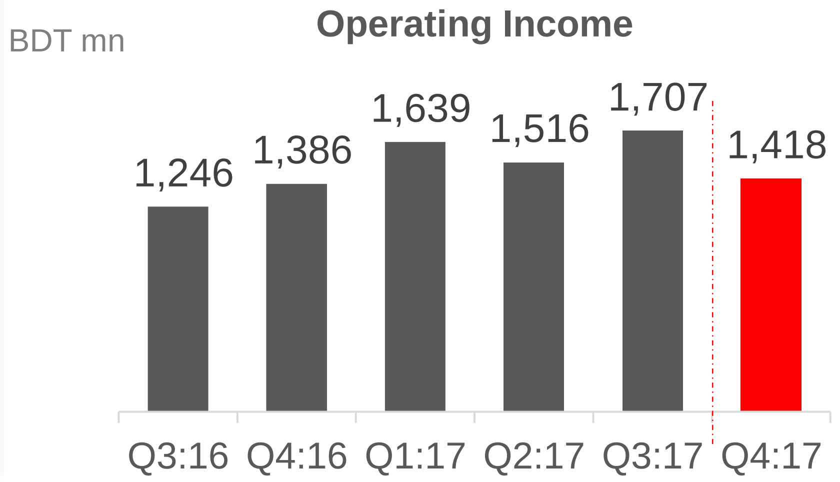
- Money market tightened in latter part of the year prompting a **74bps increase in marginal cost of deposits in Q4**



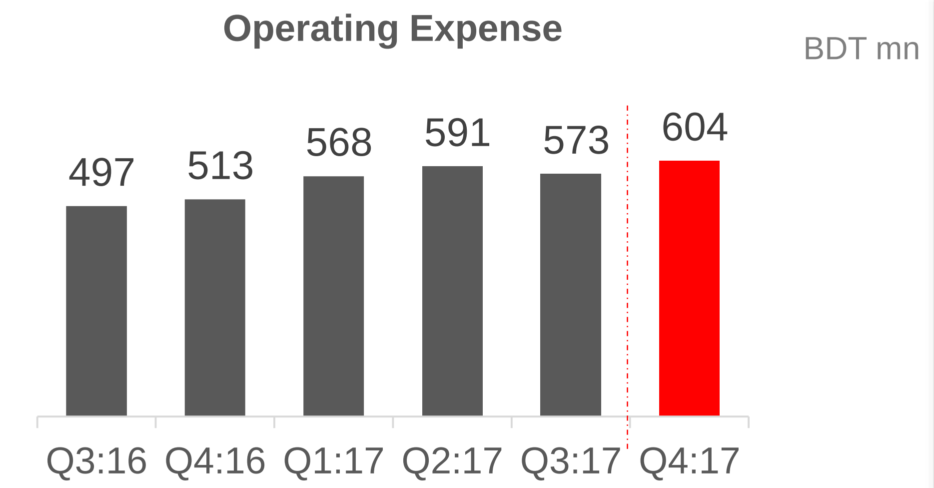
Consistent income generation amidst slight margin contraction

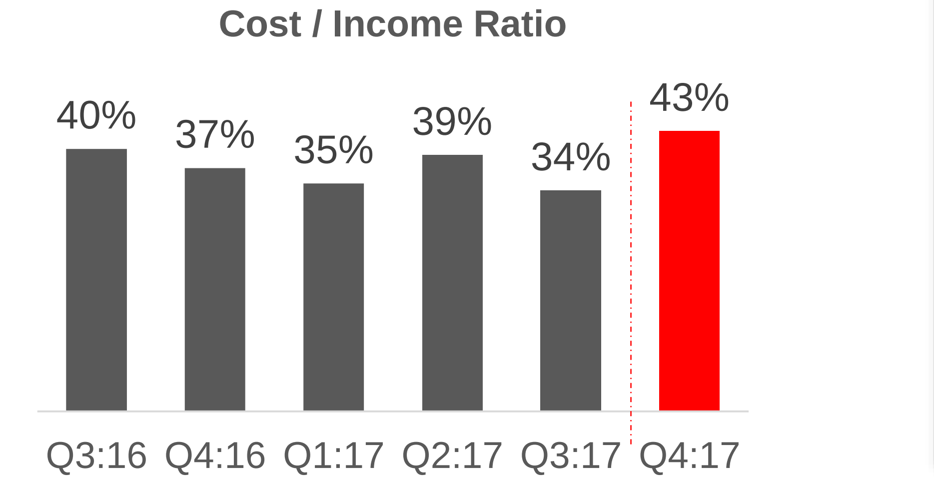
- **7% YoY increase in NII** against **15% increase in Customer Assets** as margins tighten
- **Fees and other income** took a **dip in Q4** with decrease in SME disbursements and decreased turnover in Stock Market
- **BDT 30mn increase in interest expense** attributable to Foreign currency **loan due to depreciation of Taka** against USD





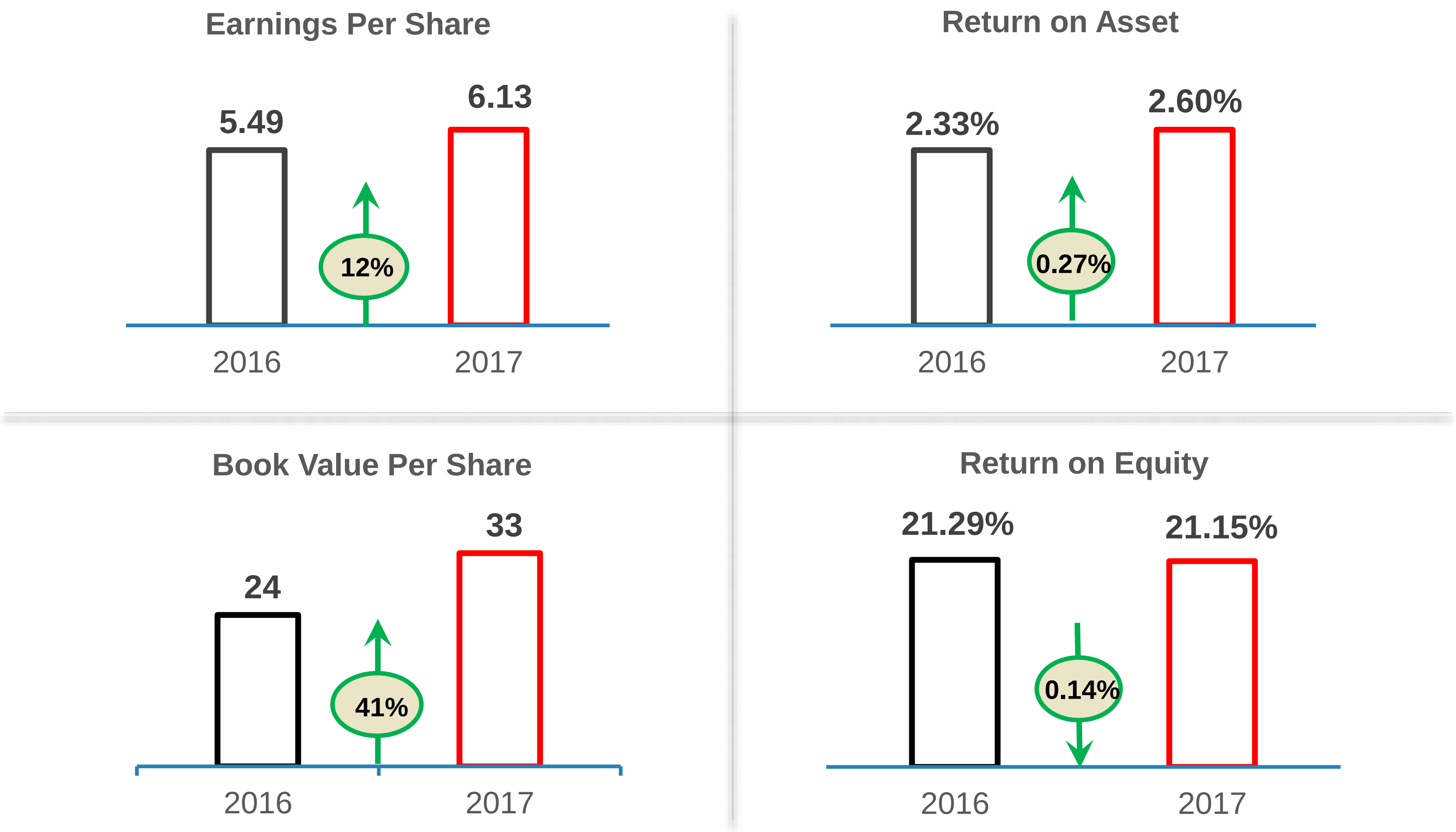
Cost/Income remains stable compared to last year





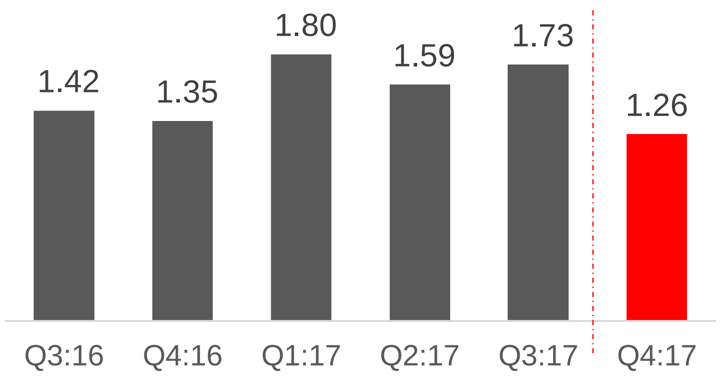
- FY 2017 **Cost/Income remains at 37%** level despite hike in Q4 resulting from lower Operating Income and slight increase in costs
- Cost increase in Q4 attributable to **increased expenditure in advertisement & promotional expenses** as we ramped up our marketing activities

Strong shareholder returns despite competitive pressures

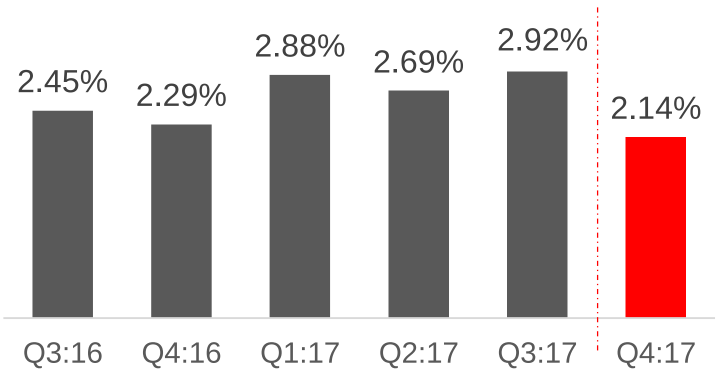


Strong shareholder returns despite competitive pressures

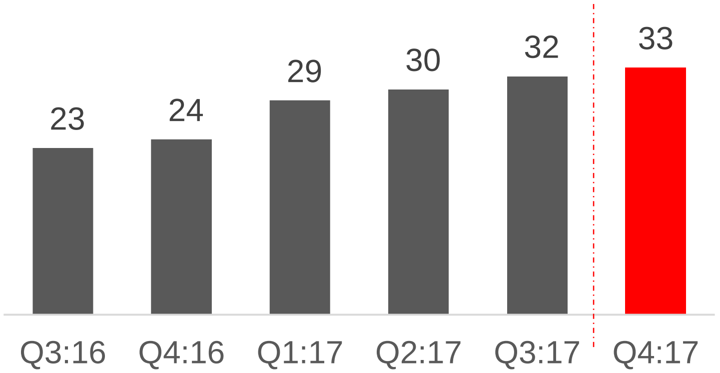
Earnings per Share



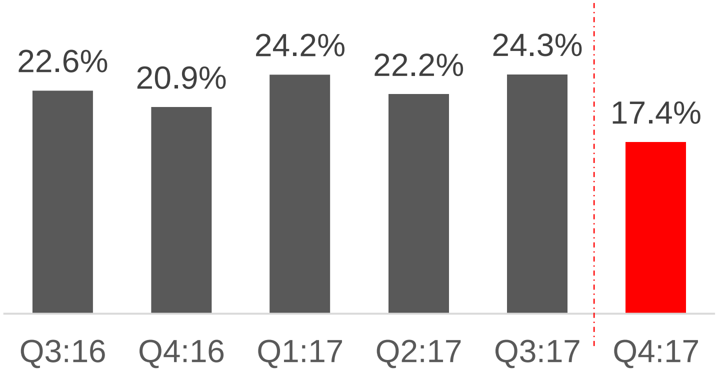
Return on Asset (annualized)



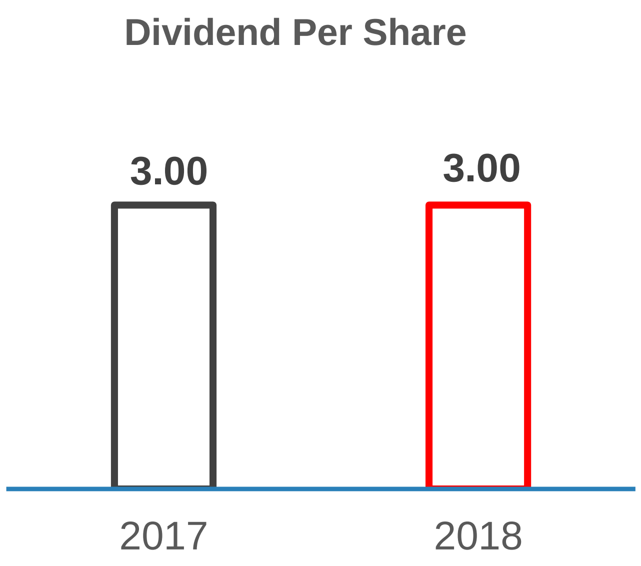
Book Value per Share

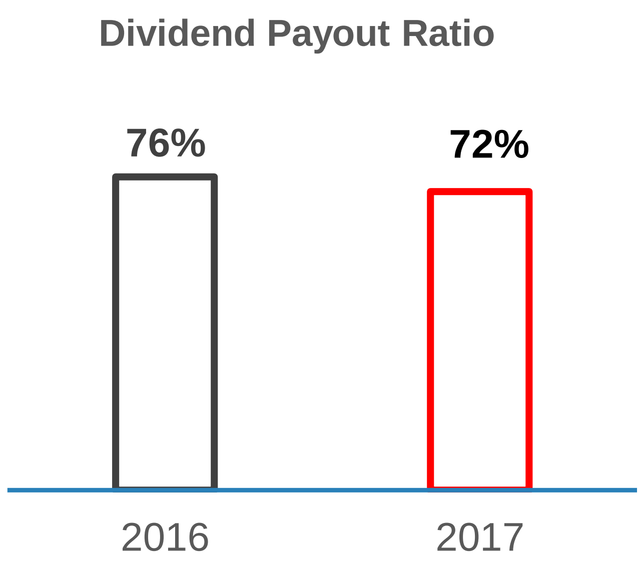


Return on Equity (annualized)

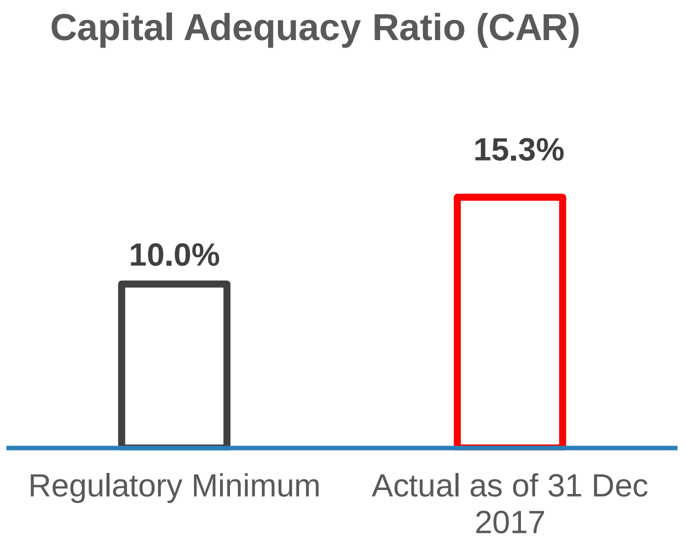


Proposed Dividend: 30% Cash

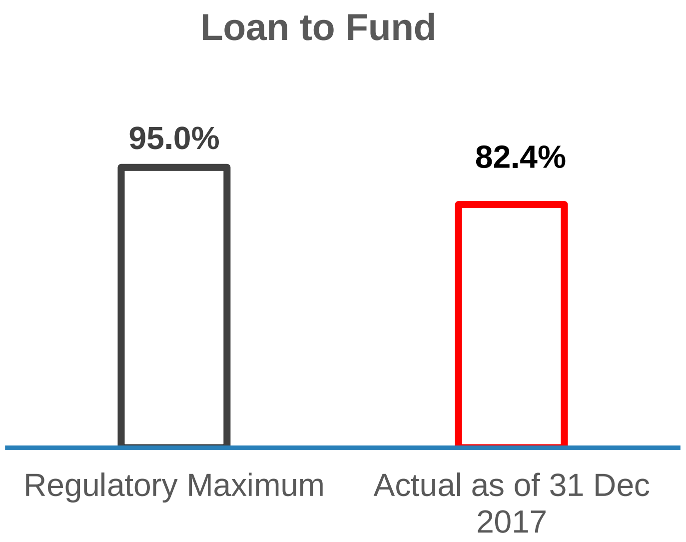




Solid foundation for continued growth



* CAR of IDLC Finance only before consolidation. On a consolidated basis, CAR stands at 16.4% as on 31 December 2017



2017 Non Financial Highlights

CUSTOMER ACQUISITION

11,295 new customers added during the year to take total number of customers in the group to **49,531***

IDLC BALANCED FUND

Successfully closed IPO of *IDLC Balanced Fund* – 1st open end mutual fund managed by IDLC Asset Management Limited

NEW BRANCHES

New branches in Rajshahi, Barishal, Chowmuhony and Elephant Road

WEALTH MANAGEMENT

Reshaped Wealth Management team aiming to increase the % of retail customers in customer base

Launch of *IDLC Financial Advisor Program* for Wealth Management team (30 employees trained till date)

TECHNOLOGY

Centralized operational platform

Several process improvement efforts have been initiated, aimed at increasing efficiency

PEOPLE & CULTURE

Training to employees: **20,836 hours**

Launched IDLC Sales Academy – an internal training & certification system for sales employees (120 employees trained till date)

STRUCTURED FINANCE

Successfully closed first M&A Transaction

AWARDS

IDLC was the “overall winner” in the South Asian Federation of Accountants (SAFA) awards for 2016

KHUSHIR KHEYA

First online Volunteer-based Community Service platform in the industry launched in Q3

Engaged over 400 volunteers, impacted over 7,200 people in 12 communities

* Number of customers in IDLC Finance only: 26,692

Industry trends and outlook for IDLC

- **Private sector credit outgrew deposit growth** and resulted in a tight liquidity scenario amidst increased Central Bank supervision to strengthen the Banking industry
  - IDLC remains sufficiently liquid with Loan – Deposit ratio of 82.43% and **well positioned to capture growth opportunity presented in the market**

- With the increase in interest rates on deposits, **spreads on lending continue to take a hit**; Banks are increasingly looking to grow their portfolio in better yielding segments such as SME
  - SME credit growth is expected to remain robust and can accommodate several good operators. IDLC will **continue to improve its efficiency** in SME financing and further build on its core strengths of speed and superior underwriting capabilities while targeting to increase the breadth of the targeted segment

- Top commercial **banks increased their focus on real-estate financing** with attractive offers
  - With tightening liquidity scenario Banks have already been observed to decrease lending in this segment. However, even if their focus increases again, IDLC will **continue to grow on account of further strengthening its foothold in several geographies** and is **introducing numerous new offerings** for niche segments

Industry trends and outlook for IDLC

- **Credit quality improvement** initiatives will continue through a three-pronged approach
  - training sourcing people for better acquisition from the front end, **further improving underwriting quality** through research and analysis and better post disbursement monitoring efforts
- IDLC will continue to **leverage on its technology platform** to expand business while keeping costs low
  - Several **automation projects** are in the pipeline and expected to come to fruition throughout the year
- The **capital market subsidiaries** are well positioned in their respective domain and **will continue to increase in size and market shares**
  - IDLC will continue to further increase the **non-funded business opportunities** in the market
- **HR development** will remain a focus area
  - IDLC will continue to strive for a **performance driven** organizational culture through its HR Strategy, compensation policies and employee retention efforts

Q & A