Q4 2016

Earnings Disclosure
Forward Looking Statements

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12 months’ (Jan–Dec 2016) Performance highlights

- **CUSTOMER ADVANCES**: BDT 7,053mn growth in Customer Assets
- **OPERATING INCOME**: BDT 579mn, 13% YoY growth
- **NET PROFIT AFTER TAX**: BDT 321mn, 22% YoY growth

2016 Operational Highlights

**IDLC AML**
Started operation of the 3rd subsidiary – IDLC Asset management Limited

**NEW BRANCHES**
Inaugurated 4 new Branches in – Kushtia, Habiganj, Mymensing and Rangpur

**RELOCATION**
Relocated two major operational centers (Gulshan and Dilkusha) to much bigger premises

**CUSTOMER ADVANCES**
Grew Customer Assets by BDT 7,053 mn (13%) YoY

**CUSTOMER DEPOSITS**
Grew Customer Deposits by BDT 1,436 mn (3%) YoY

**CUSTOMER INCLUSION**
9,575 new customers added to take total number of customers in the group to 45,273*

**NEW PRODUCT**
Launched Easy Invest and ended the year with more than 1,500 customers

**AUTOMATION**
All retail and small loan applications being processed through Online Credit Appraisal system to further increase efficiency

**DIGITAL MARKETING**
Branding initiative through launching official Facebook page and www.shombhabonarshopno.com

* Number of customers in IDLC Finance only: 25,704
2016 Operational Highlights

**SYNDICATION**
Fund raising of BDT 7,824 mn completed for Karnafuly Dry Dock Limited

**PEOPLE INITIATIVES**
281 new recruits, Restructured compensation packages, increased training & development

**GOING GREEN**
IDLC Chittagong branch has achieved LEED GOLD Certification under the LEED Green Building Rating System.

**PROCESS RE-ENGINEERING**
Established Change Management team to deliver process changes and improve efficiency

**FUND RAISING**
Raised funds (BDT 1,937 mn) through issuance of IDLC SME Zero Coupon Bond
Strong growth in Q4 aided by corporate disbursements

Balance Sheet

<table>
<thead>
<tr>
<th>Quarter</th>
<th>BDT mn</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3:15</td>
<td>70,784</td>
<td>4%</td>
</tr>
<tr>
<td>Q4:15</td>
<td>73,434</td>
<td>2%</td>
</tr>
<tr>
<td>Q1:16</td>
<td>74,648</td>
<td>4%</td>
</tr>
<tr>
<td>Q2:16</td>
<td>77,458</td>
<td>1%</td>
</tr>
<tr>
<td>Q3:16</td>
<td>76,688</td>
<td>3%</td>
</tr>
<tr>
<td>Q4:16</td>
<td>79,359</td>
<td></td>
</tr>
</tbody>
</table>

Customer Advances

<table>
<thead>
<tr>
<th>Quarter</th>
<th>BDT mn</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3:15</td>
<td>53,537</td>
<td>3%</td>
</tr>
<tr>
<td>Q4:15</td>
<td>55,212</td>
<td>6%</td>
</tr>
<tr>
<td>Q1:16</td>
<td>58,390</td>
<td>4%</td>
</tr>
<tr>
<td>Q2:16</td>
<td>60,547</td>
<td>0.1%</td>
</tr>
<tr>
<td>Q3:16</td>
<td>60,630</td>
<td>3%</td>
</tr>
<tr>
<td>Q4:16</td>
<td>62,265</td>
<td></td>
</tr>
</tbody>
</table>

BDT mn
Alternative funding options help manage Cost of Fund

- Deposit price gradually revised downwards throughout the quarter – 115 bps drop in YoY incremental cost of deposit
- Greater utilization of alternative funding options in H2 2016
Highest volume growth in SME, Highest % growth in Corporate

- NPL dips below 3% amid tightened credit & collections measures
<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Assets</td>
<td>55,212</td>
<td>62,265</td>
<td>13%</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>46,039</td>
<td>47,475</td>
<td>3%</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>3,418</td>
<td>3,737</td>
<td>9%</td>
</tr>
<tr>
<td>Fee &amp; Other Income</td>
<td>798</td>
<td>953</td>
<td>19%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>372</td>
<td>476</td>
<td>28%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>4,588</td>
<td>5,167</td>
<td>13%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>2,940</td>
<td>3,205</td>
<td>9%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>1,459</td>
<td>1,780</td>
<td>22%</td>
</tr>
</tbody>
</table>
Consistent income generation amidst slight margin contraction

- Benefits of downward shift in deposit rates being passed on to lending customers
- 10% YoY increase in NII against 13% increase in Customer Assets
Cost Efficiency balanced with Investment for Growth

- Cost/Income decreased to 37% in Q4; FY 2016 ratio is 38%, a 2% increase from the preceding year

- Increase in C/I is mainly attributable to capacity enhancement (People & Premises)
Strong Shareholder Returns

Earnings Per Share

- 2015: 5.81
- 2016: 7.08

Return on Asset

- 2015: 2.20%
- 2016: 2.33%

Book Value Per Share

- 2015: 31
- 2016: 36

Return on Equity

- 2015: 20.39%
- 2016: 21.29%
**Strong Shareholder Returns**

### Earnings per Share

- Q3:15: 1.33
- Q4:15: 1.23
- Q1:16: 1.43
- Q2:16: 2.08
- Q3:16: 1.83
- Q4:16: 1.74

### Return on Asset (annualized)

- Q3:15: 1.92%
- Q4:15: 1.71%
- Q1:16: 1.95%
- Q2:16: 2.74%
- Q3:16: 2.39%
- Q4:16: 2.29%

### Book Value per Share

- Q3:15: 30
- Q4:15: 31
- Q1:16: 30
- Q2:16: 32
- Q3:16: 34
- Q4:16: 36

### Return on Equity (annualized)

- Q3:15: 18.2%
- Q4:15: 16.2%
- Q1:16: 18.8%
- Q2:16: 26.8%
- Q3:16: 22.3%
- Q4:16: 20.9%
Proposed Dividend: 30% Cash

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Per Share</th>
<th>Dividend Payout Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.50</td>
<td>51%</td>
</tr>
<tr>
<td>2016</td>
<td>3.00</td>
<td>76%</td>
</tr>
</tbody>
</table>
Key industry trends and our competitive positioning

• Private sector credit growth hovered above 15% (including foreign borrowing) in 2016
  - IDLC will pursue “considered growth” with an eye on the NIM and the bottom line while maximizing fee based earnings

• As of Sep’16, SME loan grew @ 16.14% contributing 23.5% of total loans. SOBs grew their SME portfolio by 21.07%
  - SME, especially Small Enterprise Finance, will continue to be the growth engine of IDLC. We expect to reduce TAT and improve efficiency even further with exciting technological up-gradation

• Growing concerns over NPL (~10% for the industry) to pose greater challenges on profitability
  - IDLC will continue its focus on reducing NPL with tighter Credit & Collection efforts

• Top commercial banks are increasing their focus on real-estate financing with attractive offers
  - We will continue to pursue bottom line driven growth with special focus on niche markets that we are good at
Key industry trends and our competitive positioning

• Foreign borrowing by private-sector firms has fallen substantially in 2016 (~ 25% decrease in draw down) amid rising interest rate in global markets
  ▪ With two planned rate hikes by Fed in 2017, demand for taka borrowing is expected to increase and may result in overall increase in deposit and lending rates. We will closely monitor and adopt appropriate tactical maneuvers

• BB issued warning to all the scheduled banks not to cut interest rate on deposits further
  ▪ No immediate impact. Longer term, higher priced deposits will continue to be re-priced at current rate

• BB has changed call borrowing limit calculation method for FIs (30% of Equity) leading to reduced borrowing capacity from this source
  ▪ IDLC’s average call borrowing in 2016 was ~30% of the limit at that time and as of 31 Dec 2016, call borrowing was nil
Outlook: 2017

- Growth momentum to continue with increased capital base
- NPL management will remain a priority with further expected reduction in NPL
- Re-engineering of internal processes to continue with expectation of achieving increased operational efficiency
- Improved contribution expected from subsidiaries in the Capital Market
- “IDLC Balanced Fund” – the first of several planned funds of IDLC Asset Management Limited - to be launched soon
Q & A