



IFS Capital Limited

Nine Months 2014 Unaudited Results

Presentation

10 November 2014





IFS Capital Limited

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"\$" means Singapore dollars unless otherwise indicated.

IFS Capital Limited (Reg. No. 198700827C)



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Highlights

- Group reported higher net profit of \$1.8m (9M 2013: \$0.5m).
- Lower operating income of \$26.0m (9M 2013: \$29.0m).
- Higher net earned premium revenue of \$2.8m (9M 2013: \$2.2m).
- Higher operating expenses of \$16.2m (9M 2013: \$15.7m).
- Lower net claims incurred of \$0.9m (9M 2013: \$1.6m).
- Lower allowances of \$6.6m (9M 2013: \$10.7m).
- After non-controlling interests ("NCI"), profit attributable to shareholders was \$0.8m (9M 2013: loss of \$0.7m).



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Highlights (cont'd)

- Substantial increase in other comprehensive income due to fair value gain of \$2.9m on Group's property-related investments.
- EPS (cents) : 0.52 (9M 2013: loss 0.45)
NAV per Share (cents) : 84.9 (FY 2013: 84.8)
- Stable net interest margin at around 6.18%.



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Group Statement of Profit or Loss

(\$'000)	9 months 2014	9 months 2013	+ / (-) %
Net Interest Income	13,801	15,952	(13.5)
Net Earned Premium Revenue ^	2,826	2,189	29.1
Non-Interest Income	9,397	10,811	(13.1)
Total Income	26,024	28,952	(10.1)
Operating Expenses	(16,185)	(15,718)	3.0
Operating Profit before Net Claims & Allowances	9,839	13,234	(25.7)
Net Claims Incurred	(940)	(1,637)	(42.6)
Allowances & Impairments	(6,567)	(10,678)	(38.5)
Profit before Tax	2,332	919	153.8
Tax Expense	(562)	(416)	35.1
Profit after Tax	1,770	503	NM
Attributable Profit/(Loss) after NCI	785	(675)	NM

[^] After intra-group transactions elimination



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Group Statement of Comprehensive Income

<i>(\$'000)</i>	9 months 2014	9 months 2013	+ / (-) %
Profit for the period	1,770	503	NM
Other comprehensive income			
<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	3,164	(235)	NM
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1,067)	(1,485)	(28.1)
Foreign currency translation differences of foreign operations	883	(2,505)	NM
Tax on other comprehensive income	(356)	292	NM
Other comprehensive income for the period	2,624	(3,933)	NM
Total comprehensive income for the period	4,394	(3,430)	NM



Group Operating Expenses

(\$'000)	9 months 2014	%	9 months 2013	%	+ / (-) %
Commission	448	2.8	538	3.4	(16.7)
Business Development	574	3.5	595	3.8	(3.5)
Staff Costs	10,118	62.5	9,431	60.0	7.3
Depreciation & Amortisation	974	6.0	1,103	7.0	(11.7)
General Administration	4,071	25.2	4,051	25.8	0.5
Total	16,185	100.0	15,718	100.0	3.0
Cost-to-Income Ratio	60.9%		52.5%		16.0

- 3% increase in operating expenses mainly due to*
- higher staff costs linked to headcount growth.*



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Key Financial Ratios	9 months 2014	9 months 2013	+ / (-) %
Return on Ave Equity - After Tax (%)	0.6	(0.5)	NM
Earnings/(Loss) per Share (cts)	0.52	(0.45)	NM
Net Asset Value per Share (cts)	84.9	87.5	(3.0)
Leverage (times)	2.07	2.14	(3.3)
Gross Gearing (times)	1.78	1.85	(3.8)



Group Performance Review - 9M 2014 vs 9M 2013

- Group's operating income declined 10% to \$26.0m due to:
 - Lower net interest income of \$13.8m (9M 2013: \$16.0m) mainly on lower factoring volume and lower average loan assets.
 - Lower fee and commission income mainly due to lower underwriting commission income and lower factoring service fee on lower factoring, bonds and guarantee business volume, but helped by:
 - Higher earned premium revenue of \$2.8m (9M 2013: \$2.2m).



Group Performance Review - 9M 2014 vs 9M 2013 (cont'd)

- Group's operating expenses rose 3% to \$16.2m mainly on higher staff costs.
- Lower net claims incurred due to no significant claims provisions in 9M 2014.
- Lower allowances for loan losses mainly due to lower individual impairments required as compared with 9M 2013 which included \$4.1m full provision set aside against the business failure of a client.
- Higher net profit after tax of \$1.8m compared to \$0.5m in 9M 2013.
- Group total gross factoring receivables and loan assets of \$334.9m (as at 31 December 2013: \$335.6m), decrease of 6% against the bases of \$355.4m as at 30 September 2013 due mainly to lower factoring receivables.
- Improvement in Group's other reserves mainly due to valuation gain on the property-related investments as well as translation gain from strengthening of currencies of the regional subsidiaries, in particular the Thai Baht, for translation against S\$.



Regional Operations - Thailand, Indonesia & Malaysia

(\$'000)	9 months 2014	9 months 2013	+ / (-) %
Net Interest Income	8,105	9,007	(10.0)
Non-Interest Income	4,466	4,991	(10.5)
Operating Expenses	(5,741)	(6,121)	(6.2)
Operating Profit before Allowances	6,830	7,877	(13.3)
Allowances	(4,158)	(1,965)	111.6
Profit before Tax	2,672	5,912	(54.8)
Tax Expense	(558)	(1,245)	(55.2)
Profit after Tax (PAT)	2,114	4,667	(54.7)
Group's share of PAT based on % of shareholdings	1,129	3,489	(67.6)



Regional Operations (cont'd)

- Thailand, Indonesia & Malaysia

- Thailand subsidiary reported a net profit after NCI of \$2.7m, down 16% (9M 2013: \$3.2m) mainly on higher allowances for loan losses.
- Indonesia subsidiary posted lower net profit of \$181,000 (9M 2013: \$223,000) mainly on lower revenue but helped by lower allowances for loan losses.
- Malaysia subsidiary reported net loss of \$1.2m compared to net profit of \$667,000 in 9M 2013 mainly due to lower business volume and higher allowances for loan losses.



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ECICS Limited

<i>(\$'000)</i>	9 months 2014	9 months 2013	+ / (-) %
Gross Written Premiums	5,980	9,759	(38.7)
Net Earned Premium Revenue	2,864	2,230	28.4
Fee and Investment Income	2,831	2,500	13.2
Claims Incurred	(940)	(1,649)	(43.0)
Operating Expenses	(3,792)	(3,400)	11.5
Operating Profit/(Loss) before Allowances	963	(319)	NM
Reversals of Insurance Receivables	113	72	56.9
Profit/(Loss) before Tax	1,076	(247)	NM
Tax (Expense)/Credit	(10)	41	NM
Profit/(Loss) after Tax	1,066	(206)	NM

N.B. (Before intragroup transactions elimination)



ECICS Limited (cont'd)

- Gross written premiums declined 39% to \$5.9m from lower bonds and guarantee business, which led to write back on change in gross provision for unexpired risks compared to a charge in 2013. This resulted in 10% increase in gross earned premium to \$7.5m in 9M 2014.
- After accounting for premium ceded to reinsurers, net earned premium revenue increased 28% to \$2.9m in 9M 2014.
- With lower net claims incurred of \$940,000 (9M 2013: \$1.6m), ECICS reported a net profit after tax of \$1.1m, turnaround from a loss of \$206,000 in 9M 2013.
- Continued low loss ratio compared to industry.
- Remains substantially well capitalized above the minimum statutory requirement.



Prospects

- The Group continues to face challenges from competition and weaker market conditions, making it difficult to show significant business growth.
- The Group expects to incur additional impairment on loan losses that could affect profitability for the entire year.
- Business outlook in Singapore is flat in the face of high liquidity in the banking system, lower interest rates and keen competition.
- Business outlook in Thailand is recovering from the economic slowdown in 2014, expressed through normalizing volumes for factoring and equipment financing.
- In Malaysia, the number of government contracts being awarded in 3Q 2014 was fewer than expected, and this trend is likely to continue into the final quarter.
- In Indonesia, the increase in number of new clients and renewal of existing accounts have resulted in positive growth in factoring volume, interest and fee-based incomes.



Prospects (cont'd)

- ECICS will write other classes of general insurance products in the coming months, offset by a dip in the revenue for bonds due to easing of the HDB building program and slowdown in private property development.
- The Group is alert to the changing economic landscape and will seek to exploit from market opportunities.
- The Group is also considering new business initiatives to expand its regional network and business activities.



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THE END

THANK YOU