Q4 2017

Earnings Disclosure
Forward Looking Statements

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12 months’ (Jan–Dec 2017) Performance Highlights

- **NET PROFIT AFTER TAX**
  - 28%
  - BDT 2.28 bn

- **CUSTOMER ADVANCES**
  - 15%
  - BDT 71.5 bn

- **NON PERFORMING LOANS**
  - 21 bps
  - 2.77%
YoY Performance Metrics (Jan-Dec)

- **Customer Assets**: 2016 - 62,217, 2017 - 71,499 (15% increase)
- **Customer Deposits**: 2016 - 47,475, 2017 - 59,854 (26% increase)
- **Net Interest Income**: 2016 - 3,735, 2017 - 3,995 (7% increase)
- **Fee & Other Income**: 2016 - 953, 2017 - 1,203 (26% increase)
- **Investment Income**: 2016 - 476, 2017 - 1,082 (127% increase)
- **Operating Income**: 2016 - 5,164, 2017 - 6,280 (22% increase)
- **Operating Profit**: 2016 - 3,205, 2017 - 3,945 (23% increase)
- **Net Profit**: 2016 - 1,780, 2017 - 2,277 (28% increase)

**Performance Metrics (Jan-Dec)**

- **Net Profit** increased by 28% from 2016 to 2017.
- **Operating Profit** increased by 23% from 2016 to 2017.
- **Customer Deposits** increased by 26% from 2016 to 2017.
- **Investment Income** increased by 127% from 2016 to 2017.
- **Customer Assets** increased by 15% from 2016 to 2017.
- **Net Interest Income** increased by 7% from 2016 to 2017.
- **Fee & Other Income** increased by 26% from 2016 to 2017.
Early growth in Q1-Q2 helped improve earnings

**Balance Sheet**

- Q3:16: 76,688
- Q4:16: 79,311
- Q1:17: 87,993
- Q2:17: 89,735
- Q3:17: 96,211
- Q4:17: 95,687

**Customer Advances**

- Q3:16: 60,630
- Q4:16: 62,217
- Q1:17: 67,651
- Q2:17: 70,192
- Q3:17: 70,605
- Q4:17: 71,499

Early growth in Q1-Q2 helped improve earnings.
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

- **Earnings Per Share**: 5.49 (2016) to 6.13 (2017), an increase of 12%

- **Return on Asset**: 2.33% (2016) to 2.60% (2017), an increase of 0.27%

- **Book Value Per Share**: 24 (2016) to 33 (2017), an increase of 41%

- **Return on Equity**: 21.29% (2016) to 21.15% (2017), a decrease of 0.14%
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

Dividend Per Share

- 3.00 in 2017
- 3.00 in 2018

Dividend Payout Ratio

- 76% in 2016
- 72% in 2017
Solid foundation for continued growth

Capital Adequacy Ratio (CAR)

- Regulatory Minimum: 10.0%
- Actual as of 31 Dec 2017: 15.3%

Loan to Fund

- Regulatory Maximum: 95.0%
- Actual as of 31 Dec 2017: 82.4%

* 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*

**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)

**STRUCTURED FINANCE**
Successfully closed first M&A Transaction

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

**TECHNOLOGY**
Centralized operational platform
Several process improvement efforts have been initiated, aimed at increasing efficiency

**NEW BRANCHES**
New branches in Rajshahi, Barishal, Chowmuhony and Elephant Road

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**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)

**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