IDLC Finance Limited

Earnings Disclosure

Q3 - 2018

15 October, 2018

Forward Looking Statements

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YTD Q3 (Jan–Sep 2018) Highlights

11%

CUSTOMER ADVANCES

BDT 79.6 bn, 11% from Dec'17

9 bps

NON PERFORMING LOANS

2.67%

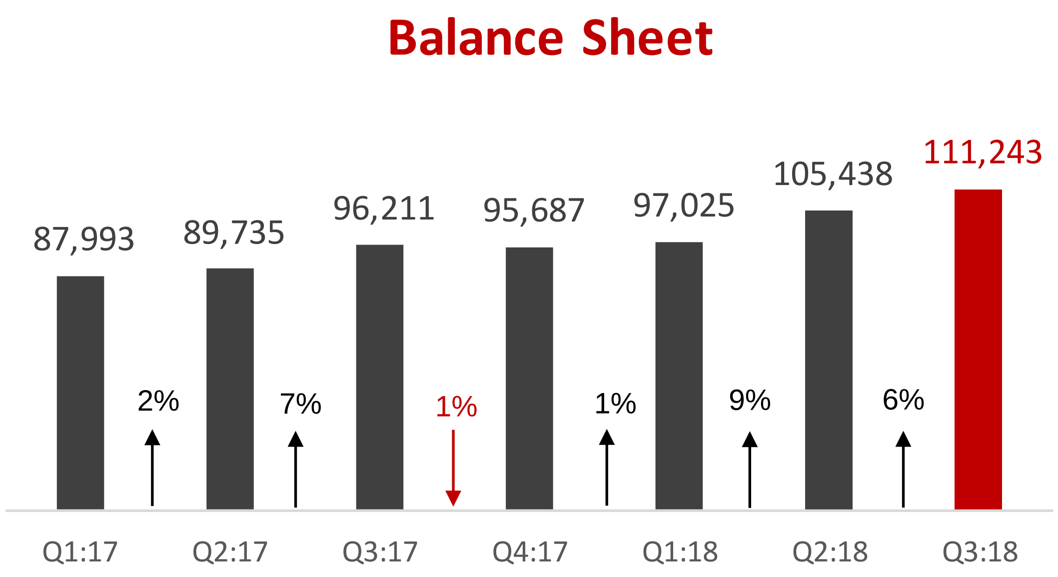
1%

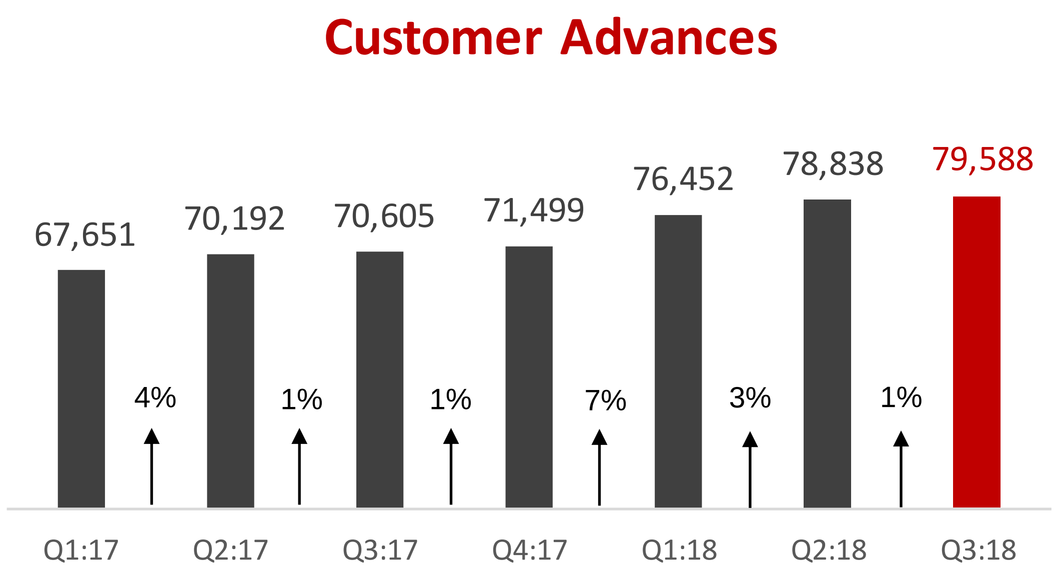
NET PROFIT AFTER TAX

BDT 1,822 mn, 1% YoY growth

Practiced cautionary lending, while taking on deposit growth

BDT mn

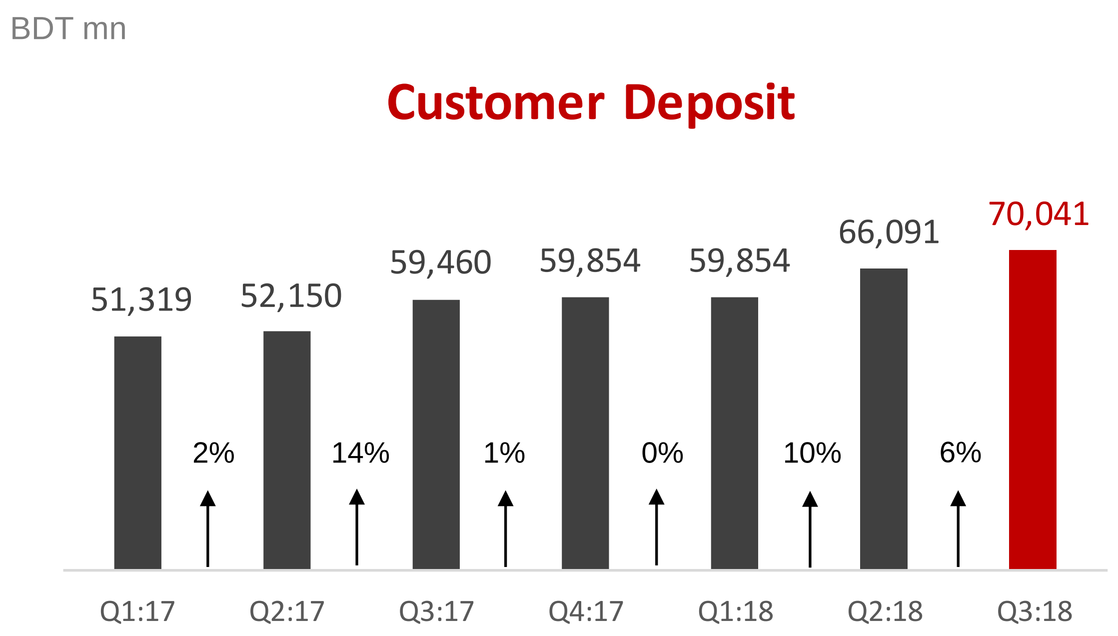




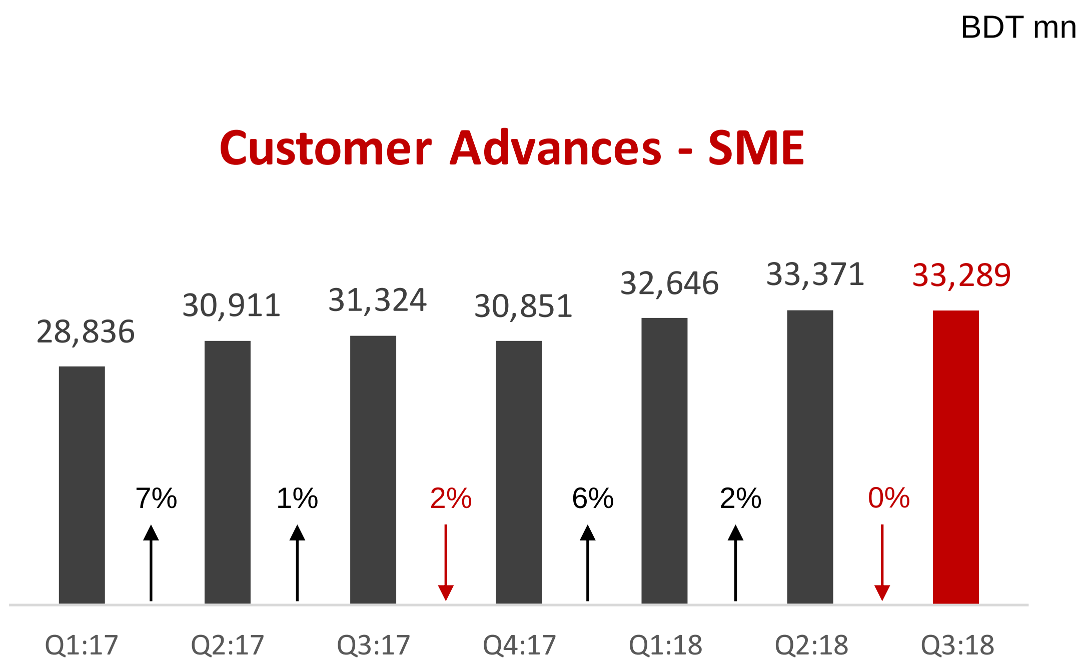
Maintained 83% deposits in the funding basket

- Liquidity scenario in the industry eased up gradually in Q2 and Q3 - rates have also decreased in Q3 on the back of several initiatives taken by industry participants

- IDLC achieved significant deposit growth in last two quarters and remains in firm footing to fund expected loan growth in Q4 even if liquidity scenario changes marginally for the worse, as expected, at the end of the year



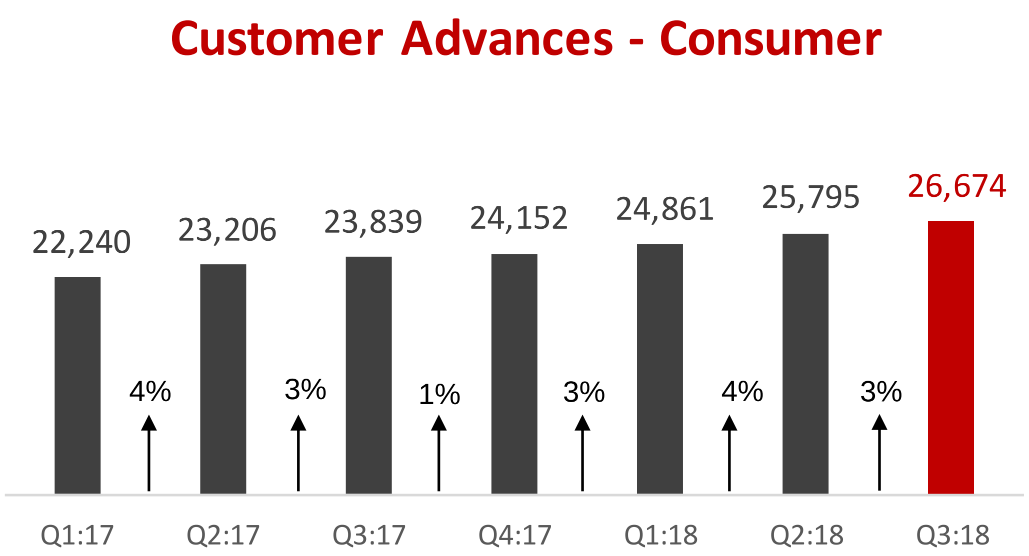
SME Portfolio growth slowed in the festive season



- SME accounts for 43% of the total Loan Book
- New SME Loan acquisition expectedly slowed down during the festival season (June-August) and amidst volatile interest rate scenario
- However, there is strong growth prospect in Q4 with more focus on Small Business Loans and slightly moderate interest rate scenario

10% growth achieved in Consumer portfolio in 2018 so far

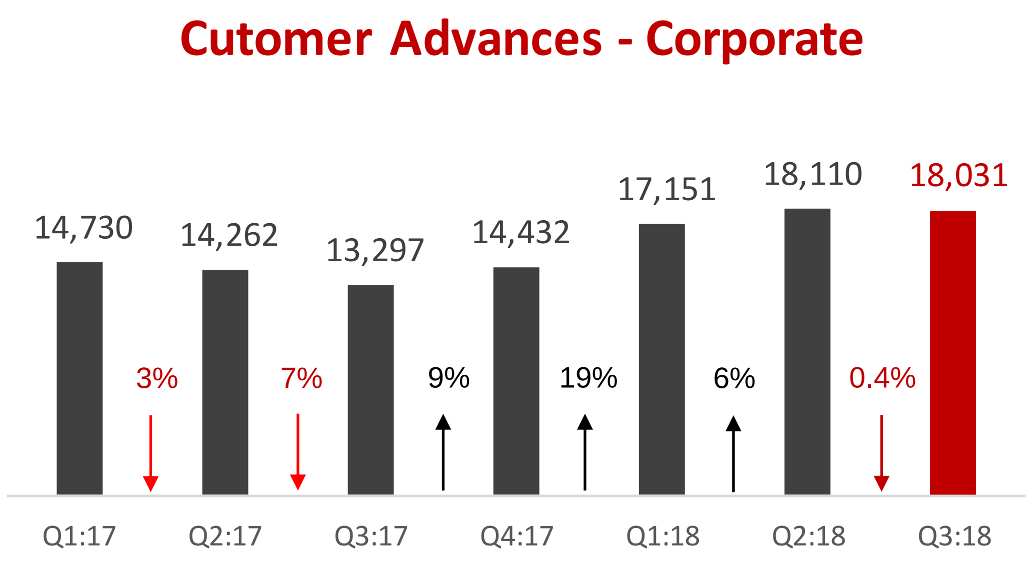
BDT mn



- Home Loans growth remained consistent throughout the year despite industry-wide slow down in loan growth
- Home loans grew by 12% in 2018 and now comprises over 91% of Consumer Portfolio
- Recent product developments expected to strengthen our foundations to cater to markets beyond the capital city and beyond the upper echelons of the society

Corporate portfolio remained steady

BDT mn

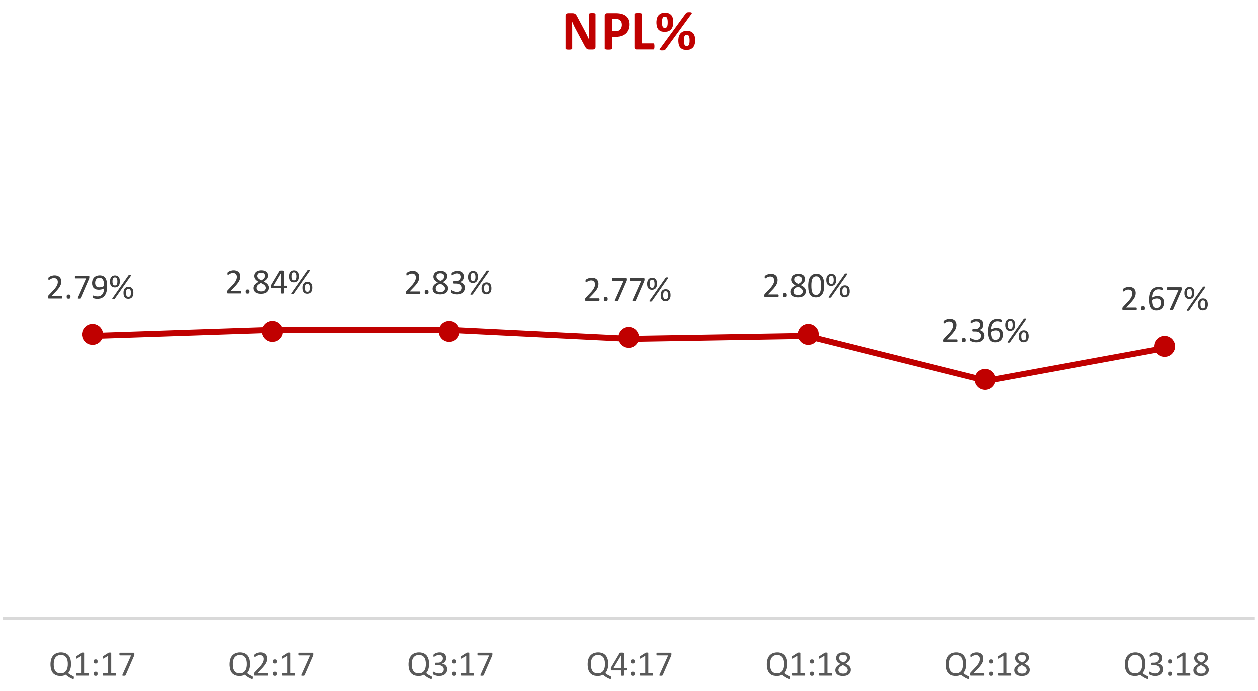


- Corporate portfolio to be optimized based on market opportunity
- Makes up 23% of the company's portfolio and remains the major source of structured finance, agency operations and advisory businesses

Increase in NPL expected to be temporary in nature

- NPL remains within our usual range despite marginally spiking in Q3 on the back of irregular payments from some larger clients

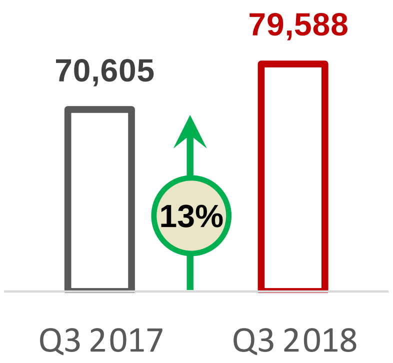
- However, situation remains under control and improvement is expected in the last quarter



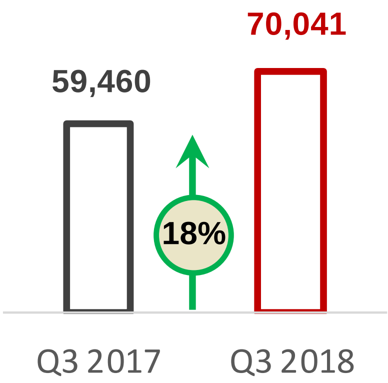
YoY Performance Metrics

BDT mn

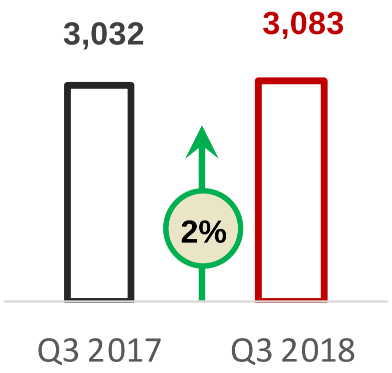
Customer Assets



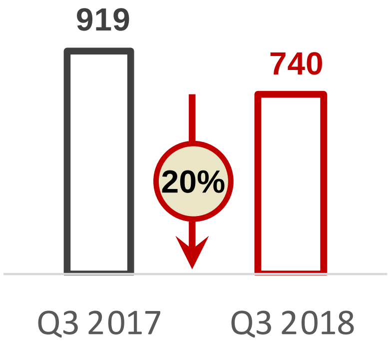
Customer Deposits



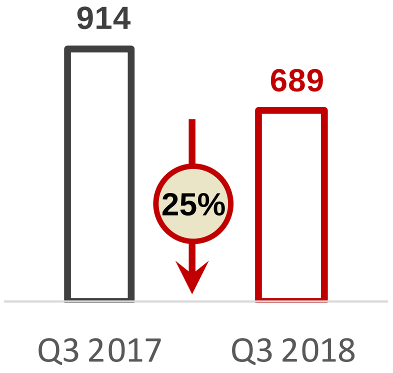
Net Interest Income



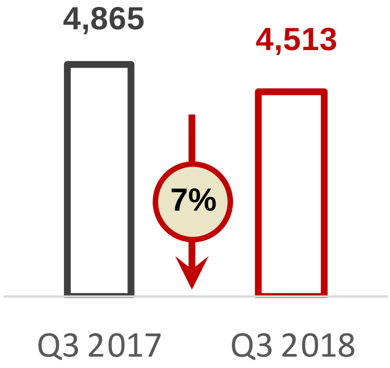
Fee & Other Income



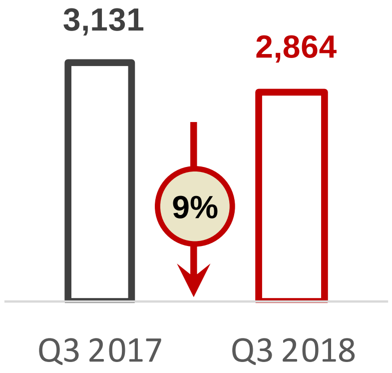
Investment Income



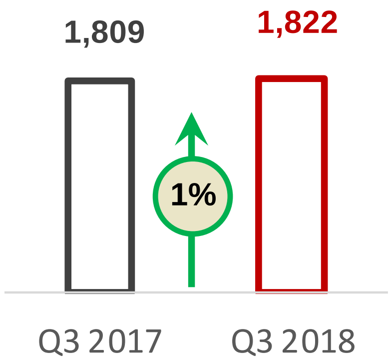
Operating Income



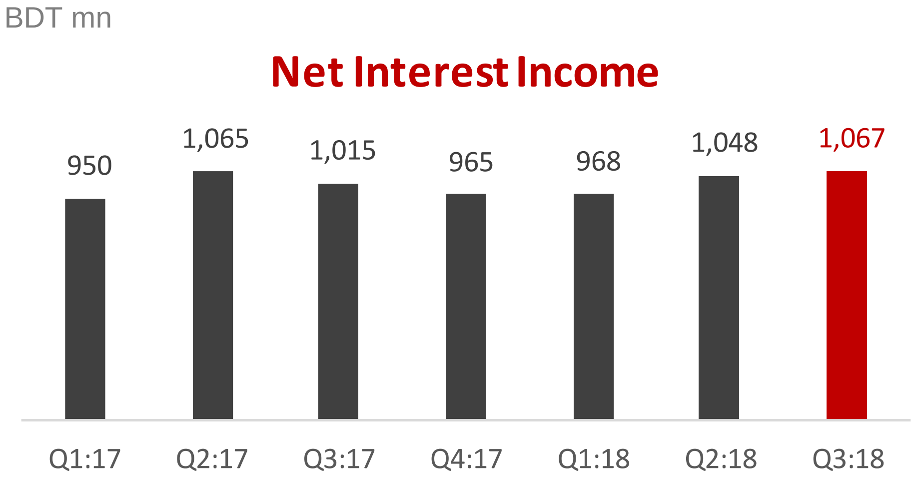
Operating Profit

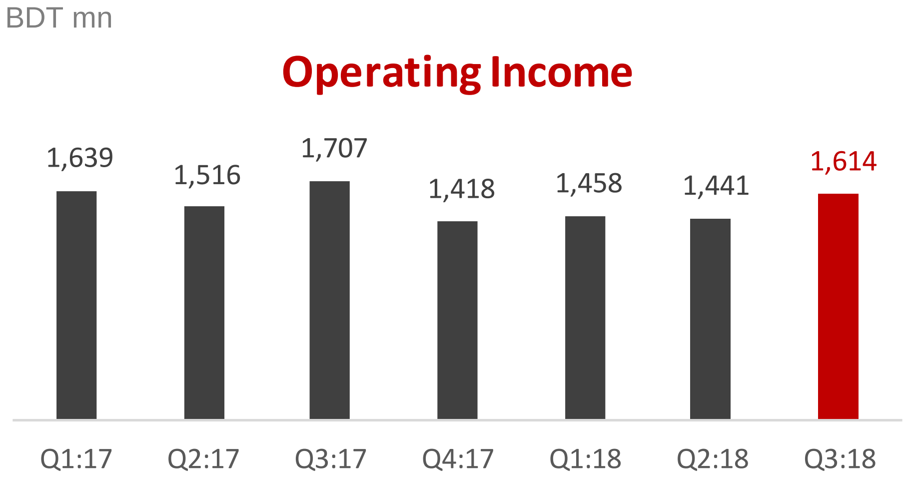


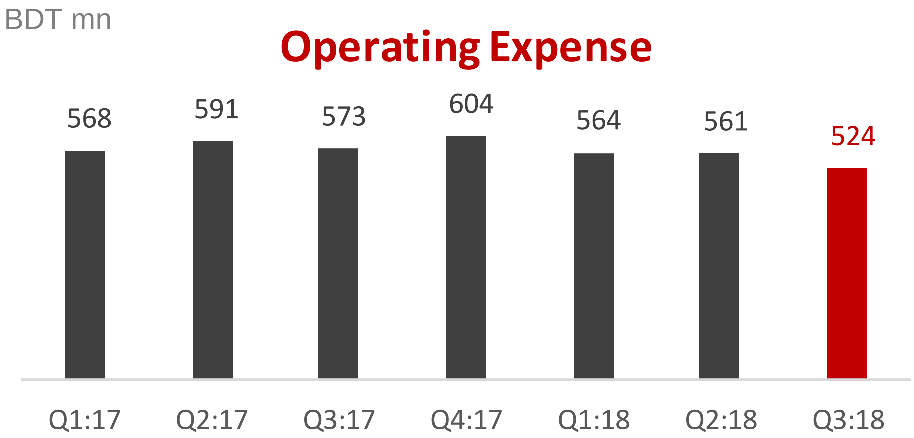
Net Profit

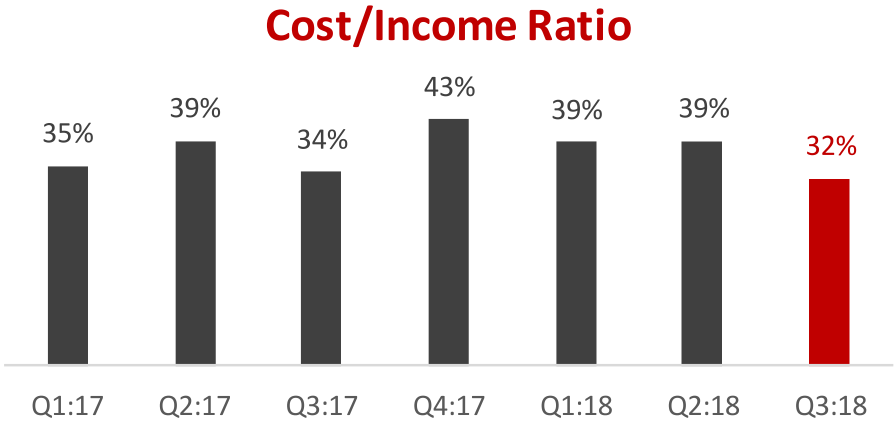


QoQ Performance Trends

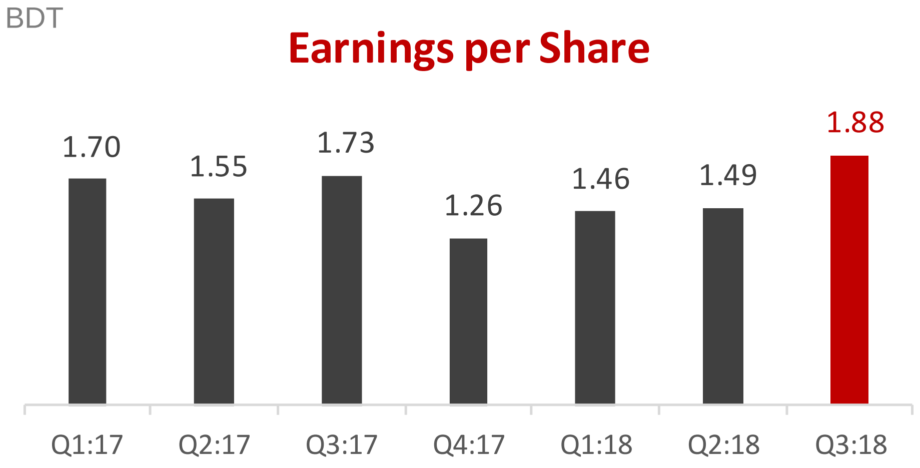


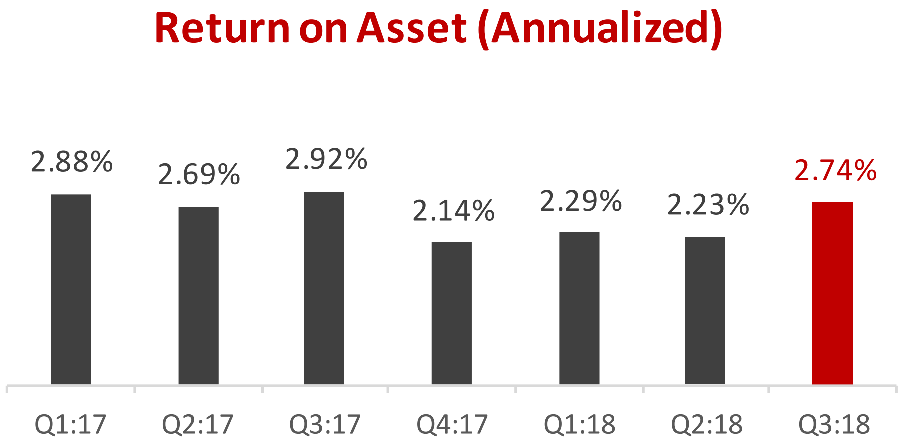


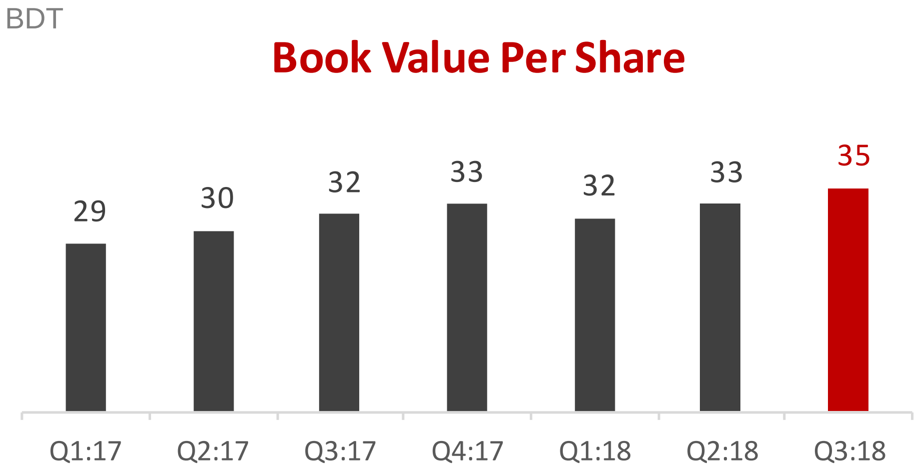


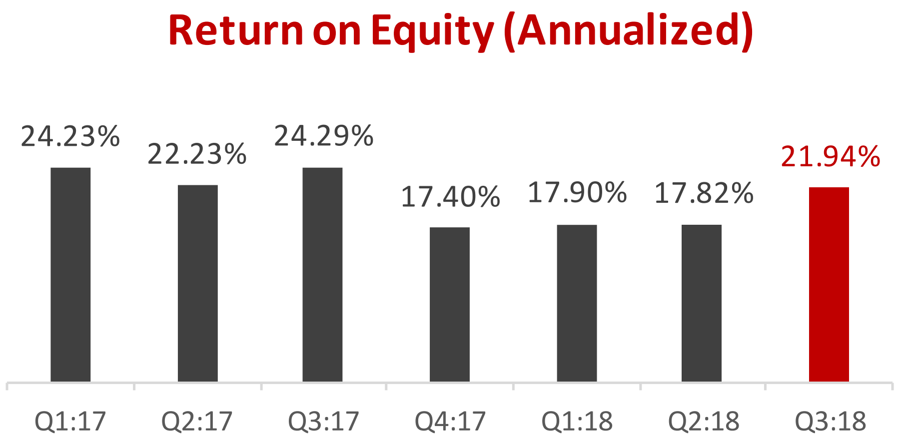


QoQ Shareholder Returns









Profit contribution from different entities

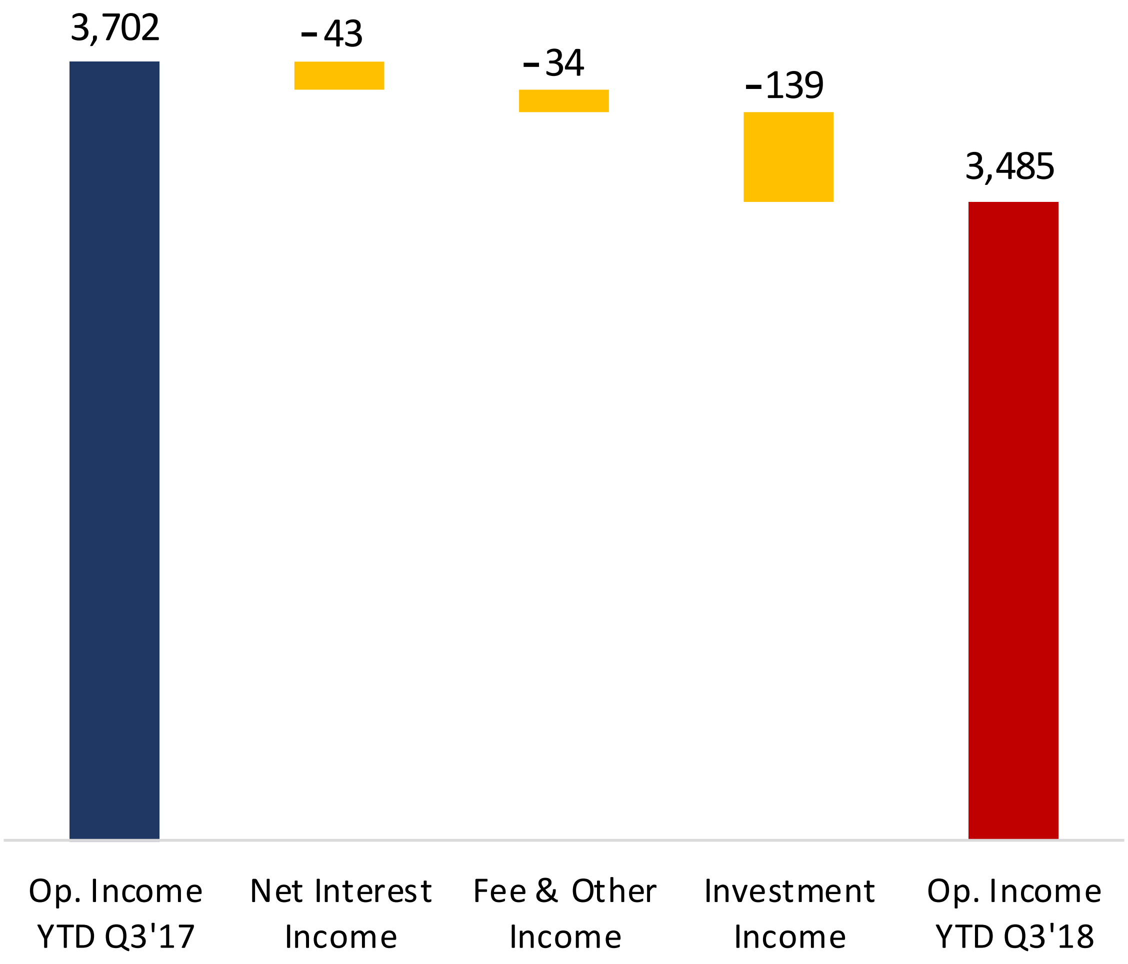
Entity	NPAT (BDT mn)		Growth	NPAT Contribution %	
	YTD Q3 2018	YTD Q3 2017		YTD Q3 2018	YTD Q3 2017
IDLC Finance Limited	1,214	1,291	-6%	67%	71%
IDLC Securities Limited	340	287	19%	19%	16%
IDLC Investments Limited	241	210	15%	13%	12%
IDLC Asset Management Limited	27	21	28%	1%	1%
Consolidated NPAT	**1,822**	**1,809**	**1%**	**100%**	**100%**

IDLC FL's P&L Breakdown

Profit & Loss (BDT Mn) - IDLC Finance Ltd.	YTD Q3 2018	YTD Q3 2017	Growth
Operating Income	3,485	3,702	-6%
Operating Expense	1,364	1,437	-5%
Operating Profit	2,121	2,264	-6%
Provision for Doubtful Accounts	316	135	134%
Profit before Tax	1,805	2,129	-15%
Provision for Tax	591	838	-30%
Profit after Tax	**1,214**	**1,291**	-6%

Detailed elaborations provided in upcoming slides

IDLC FL: Operating Income – YoY Changes

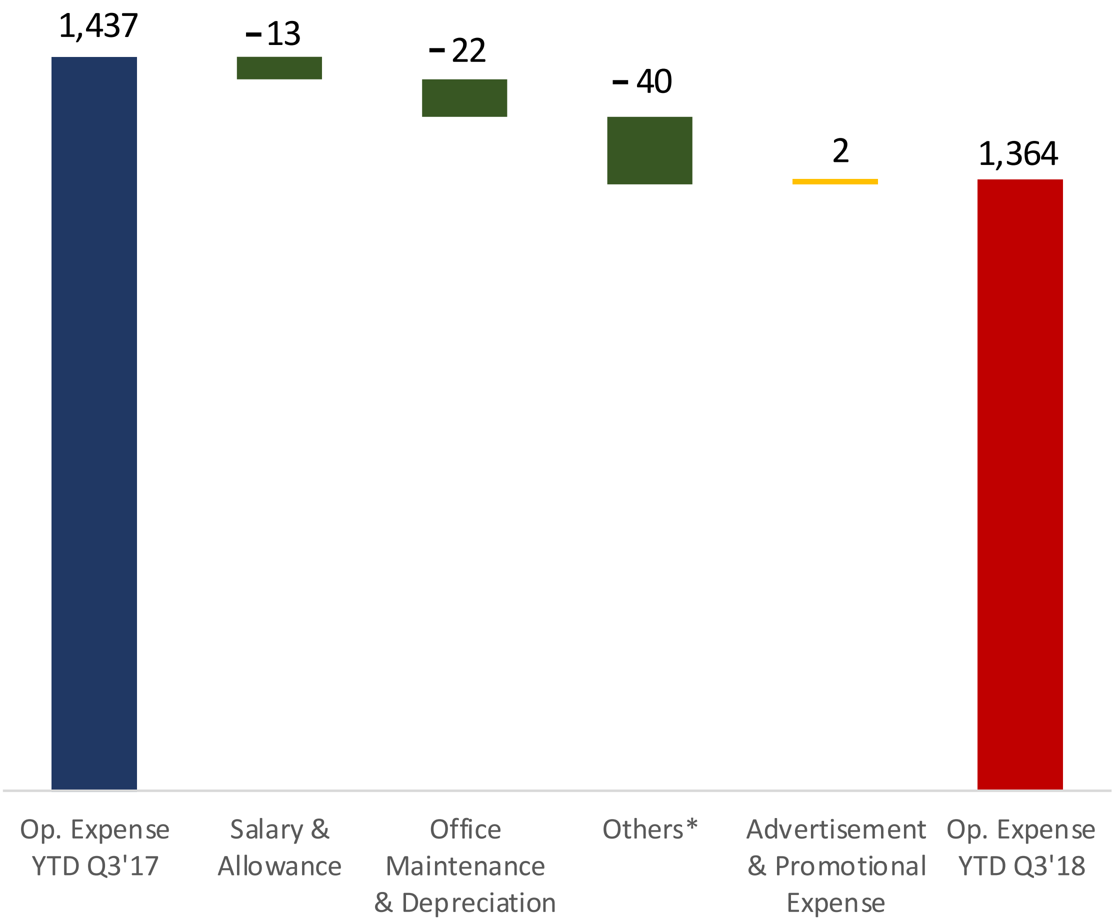


- Funding costs have been on the rise since end of 2017, until H1 2018
- We have been able to re-price most of our lending portfolio by Q1 2018, to minimize the impact on NIM
    - However, we have made a conscious exception in this regard for our small business clients, which comprises 33% of our total loan portfolio
- Loan Processing fees have been on decline across the industry, leading to reduced fee incomes
- De-growth in investment incomes surpassed expectations of most market participants, following extraordinary market conditions in previous year

Actions and Way Forward

- Net Interest Income expected to reflect the full impact of portfolio re-pricing by year end
- Processing fees are unlikely to improve much, following directives issued by the regulators; however, overall fee income is not expected to de-grow further if disbursement volumes increase as expected
- Proprietary investments in fundamentally strong shares are expected to generate value over the coming periods

IDLC FL: Operating Expense – YoY Changes



*Port. mgt. fee, printing & stationaries, sales commissions, travel & conveyance, professional fees, entertainment expenses

- Major process improvements allowed us to respond to turnovers with fewer replacements, thereby restricting growth in HR expenses
- Portfolio growth has been achieved through productivity enhancements rather than additional hires
- Core Banking System completely depreciated, while still remaining fully functional. However, some amendments and customizations will be required going forward
- Significant cost optimization has been achieved in other areas as well on back of our efforts to analyze each of the activity streams and rationalization, standardization and simplification of processes and activities

Actions and Way Forward

- Strive for operational efficiency and excellence will continue with further process automations expected in coming quarters
- Opex, however, is expected to marginally increase in the imminent quarter, on the back of some planned one-off expenses and increased promotional and advertisement efforts

IDLC FL: Provisions

Particulars	YTD Q3, 2018	YTD Q3, 2017	Amt. Change
Provision for doubtful A/Cs	**316**	**135**	**181**
General Provision	64	45	19
Specific Provision	131	90	41
Provision for diminution in value of investment	121	-	121
Provision for tax	**591**	**838**	**(247)**

- Growth in portfolio resulted in higher **General Provision**
- Rise in **Specific Provision** expected to be temporary and regularization of payments from larger clients anticipated to improve position in the last quarter
- IDLC's proprietary investments have brought in significant value for the company in the past. However, recent changes in stock prices have led to some unrealized losses, contributing to the **provision for diminution expense**. Nonetheless, the holdings in the portfolio remain fundamentally strong and expected to generate more value in the coming days
- **Tax rate** has been revised to 37.5% from 40% in 2018, effective from 2017; while some other adjustments of prior excess provisions have also come into effect

Looking forward

- Credit flow to private sector unlikely to pick up before election, while sale of NSCs expected to be higher. The impacts are expected to cancel out and **deposit market likely to remain stable** if current trend continues for the rest of the year

- Competition in areas beyond the capital city expected to intensify over the next few years as banks and financial institutions branch outwards to reduce over-dependence on the Dhaka market. **Product development for outstations will be a key agenda** on most players' long-term strategies

- Business model of our Consumer Division has been restructured to unlock productivity of colleagues involved at all stages of the loan cycle. The added scalability is expected to **allow business growth without a proportional increase in human resources**

- Companywide **technology investments to further expand capacity in all verticals** within the short to medium term are **under review**

- Efforts towards fortifying fee-based income generation capacity to continue. **License obtained for alternative investments** in July 2018 by IDLC AML expected to reinforce these efforts

- NPL remains a key focus area and **proactive efforts to prevent payment irregularities** are to be carried on

Q & A