



IFS Capital Limited

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Full Year 2013 Unaudited Results

Presentation

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IFS Capital Limited

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"\$" means Singapore dollars unless otherwise indicated.

IFS Capital Limited (Reg. No. 198700827C)



Highlights

- Group's profit before net claims incurred and allowances grew 18% y-o-y to \$17.9m on the back of higher factoring and insurance businesses.
- Net claims incurred of \$0.9m in 2013 (FY 2012: reversal of \$0.2m).
- Higher allowances for loan losses of \$20.1m mainly set aside for doubtful loans in Singapore and Malaysia.
- Net loss of \$3.7m (FY 2012: net profit of \$9.1m).
- After non-controlling interests ("NCI"), loss attributable to shareholders was \$5.1m (FY 2012: net profit of \$7.9m).
- EPS (cents) : (Loss 3.4) (FY 2012: Earning 5.3)
- NAV per Share (cents) : 84.7 (FY 2012: 92.9 restated)



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Highlights (cont'd)

- Proposed final dividend at 2.0 cents per share same as FY 2012.
- Stable net interest margin at around 6.2%.
- Thailand subsidiary continued its solid growth and reported a net profit after NCI of \$3.7m (2012: \$3.3m).
- Regional subsidiaries recorded a net loss after NCI of \$1.1m (2012: net profit of \$4.0m).



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Group Statement of Profit or Loss

(\$'000)	Full year 2013	(restated) * Full year 2012	+ / (-) %
Net Interest Income	20,765	19,604	5.9
Net Earned Premium Revenue ^	2,919	3,998	(27.0)
Non-Interest Income	14,426	12,630	14.2
Total Income	38,110	36,232	5.2
Operating Expenses	(20,193)	(21,001)	(3.8)
Operating Profit Before Net Claims & Allowances	17,917	15,231	17.6
Net Claims - (Incurred)/Reversal	(933)	205	NM
Allowances & Impairments	(21,573)	(3,055)	NM
(Loss)/Profit Before Tax	(4,589)	12,381	NM
Tax Credit/(Expense)	883	(3,236)	NM
(Loss)/Profit After Tax	(3,706)	9,145	NM
Attributable (Loss)/Profit After NCI	(5,073)	7,940	NM

^ After intra-group transactions elimination

* Comparative figures have been restated due to change in accounting policy on premium recognition of ECICS



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Group Statement of Comprehensive (Loss)/Income

(\$'000)	Full Year 2013	(restated)* Full year 2012	+ / (-) %
(Loss)/Profit for the year	(3,706)	9,145	NM
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
Defined benefit plan remeasurements	204	-	NM
Tax on items that will not be reclassified to profit or loss	(41)	-	NM
	163	-	NM
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets	(124)	2,963	NM
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(525)	61	NM
Foreign currency translation differences of foreign operations	(4,256)	(3,029)	40.5
Tax on other comprehensive (loss)/income	110	(514)	NM
	(4,795)	(519)	NM
Other comprehensive loss for the year	(4,632)	(519)	NM
Total comprehensive (loss)/income for the year	(8,338)	8,626	NM



Group Operating Expenses

(\$'000)	Full Year 2013	%	Full Year 2012	%	+ / (-) %
Commission	829	4.1	296	1.4	180.1
Business Development	795	3.9	788	3.8	0.9
Staff Costs	11,902	59.0	12,860	61.2	(7.4)
Depreciation & Amortisation	1,440	7.1	2,003	9.5	(28.1)
General Administration	5,227	25.9	5,054	24.1	3.4
Total	20,193	100.0	21,001	100.0	(3.8)
Cost-to-Income Ratio	51.0%		55.3%		(7.8)

4% decrease mainly attributable to :

- lower staff costs on reduced bonus provision.*
- Higher general administrative expenses mainly on personnel recruitment and professional fees, partly offset by absence of hedging costs, lower license and tax fees.*



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Key Financial Ratios	Full Year 2013	Full Year 2012	+ / (-) %
Return on Ave Equity - After Tax (%)	(3.8)	5.8	NM
(Loss)/Earnings per Share (cts)	(3.4)	5.3	NM
Net Asset Value per Share (cts)	84.7	92.9	(8.8)
Leverage (times)	2.10	2.08	1.0
Gross Gearing (times)	1.76	1.79	(1.7)



Group Performance Review - Full Year 2013 vs Full Year 2012

- Group's profit before net claims incurred and allowances grew 18% y-o-y to \$17.9m on
 - higher net interest income mainly from growth in factoring business volume;
 - higher non-interest income, up 14% to \$14.4m with favorable contribution from fee and commission income, boosted by growth in insurance and factoring volumes; and
 - lower operating expenses, partly offset by
 - lower net earned premium due to higher provision for unexpired risks reserve set aside for increased bond business.
- Due to net claims incurred compared to net claims reversal in FY 2012 and higher allowances for loan losses and impairment of other assets, the Group reported a net loss of \$3.7m (FY 2012: net profit of \$9.1m).
- After NCI, net loss attributable to shareholders was \$5.1m (FY 2012: net profit: \$7.9m).



Group Performance Review - Full Year 2013 vs Full year 2012 (cont'd)

- Net claims incurred of \$0.9m was due to full provision made for claims reserve on potential loss against the business failure of a client and higher net claims paid.
- Higher allowances for loan losses of \$20.1m (FY 2012: \$2.2m) due to higher specific impairment made by the Singapore and Malaysian operations.
- Group's net profit for FY 2012 restated to \$9.1m from \$8.8m due to ECICS' change in accounting policy on premium recognition for credit insurance policies.
- Group total gross factoring receivables and loan assets of \$335.6m, decrease 7% against the base of \$359.3m as at 31 December 2012 due to higher loans repayments.



Group Performance Review - Full Year 2013 vs Full year 2012 (cont'd)

- Singapore operations (including ECICS):
 - reported a lower profit before allowances of \$6.5m (FY2012: \$6.9m) due to lower net interest income and lower earned premium revenue, mitigated by higher fee and commission income and lower operating expenses.
 - higher provision for loan losses and for claims reserve pushed the results to a net loss of \$4.0m (FY 2012: net profit of \$3.9m).



Group Allowances For Loan Losses

<i>\$'000</i>	Full Year 2013	Full Year 2012	+ / (-) %
Singapore operations	8,878	1,662	NM
Regional operations	11,210	542	NM
Total	20,088	2,204	NM

Under Singapore operations, full provision of \$6.9m was made against the potential loss of two major clients, discounting any recoveries. This was announced in our 2013 half-year results.

Under Malaysia operations, provision of \$8.9m was made for five major clients based on the prescribed accounting standards using the discounted cash flow method. However, recoveries are optimistic as ongoing operations remain viable albeit payments are slow. A time table for resolution to address the operational difficulties faced by these clients has been made.



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Group Operating Segments

(\$'000)	Gross Operating Income			(Loss)/Profit Before Tax			Segment Assets		
	2013	2012	+/(-) %	2013	2012	+/(-) %	2013	2012	+/(-) %
Credit Financing	35,485	33,442	6.1	(5,257)	8,931	NM	295,308	342,164	(13.7)
Insurance	5,850	7,746	(24.5)	245	3,591	(93.2)	74,282	68,609	8.3
Private Equity, VC & Others	2,896	1,881	54.0	423	(141)	NM	24,083	18,135	32.8
	44,231	43,069	2.7	(4,589)	12,381	NM	393,673	428,908	(8.2)
Others	-	-	-	-	-	-	5,650	3,693	53.0
Total	44,231	43,069	2.7	(4,589)	12,381	NM	399,323	432,601	(7.7)



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Group Geographical Segments

(\$'000)	Gross Operating Income			Segment Assets		
	2013	2012	+ / (-) %	2013	2012	+ / (-) %
Singapore	18,947	17,080	10.9	217,986	223,864	(2.6)
Southeast Asia	23,802	20,998	13.4	180,084	193,132	(6.8)
Rest of Asia	1	-	NM	377	709	(46.8)
Others	1,481	4,991	(70.3)	876	14,896	(94.1)
Total	44,231	43,069	2.7	399,323	432,601	(7.7)



Regional Operations - Indonesia, Malaysia & Thailand

(\$'000)	Full Year 2013	Full Year 2012	+ / (-) %
Net Interest Income	12,030	10,348	16.3
Non-Interest Income	7,047	5,587	26.1
Operating Expenses	(7,701)	(7,577)	1.6
Operating Profit Before Allowances	11,376	8,358	36.1
Allowances	(11,209)	(558)	NM
Profit Before Tax	167	7,800	(97.9)
Tax Credit/(Expense)	105	(2,576)	NM
Profit After Tax (PAT)	272	5,224	(94.8)
Group's Share of (Loss)/Profit After Tax based on % of shareholdings	(1,095)	4,019	NM



Regional Operations (cont'd)

- Indonesia, Malaysia & Thailand

- Thailand subsidiary reported a net profit after NCI of \$3.7m, up 13% (FY 012: \$3.3m) on higher operating income driven by higher factoring volume and higher bad debts recoveries, partly offset by higher operating costs and higher allowances for loan losses.
- Indonesia subsidiary posted a lower net profit of \$0.3m (FY 2012: \$0.8m) due to drop in net interest income on lower business volume coupled with higher allowances for loan losses.
- Malaysia subsidiary reported a substantial 76% growth in operating profit before allowances on higher net interest income and lower operating expenses. With higher allowances for loan losses, it reported a net loss of \$4.3m (FY 2012: net profit of \$0.8m).



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ECICS Limited

<i>(\$'000)</i>	Full Year 2013	Full Year 2012	+ / (-) %
Gross Written Premiums	12,660	10,086	25.5
Net Earned Premium Revenue	2,975	4,082	(27.1)
Fee And Investment Income	2,986	3,726	(19.9)
Claims (Incurred)/Reversal	(933)	205	NM
Operating Expenses	(4,772)	(4,398)	8.5
Operating Profit Before Allowances	256	3,615	(92.9)
Allowances for Insurance Receivables	(11)	(24)	(54.2)
Profit Before Tax	245	3,591	(93.2)
Tax Credit/(Expense)	147	(553)	NM
Profit After Tax	392	3,038	(87.1)

N.B. (Before intragroup transactions elimination)



ECICS Limited (cont'd)

- Gross written premiums up 26% to \$12.7m from increased insurance business, in particular, bonds and guarantee. Lower net earned premium revenue mainly due to higher provisioning for unexpired risks reserve for increased bond business.
- Lower investment income of \$0.4m (FY 2012: \$1.4m).
- Lower net profit after tax of \$0.4m (FY 2012: \$3.0m) mainly on increased operating costs, higher provision for unexpired risks and provision for claims reserve.
- Continued low loss ratio compared to industry.
- Remains substantially well capitalized above the minimum statutory requirement.



Prospects

- The Group faces a challenging environment. While the global economic recovery will boost economic growth in the regional countries, there is likely to be considerable volatility in regional financial markets, currencies and interest rates.
- Prospects for the Singapore-based businesses look promising.
- Resources in Singapore increased substantially in 4Q 2013 with increased prospects and pipeline of undrawn facilities. With the removal of the restrictions imposed by MAS, ECICS will change its business strategy to a general insurance model so as to diversify and enlarge its earning base. Will be focusing resources to grow the general insurance with significant hires.
- Prospects for the rest of the region are less clear.
- Thailand subsidiary performed well, but recent political turmoil likely to affect performance going forward. Plans for expansion continue and the team will look at domestic leasing operations either by acquisition or organic growth.



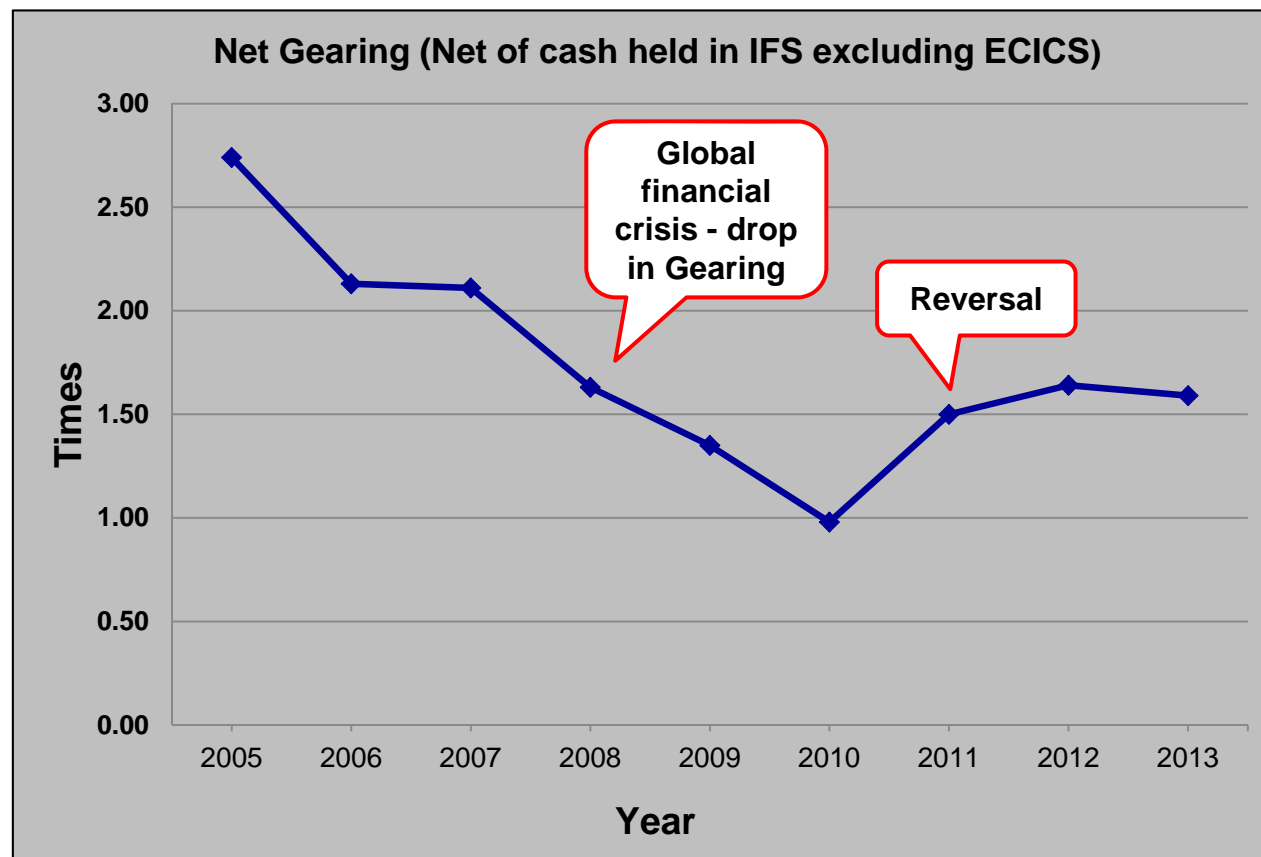
Prospects (cont'd)

- Malaysia will be focusing only on government related projects with concentration on domestic factoring where collections are more secure. Vigorous efforts will be made to improve recoveries.
- Indonesian operations have seen significant changes in internal business policies and procedures. Will continue to focus on factoring and to explore wider scope of business opportunities beyond Jakarta.
- The Group will continue to be mindful of the challenges presented by the ongoing uncertainties and will take a cautious approach in its new business activities.



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Group Net Gearing



- Sharp drop in gearing since 2005.
- Decrease in gearing came despite consolidation of Thailand.
- Recent increase in gearing reflective of increase in business volume and further capitalization of Indonesia and Malaysia in 2011.
- Net gearing 1.59 times at end 2013, down from 1.63 times at end 2012.



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THANK YOU