



IFS Capital Limited

# IFS Capital Limited

## Half Year 2014 Unaudited Results

### Presentation

11 August 2014





# IFS Capital Limited

## Contents

	Slide
1. Highlights	3 - 4
2. (a) Group Statement of Profit or Loss	5
(b) Group Statement of Comprehensive Income	6
(c) Group Operating Expenses	7
3. Key Financial Ratios	8
4. Group Performance Review	9 - 10
5. Results of Subsidiaries	
- Regional Operations	11 - 12
- ECICS	13 - 14
6. Prospects	15 - 16

## Disclaimer

The following presentation may contain forward looking statements by the management of IFS Capital Limited ("IFS") relating to events and financial trends or performance for future period. Such forward looking statements are based on current views of management and a number of estimates and assumptions including, but not limited to, prevailing economic and market conditions, which are subject to uncertainties as these may change over time. In many cases these are outside the control of IFS and thus no assurance can be given that these events or financial trends or performance will happen. In particular, such statements are not, and should not be construed, as a representation as to or a forecast or projection of the future performance of IFS. It should be noted that the actual performance of IFS may vary significantly from such statements.

This presentation is not and does not constitute or form part of any offer, invitation, advice or recommendation to sell, purchase or subscribe for any securities and no part of it shall form the basis or be relied upon in connection with any contract, commitment or investment decision in relation thereto. This presentation may not be used or relied upon by any third party, or for any other purposes, and may not be reproduced, disseminated or quoted without the prior written consent of IFS.

"\$" means Singapore dollars unless otherwise indicated.

IFS Capital Limited (Reg. No. 198700827C)



IFS Capital Limited

## Highlights

- Group's net profit of \$1.9m, reversing from a net loss of \$2.7m for 1H 2013.
- Higher net earned premium revenue of \$1.8m (1H 2013: \$1.1m).
- Higher investment income of \$1.9m (1H 2013: \$0.6m).
- Higher operating expenses of \$10.8m (1H 2013: \$10.1m).
- Lower net claims incurred of \$1.0m (1H 2013: \$1.5m).
- Lower allowances of \$3.8m (1H 2013: \$9.0m).
- After non-controlling interests ("NCI"), profit attributable to shareholders was \$1.2m (1H 2013: loss of \$3.5m).



IFS Capital Limited

## Highlights (cont'd)

- EPS (cents) : 0.83 (1H 2013: loss 2.33)  
NAV per Share (cents) : 83.3 (FY 2013: 84.8)
- Stable net interest margin at around 6.1%.



## IFS Capital Limited

### Group Statement of Profit or Loss

(\$'000)	1H 2014	1H 2013	+ / (-) %
Net Interest Income	9,104	10,699	(14.9)
Net Earned Premium Revenue ^	1,840	1,143	61.0
Non-Interest Income	7,049	5,972	18.0
Total Income	17,993	17,814	1.0
Operating Expenses	(10,824)	(10,142)	6.7
Operating Profit before Net Claims & Allowances	7,169	7,672	(6.6)
Net Claims Incurred	(957)	(1,517)	(36.9)
Allowances & Impairments	(3,765)	(9,035)	(58.3)
Profit/(Loss) before Tax	2,447	(2,880)	NM
Tax (Expense)/Credit	(571)	131	NM
Profit/(Loss) after Tax	1,876	(2,749)	NM
Attributable Profit/(Loss) after NCI	1,242	(3,511)	NM

<sup>^</sup> After intra-group transactions elimination



## IFS Capital Limited

### Group Statement of Comprehensive Income

(\$'000)	1H 2014	1H 2013	+ / (-) %
Profit/(Loss) for the period	1,876	(2,749)	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	171	(129)	NM
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1,067)	(150)	NM
Foreign currency translation differences of foreign operations	143	640	(77.7)
Tax on other comprehensive income	152	48	NM
Other comprehensive income for the period	(601)	409	NM
Total comprehensive income for the period	1,275	(2,340)	NM



## Group Operating Expenses

(\$'000)	1H 2014	%	1H 2013	%	+ / (-) %
Commission	287	2.6	281	2.8	2.1
Business Development	371	3.4	375	3.7	(1.1)
Staff Costs	6,828	63.1	6,042	59.6	13.0
Depreciation & Amortisation	646	6.0	759	7.4	(14.9)
General Administration	2,692	24.9	2,685	26.5	0.3
Total	10,824	100.0	10,142	100.0	6.7
Cost-to-Income Ratio	58.9%		55.3%		6.5

- 7% increase in operating expenses mainly due to*
- higher staff costs as a result of increase in headcount.*



## IFS Capital Limited

Key Financial Ratios	1H 2014	1H 2013	%
Return on Ave Equity - After Tax (%)	1.0	(2.6)	NM
Earnings/(Loss) per Share (cts)	0.83	(2.33)	NM
Net Asset Value per Share (cts)	83.3	88.4	(5.8)
Leverage (times)	2.12	2.23	(4.9)
Gross Gearing (times)	1.78	1.93	(7.8)





### Group Performance Review - 1H 2014 vs 1H 2013

- Group's operating income of \$18.0m was \$179,000 or 1% higher compared to 1H 2013 due to:
  - Higher earned premium revenue of \$1.8m (1H 2014: \$1.1m);
  - Higher investment income of \$1.9m (1H 2013: \$0.6m) mainly on higher dividend income received coupled with realised gain of \$1.1m (reclassified from other comprehensive income) resulting from a cash receipt of \$3.0m on partial repayment of a convertible loan, partly offset by:
  - Lower net interest income mainly due to lower factoring volume and lower average loan assets; and
  - Lower fee and commission income mainly due to lower underwriting commission income on lower bonds and guarantee business.



### Group Performance Review - 1H 2014 vs 1H 2013 (cont'd)

- Group's operating expenses up \$682,000 or 7% to \$10.8m mainly on staff costs due to increase in headcount.
- Lower net claims incurred due to no significant claims provisions in 1H 2014.
- Lower allowances for loan losses mainly due to lower individual impairments required as compared with 1H 2013 which included \$4.1m full provision set aside against the business failure of a client.
- Net profit after tax of \$1.9m, reversing from a net loss of \$2.7m in 1H 2013.
- Group total gross factoring receivables and loan assets of \$336.2m (as at 31 December 2013: \$335.6m), decrease of 11% against the bases of \$376.6m as at 30 June 2013 due to higher loans repayments and lower factoring receivables.



## Regional Operations - Thailand, Indonesia & Malaysia

(\$'000)	1H 2014	1H 2013	+ / (-) %
Net Interest Income	5,354	5,942	(9.9)
Non-Interest Income	3,018	3,042	(0.8)
Operating Expenses	(3,889)	(4,119)	(5.6)
Operating Profit before Allowances	4,483	4,865	(7.9)
Allowances	(1,974)	(536)	NM
Profit before Tax	2,509	4,329	(42.0)
Tax Expense	(548)	(969)	(43.4)
Profit after Tax (PAT)	1,961	3,360	(41.6)
Group's share of PAT based on % of shareholdings	1,327	2,598	(48.9)



## Regional Operations (cont'd)

### - Thailand, Indonesia & Malaysia

- Thailand subsidiary reported a net profit after NCI of \$1.7m, down 17% (1H 2013: \$2.1m) mainly on higher allowances for loan losses.
- Indonesia subsidiary posted lower net profit of \$127,000 (1H 2013: \$155,000) mainly on lower revenue but helped by lower allowances for loan losses.
- Malaysia subsidiary reported net loss of \$168,000 compared to net profit of \$791,000 in 1H 2013 mainly due to lower business volume.



## IFS Capital Limited

### ECICS Limited

<i>(\$'000)</i>	1H 2014	1H 2013	+ / (-) %
Gross Written Premiums	4,378	5,530	(20.8)
Net Earned Premium Revenue	1,865	1,169	59.5
Fee and Investment Income	2,154	1,806	19.3
Claims Incurred	(957)	(1,517)	(36.9)
Operating Expenses	(2,375)	(2,145)	10.7
Operating Profit/(Loss) before Allowances	687	(687)	NM
Reversals of Insurance Receivables	122	22	NM
Profit/(Loss) before Tax	809	(665)	NM
Tax (Expense)/Credit	(25)	113	NM
Profit/(Loss) after Tax	784	(552)	NM

*N.B. (Before intragroup transactions elimination)*



### ECICS Limited (cont'd)

- Gross written premiums declined 21% to \$4.4m from lower bonds and guarantee business, which led to lower write back on change in gross provision for unexpired risks.
- After accounting for lower premium ceded to reinsurers, net earned premium revenue increased 60% to \$1.9m in 1H 2014.
- Higher investment income attributable to mark-to-market gain on quoted equity securities and higher dividend income.
- With lower net claims incurred of \$957,000 (1H 2013: \$1.5m), ECICS reported a net profit after tax of \$784,000, turnaround from a loss of \$552,000 in 1H 2013.
- Continued low loss ratio compared to industry.
- Remains substantially well capitalized above the minimum statutory requirement.



### Prospects

- Despite the challenging environment, the Group will continue to grow its businesses in Singapore and the region through expansion and sharpened focus of its business development activities.
- Business outlook in Singapore operations is positive with fair amount of deals in the pipeline, with continued efforts towards revenue growth.
- Despite the economy contraction in the first half this year due to political crisis, factoring volume of Thailand operations is expected to grow for the full year, driven by government budget spending and recovery of private consumption, tourism and exports.
- The pipeline of deals in Malaysia operations has increased on more government contracts being awarded to companies.
- Previous efforts to refocus the operations in Indonesia have started to pay off with more new clients and account activations.



### Prospects (cont'd)

- ECICS' range of general insurance products has been extended. Despite an expected dip in the demand for bonds due to reduction in construction activities for public and private housing amid softer property market sentiments, underlying business is expected to improve over the long term.
- The Group is cognizant of the vagaries of economic conditions and will work to secure itself against potential downside from better asset quality and client selection.





IFS Capital Limited

**THE END**

**THANK YOU**