



## **38<sup>TH</sup> ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2025 ("AGM") RESPONSES TO QUESTIONS RAISED BY SHAREHOLDER**

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IFS Capital Limited (the "**Company**") has received questions from a shareholder in advance of the AGM. The Company thanks the shareholder for the questions submitted.

The Company's responses to the questions are set out below.

- Q1. Verification of Insurance Segment Data:** I noted that in the 2024 Annual Report (page 5, "Profit/(loss) before tax – by business segment"), the figures presented for the Insurance segment for FY2020, FY2021, and FY2022 seem inconsistent with those in the prior year's report. Could the Board kindly verify these figures and explain any discrepancies?

Company's Response:

There were inadvertent errors in the presentation of the comparative historical figures for the insurance segment in the Financial Highlights section of the Annual Report FY2024. These have been corrected, and the revised version is available in our SGX-ST announcement made on 16 April 2025 and on our corporate website.

We appreciate the shareholder who brought this to our attention. In response, we have taken steps to strengthen our internal review processes to prevent similar issues in the future.

- Q2. ECICS (Insurance Subsidiary) Performance and Strategy:** The Insurance segment (ECICS Limited) has unfortunately incurred substantial losses over the past decade. Given the challenges inherent in the general insurance market:

- (i) What level of gross written premium is required for ECICS to break even, and what is the strategy and timeline to achieve this?
- (ii) Does the Board believe ECICS has the necessary underwriting expertise and scale for sustained profitability?
- (iii) Has divestment of this non-core business been considered to sharpen focus on lending activities? If so, what was the outcome of that evaluation?
- (iv) Are borrowers in the Group's lending segments required or incentivized to use ECICS insurance products?

Company's Response:

- (i) What level of gross written premium is required for ECICS to break even, and what is the strategy and timeline to achieve this?

The Board acknowledges the continued underperformance of the insurance business and recognises the concerns raised by shareholders. We remain focused on refining our strategy with the goal of returning this business to profitability.

Based on our current cost structure and target loss ratio, we estimate that breakeven may be achieved at a gross written premium (“GWP”) of approximately S\$40 million. This will also require a shift from a predominantly motor-focused portfolio to a more balanced mix of 60% motor and 40% non-motor business. In FY2024, ECICS grew its GWP to \$18.5 million - an 89% increase from FY2023 – indicating encouraging momentum heading into FY2025. Barring unforeseen external events, we are targeting to reach breakeven within the next two years.

- (ii) Does the Board believe ECICS has the necessary underwriting expertise and scale for sustained profitability?

The Board believes that ECICS currently possesses the core underwriting capabilities and expertise necessary to support its business objectives. At the same time, we recognise the need to continuously strengthen these foundations in a dynamic and evolving market environment. Together with Management, we are actively investing in our people, processes, and systems to enhance our capabilities and position ECICS for sustainable business growth.

In terms of scale, the Board acknowledges this remains a work in progress as ECICS executes its growth strategy.

- (iii) Has divestment of this non-core business been considered to sharpen focus on lending activities? If so, what was the outcome of that evaluation?

The Board continues to take a long-term view of the insurance business as a strategic pillar of the Group, alongside private credit and asset management. Our strategic objective is to build a well-integrated financial ecosystem that brings together credit, wealth solutions, and protection in a seamless and complementary manner.

- (iv) Are borrowers in the Group's lending segments required or incentivized to use ECICS insurance products?

The Group is an important channel for ECICS. ECICS works with the Group’s credit segment closely to cross-sell relevant insurance products e.g., ECICS is the preferred fire insurance provider for the property-backed lending product.

**Q3. Fund Management Segment Strategy: This segment has reported losses since launching in 2021. With significant growth forecast for the Southeast Asian private credit market:**

- (i) What specific strategies are in place to make this segment profitable and capture market share?
- (ii) Does the Group possess the required fund management expertise and resources?
- (iii) Is there an executive compensation structure in place that connects risk-taking with reward-sharing for growth?

Company’s Response:

- (i) What specific strategies are in place to make this segment profitable and capture market share?

Interest in private credit across the region has grown significantly and is expected to continue its upward trajectory. With deep credit expertise and established on-the-

ground operations in Southeast Asia, the Group is well positioned to capitalise on this trend.

IFS Asset Management's core strategy is centred on building trust and credibility by delivering stable, consistent returns through robust risk management and a systematic approach to deal origination. Recognising that it takes time to build a verifiable record, we have been actively engaging potential partners and investors since the fund's inception in December 2021.

As of FY2024, the fund has achieved a CAGR of 5.57%, deploying over \$80 million in loans with no write-offs, while consistently paying dividends to investors.

Looking ahead, our priority is to broaden our investor base by partnering financial advisers, digital platforms, external asset managers and regional intermediaries to reach a wider pool of both Singapore-based and international investors. At the same time, we are deepening our deal pipeline by leveraging our network to originate high-quality private credit transactions tailored to investor needs. We believe our performance track record, expertise, and regional network place us in a strong position to capture Southeast Asia's growing private credit opportunity.

- (ii) Does the Group possess the required fund management expertise and resources?

IFS Asset Management is licensed and regulated by MAS as an A/I Licensed Fund Management Company (LFMC). The team under IFS Asset Management possesses the requisite fund management expertise, with the current Chief Executive Officer and Chief Investment Officer of IFS Asset Management each having at least ten years of experience in relevant fields. IFS Asset Management is also able to leverage the existing technology, middle-, and back-office resources of the Group.

- (iii) Is there an executive compensation structure in place that connects risk-taking with reward-sharing for growth?

Executive compensation structure comprises of salary and performance bonuses that take into account the performance of the fund, with a focus on risk management.

**Q4. FinTech Platforms (Lendingpot, Friday Finance) Performance and Strategy: Regarding the FinTech initiatives:**

- (i) Could you share the revenue figures and growth trends for Lendingpot and Friday Finance over the last three years?
- (ii) How are these platforms, especially Lendingpot, being leveraged to scale regional lending operations?
- (iii) Are external funding rounds planned to accelerate their growth?

Company's Response:

- (i) Could you share the revenue figures and growth trends for Lendingpot and Friday Finance over the last three years?

We do not disclose specific revenue figures for these businesses. However, we can share that between FY2022 and FY2024, Lendingpot achieved a revenue CAGR of 96%, and Friday Finance recorded a revenue CAGR of 124%.

- (ii) How are these platforms, especially Lendingpot, being leveraged to scale regional lending operations?

Lendingpot is a digital loan marketplace that connects consumers and businesses with suitable financing solutions – matching them with loans that best meet their needs in terms of structure, amount, and pricing. At the same time, we support over 70 lenders in showcasing their products and reaching targeted client segments in Singapore, and more recently, in Malaysia and Indonesia. IFS Capital acts as a partner lender on Lendingpot's platform, receiving qualified leads on an arm's-length basis. Currently, Friday Finance operates solely in Singapore, but we are actively exploring opportunities to expand this model to other regional markets, subject to local regulatory approvals and market conditions.

- (iii) Are external funding rounds planned to accelerate their growth?

Both Lendingpot and Friday Finance were incubated as startup ventures within the Group and funded through internal resources. From the outset, our focus has been on building sustainable and profitable businesses – Friday Finance is already profitable, and Lendingpot is progressing towards breakeven.

As these businesses move into their next phase of growth, we are evaluating various options to support their expansion. This includes the potential for external funding from strategic investors who can bring not just capital, but also capabilities and network to help accelerate their development.

**Q5. Shareholder Returns and NAV Discount:**

- (i) Could the Board share the Company's 5-year and 10-year Total Shareholder Return (TSR) figures?
- (ii) The persistent and significant discount (around 70-75%) of the share price to NAV is a major concern. What concrete steps is the Board taking or considering to narrow this valuation gap and improve shareholder returns?

Company's Response:

- (i) Could the Board share the Company's 5-year and 10-year Total Shareholder Return (TSR) figures?

The Company's 5-year and 10-year Total Shareholder Returns are -37% and -63%, respectively.

- (ii) The persistent and significant discount (around 70-75%) of the share price to NAV is a major concern. What concrete steps is the Board taking or considering to narrow this valuation gap and improve shareholder returns?

While share price performance is influenced by market dynamics beyond the Company's direct control, the Board and Management believe that, over time, it reflects the Company's ability to deliver sustainable and growing profits for shareholders. The ongoing reorganisation and strategic focus on our three core pillars - private credit, asset

management, and insurance – marks a key step in our efforts to transform the Group and create long-term value for our shareholders, our people, and our communities.

**By Order of the Board**

Chionh Yi Chian/Angeline Ng

Company Secretary/Assistant Company Secretary

22 April 2025