IDLC Finance Limited

Earnings Disclosure

Q2 2019

01 August 2019

Forward Looking Statements

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Industry Trends

- Private sector credit growth fell to 11.29% (y-o-y) in June'19, the lowest in six years
- Considering from December 2018, credit to private sector grew by 5.33% (BDT 421bn) in H1-2019 while Aggregate Deposits (in the banking system) grew even less, by only 2.70% (BDT 293bn) during the first five months of 2019.
- However, net growth in government borrowing through National Savings Certificates in the corresponding 5 months has been 8.27% (Dec 2018: BDT 2,628bn; May 2019: BDT 2,845bn, growth: BDT 217bn)
- Money market remained volatile during the first half of 2019. As per the latest published data, NPL (banking sector) rose to 11.9% in Mar'19 which was 10.8% a year ago; further worsening the liquidity scenario.
- There were also some policy changes by BB in regards to:
  - Offshore banking operations
  - Loan provisioning, rescheduling and one-time exit for defaulters
  - Extension of deadline for revised AD ratio till September, 2019
- Bangladesh Bank moved to initiate the first ever liquidation of an NBFI and received court orders in that regard
- Stock market remained down beat amidst sluggish turnover, partly due to the liquidity scenario in the banking industry

Consolidated NPAT fell slightly despite strong performance from financing business

Figures for H1 2019

15% ▲
NPAT (STANDALONE)
BDT 919mn

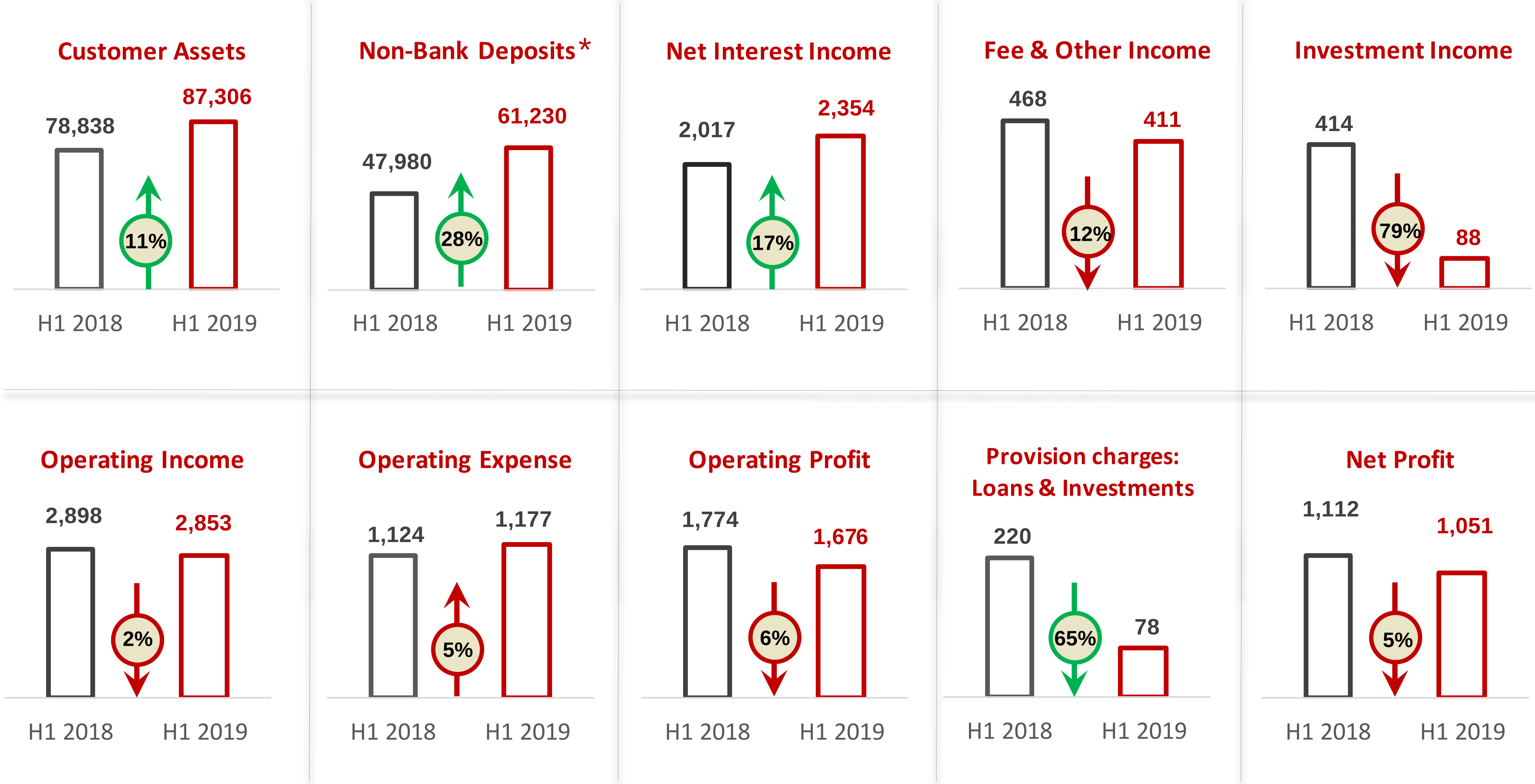
11% ▲
CUSTOMER ADVANCES (Y-O-Y)
BDT 87.3 bn
* 4% Growth in H1 2019

-5% ▼
NPAT (CONSOLIDATED)
BDT 1,051 mn

29 bps ▲
NON PERFORMING LOANS
2.58%

YoY Performance Metrics (Group)

BDT mn



*Total Customer Deposits (incl. Bank Deposits) grew by 5% (H1'18: 66,091, H1'19: 69,306, Growth: 3,215)

2019 H1: Profit contribution from different entities

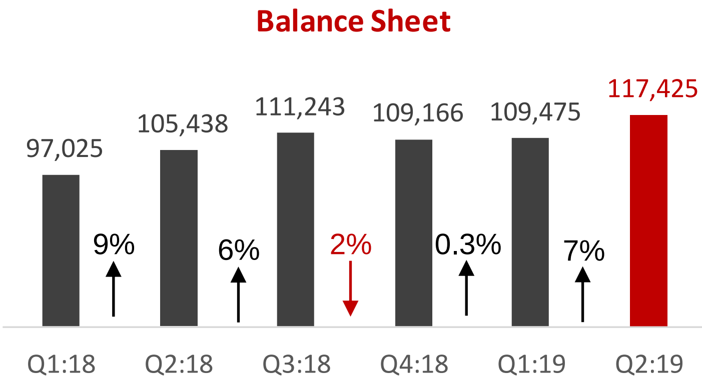
Entity	NPAT (BDT mn)		Growth	NPAT Contribution %	
	H1 2019	H1 2018		H1 2019	H1 2018
IDLC Finance Limited	919	799	15.1%	87%	72%
IDLC Securities Limited	58	187	-69%	6%	17%
IDLC Investments Limited	80	108	-26%	8%	10%
IDLC Asset Management Limited	(6)	18	-134%	-1%	2%
Consolidated NPAT	**1,051**	**1,112**	**-5%**	**100%**	**100%**

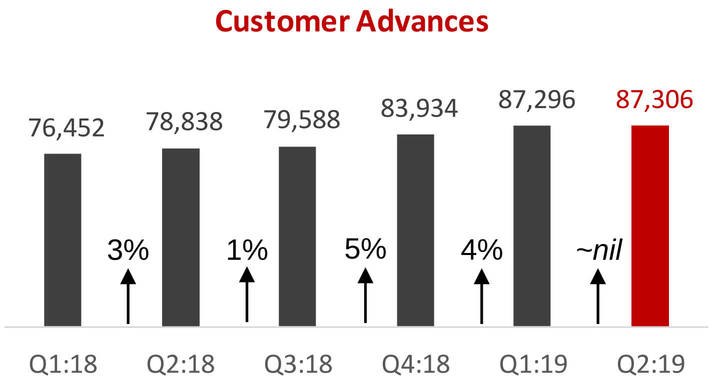
- IDLC Finance (solo) delivered strong performance amidst rising interest rates and tight liquidity conditions in H1:
  - Though disbursements dried up significantly in Q2, which included the month of Ramadan, majority of the loan book was re-priced successfully resulting in significant margin enhancement compared to Q1.
  - While investment Income was down BDT 144mn Y-o-Y, it was mostly offset by savings of BDT 95mn from provisions for investments as market price of investments increased
  - Operating expenditures were also controlled very well (4.7% Y-o-Y increase) amid company wide efficiency drive
- The 3 subsidiaries operating in the capital market have all suffered in H1, largely due to low trade volume as well as poor investment returns

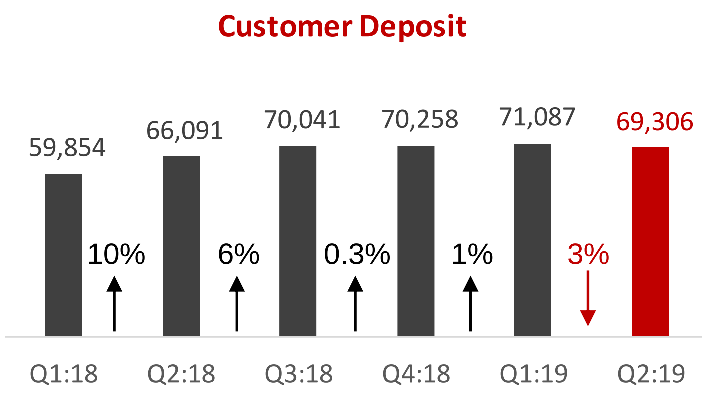
Loan growth slowed in Q2 while deposit mobilization remains strong

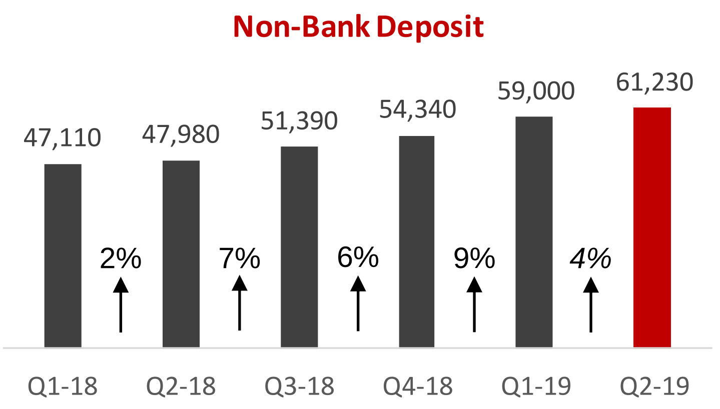
- Balance Sheet grew on account of increased placements in Banks while customer loans remained flat in Q2 2019
- On the back of cautious approach to lending amidst rising interest rates, growth in Home Loans in Q2 was offset by de-growth in Corporate Loans while SME book remained flat
- Business Loan disbursements expected to pick up in late-August after Eid
- Non-bank deposits have grown by 13% in H1 and comprises over 85% of the deposit basket

BDT mn



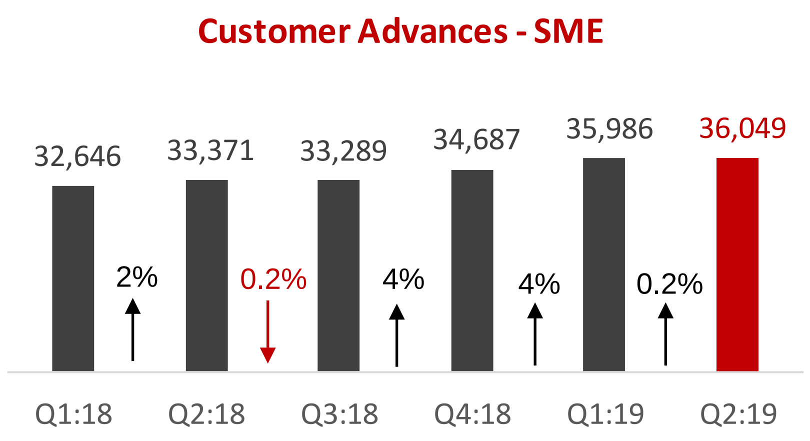


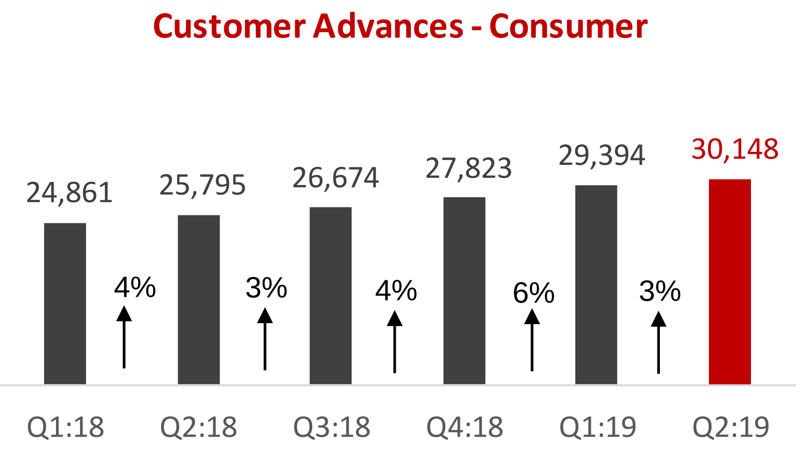


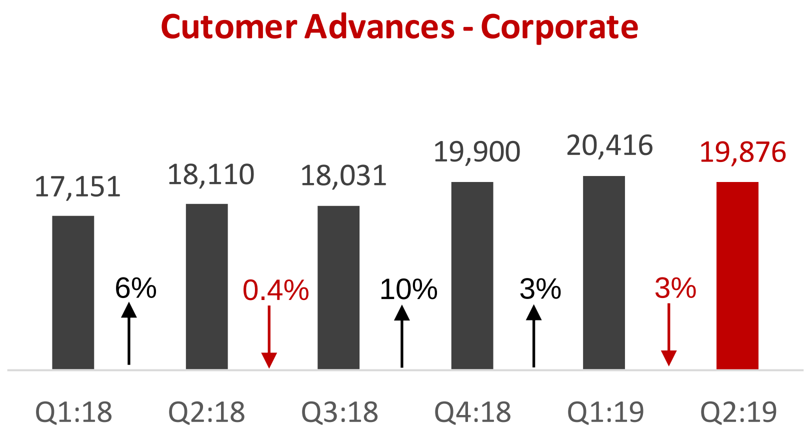


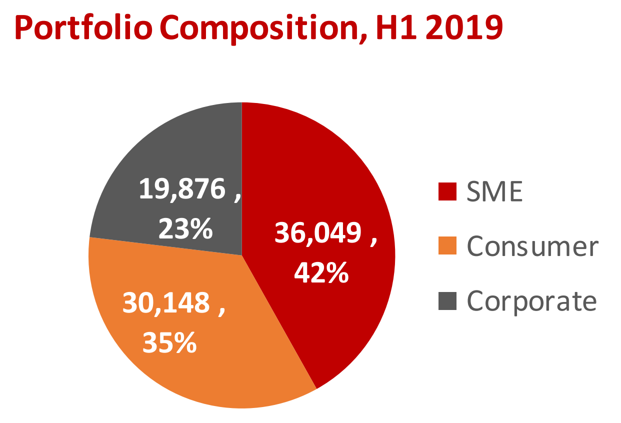
Loan Book Composition: IDLC FL Standalone

BDT mn

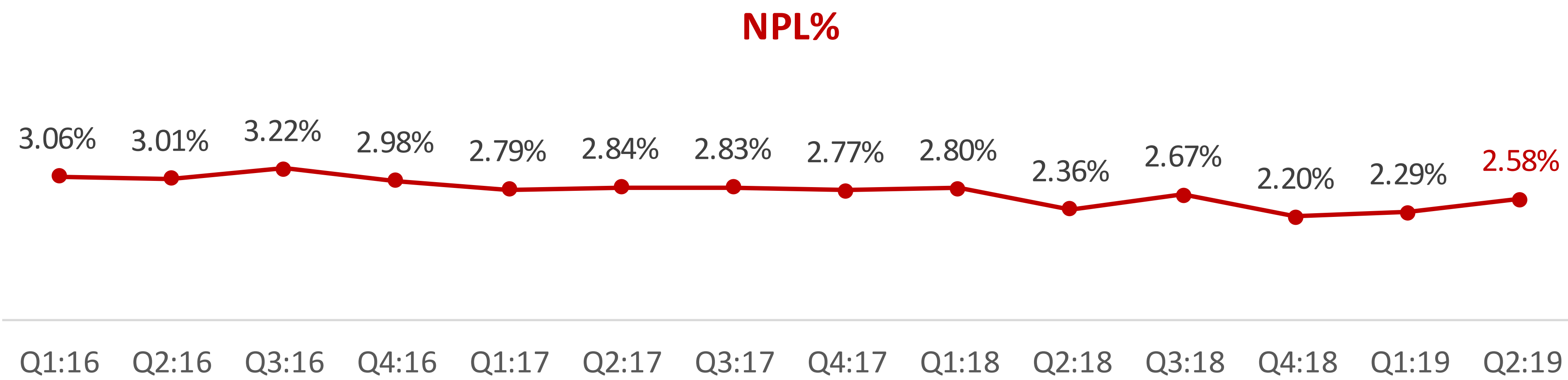








Loan Quality

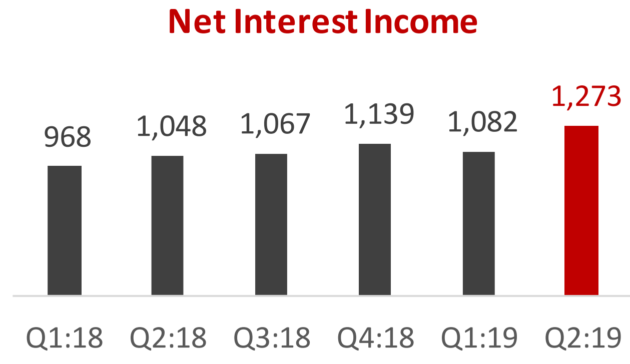


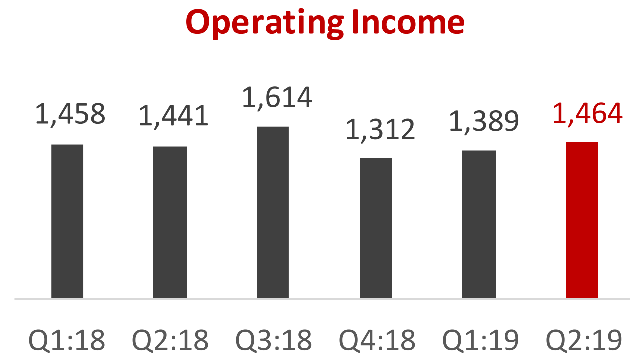
- NPL ratio rose by 29 bps partly on account of slowdown in business environment, which:
  - limited opportunities for portfolio growth
  - affected some clients’ cash-flow strength
- Majority of non-performing assets tied up in legacy contracts
  - Some payments have already been regularized
  - More contracts are expected to be normalized by year end through increased collection efforts

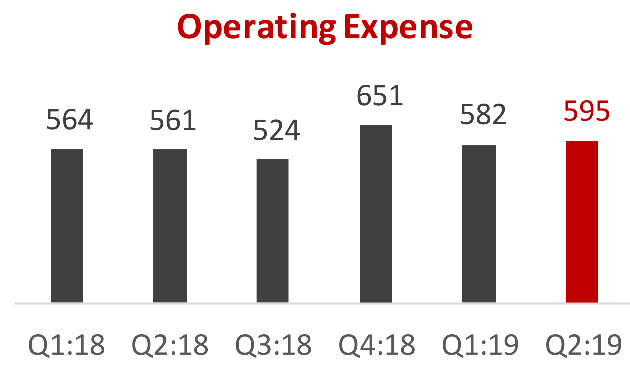
Operating Income and Expense

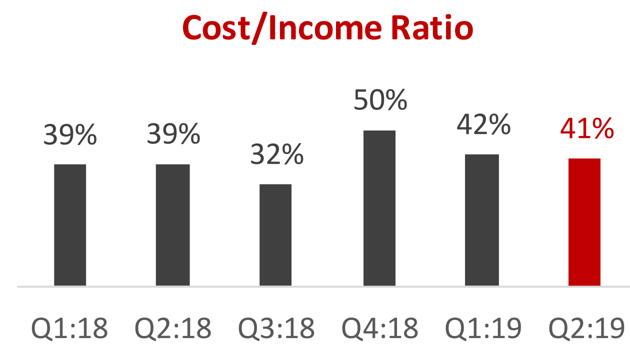
BDT mn

- Significant growth in Net Interest Income mainly due to rate revisions. Spreads to gradually shrink again in H2
- Growth in Operating Income was restricted by limitations in investment income and brokerage commissions
- OPEX growth restricted well in H1; expectation of increase in H2 owing to planned expenditures in coming quarters as well as *cost of living adjustments* in compensation

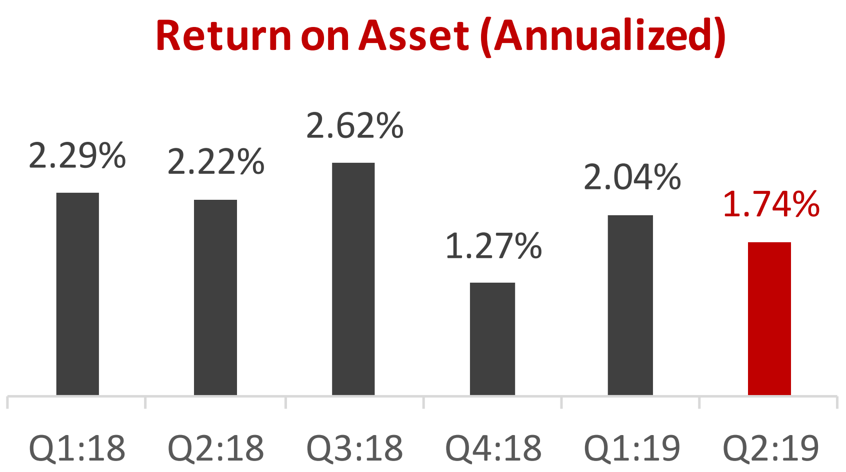


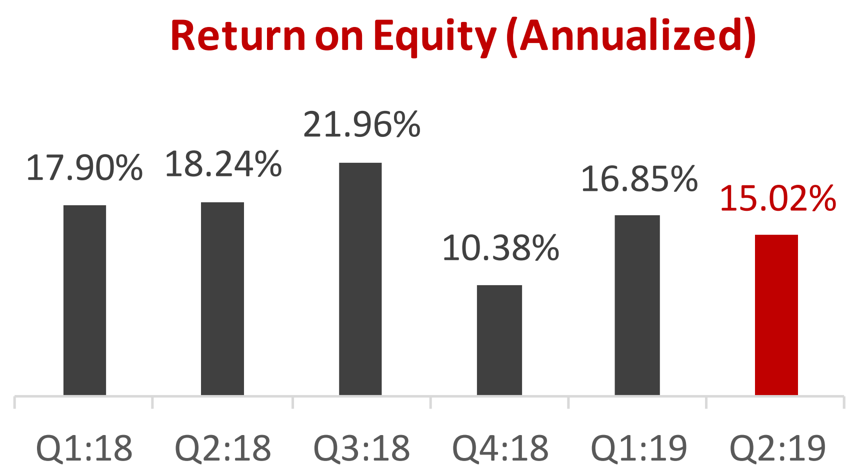


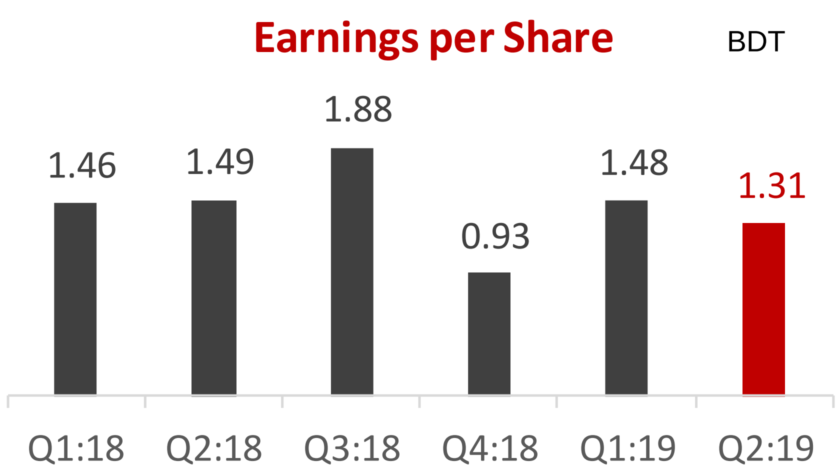


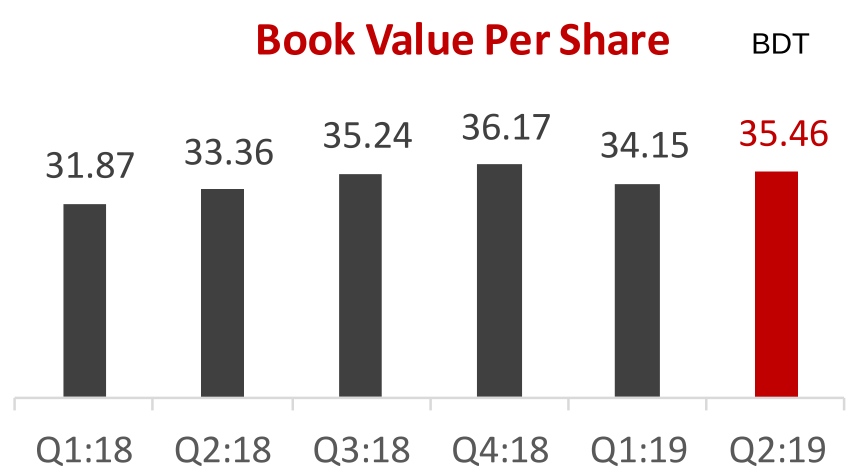


Shareholder Returns

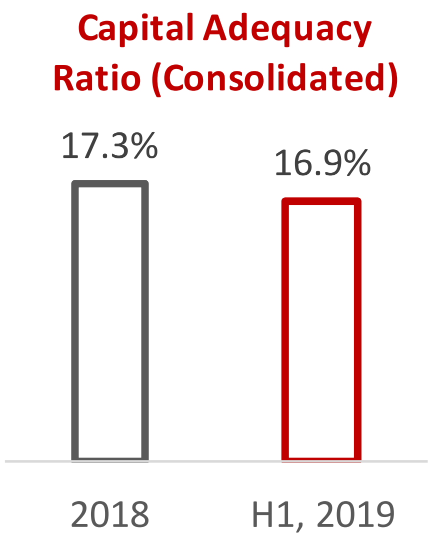


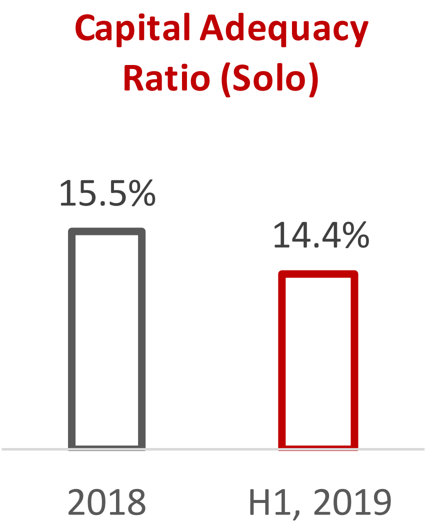


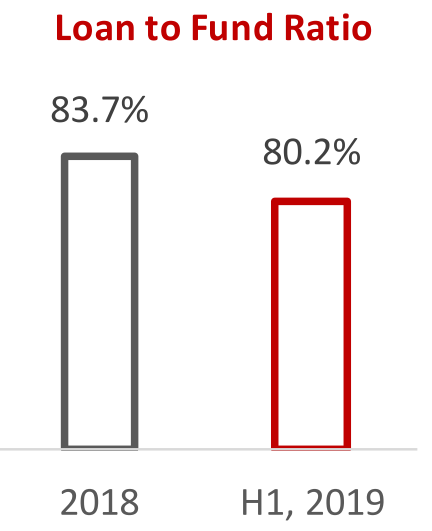




Capital Adequacy and Loan-Fund Ratio







* Regulatory limit for Loan to Deposit Ratio: 95%

Non-Financial Highlights

New Offering

- Launched Affordable Housing Finance Solution (AHFS)

- New wealth management product – Monthly Deposit Pension Scheme (DPS) – under way:
  - Initialized test phase with internal colleagues
  - Process flows to be streamlined for official product launch by Q4 2019

Process

- Credit Risk Grading (CRG) based loan sanctioning in Small Enterprise Financing (SEF) is expected to be rolled out in all branches by year end.

- Brought structural, as well as process flow changes in SEF business to free up Relationship Managers (RMs) from numerous process related work and bolster their focus on business generation.

Tech Implementations

- Use of tabs and mobile app for sales force in *Consumer* and *Small Enterprise Financing* has been introduced in 26 branches
  - Execution to cover all branches within 2019
  - Expected to lead to a 20% rise in productivity in implemented areas within 2020

- Mobile app introduced for select support functions to enhance productivity

Non-Financial Highlights (*continued*)

Tech Implementations (*continued*)

- Customization of core banking software expected to be completed by Q4 2019 (deadline extended on account of additional time requested by vendor to address our requirements)

- Online Service Portal for internal processes:
  - With automatic process flow
  - Automated SLA calculation, monitoring and status update
  - Enhanced email notification

- Developed online service portal for customer self-service (expected to go live in Q3 2019)

Community Initiatives

- Established Primary School for Bede Community in Malkhanagar, Munshiganj

- Efforts under way to introduce a Boat Ambulance At Latarchar, a remote village in Patuakhali

Recognition

- IDLC Investments awarded the Best Investment Bank award by Euromoney

Q & A