

IFS Capital Limited

2007 Full Year Financial Results

27 February 2008





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“\$” means Singapore dollars unless otherwise indicated.

IFS Capital Limited (Reg. No. 198700827C)



Highlights

- Group NPAT up 9% to \$12.9 million. EPS 10.8c vs 9.9c. NTA per share \$0.99 vs \$0.93. (adjusted for Rights issue).
- Proposed Final Dividend of 3.25c per share. Together with interim of 3c, total 6.25c as compared to 5c previous year (excluding bonus dividend).
- Growth all round.
- Regional operations strong performance.
- Cost to income ratios improved to 43% vs 47%.
- Equity investments substantially cut back starting in June 2007.
- High liquidity and leverage ratio reduced to 2.7 times from 2.8 times.
- ECICS continued profitability led by higher premium and low loss ratios.
- Launch of Alternative Finance Unit.



Business Model

- Commercial Finance;
- Structured Finance;
- Alternative Finance; and
- Credit Insurance & Guarantees.
- Regional Operations - Thailand, Indonesia, Malaysia and Hong Kong



Group Income Statement

(\$'000)	FY07	FY06	Change (%)
Net Interest Income	13,235	12,263	7.9
Net Earned Premium Revenue	6,362	4,769	33.4
Fee and Commission Income	7,652	7,170	6.7
Investment & Others Income	7,968	5,395	47.7
Income before Operating Expenses	35,217	29,597	19.0
Net Claims Incurred	(2,081)	(1,173)	77.4
Operating Expenses	(15,705)	(14,439)	8.8
Operating Profit before Allowances	17,431	13,985	24.6
Allowances for Loan Losses & Impairment of Investments	(6,123)	(3,322)	84.3
Operating Profit after Allowances	11,308	10,663	6.0
Goodwill written off and Others	-	(521)	N.A.
Share of After-tax Results of Associates	1,369	1,331	2.9
Profit before tax	12,677	11,473	10.5
Tax credit	179	354	(49.4)
Group Profit after Tax	12,856	11,827	8.7



Sale of Equity Securities

Equity Securities (Held for Trading & AFS) for FY07

<i>(\$'000)</i>	Investment	Claim Recoveries	Total
Proceeds	42,766	1,670	44,436
Divestment Gain	6,306	946	7,252



Group Operating Expenses

<i>(\$'000)</i>	FY07	(%)	FY06	(%)
Business Development	890	5.7	1,127	7.8
Commission	992	6.3	647	4.5
Staff Costs	8,877	56.5	7,421	51.4
General & Administration	4,946	31.5	5,244	36.3
Total	15,705	100.0	14,439	100.0



Segmental Contribution

(\$'000)	FY07	(%)	FY06	(%)
<u>Singapore</u>				
IFS' Contribution	6,714	52.2	8,400	71.0
ECICS' Contribution	4,961	38.6	3,061	25.9
<u>Overseas</u>				
Indonesia, M'sia & Thailand	1,181	9.2	366	3.1
Group Profit after Tax	12,856	100.0	11,827	100.0



Group Business Segments

(\$'000) 2007	Commercial		Private	
	Finance	Insurance	equity venture cap inv & others	Total
Total operating income	28,985	12,578	3,906	45,469
Segment results	2,292	5,752	3,264	11,308
Share of after-tax results of associates	1,369	-	-	1,369
Profit before taxation				12,677
Taxation				179
Net profit for the year				<u>12,856</u>
2006				
Total operating income	30,308	10,117	1,066	41,491
Segment results	7,184	4,046	(731)	10,499
Share of after-tax results of associates	1,331	-	-	1,331
Goodwill written off				(357)
Profit before taxation				11,473
Taxation				354
Net profit for the year				<u>11,827</u>



Group Geographical Segments

(\$'000)		South East Asia	Rest of Asia	US, Europe and others	Total
2007	Singapore				
Total operating income	36,851	2,197	4,133	2,288	45,469
Segment assets	399,575	40,849	27,096	1,818	469,338
Associates		11,718	-	-	11,718
Total assets	399,575	52,567	27,096	1,818	481,056
2006					
Total operating income	36,743	880	1,599	2,269	41,491
Segment assets	393,233	8,981	27,782	22,335	452,331
Associates	-	7,113	-	-	7,113
Total assets	393,233	16,094	27,782	22,335	459,444



Group Ratios

	FY07	FY06	(%)
Return on Equity - after Tax (%)	10.7	10.6	0.9
Cost Income Ratio (%)	42.5	47.0	(9.6)
Return on Total Assets (%)	2.7	2.6	3.8
Earnings per Share (cts) *	10.8	9.9	9.1
Net Asset Value per Share (\$) *	1.0	0.9	7.5
Leverage (Times)	2.7	2.8	(3.5)

* Adjusted for rights issue (June 2007) for 07 & 06.



Regional Operations

- Thailand continued growth. Factoring volumes all time high at THB 18.6 billion. Listing plans continuing.
- Malaysia turned around with monthly profit from August 2007.
- Indonesia turned around in September 2007.
- Hong Kong – recently granted Money Lender License. Will commence operations in 2008.
- Note contributions from other regions (ex-Singapore) increased significantly from 11% in 2006 to 19% in 2007.



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ECICS Limited

- Well capitalized. CAR ratios as at 31 December 2007 above 400%. Surplus underwriting capacity.
- Loss ratios for guarantee business insignificant, for credit insurance below 10%.
- Not affected by subprime or equity markets downturn.
- ECICS well positioned to take advantage of hardening premium rates.



Impact of Credit Crisis on the Group

- No exposure to subprime, collateralized debt obligations, credit linked notes or credit default swaps.
- Equity and investment portfolio substantially cut back starting in June 2007.
- Year end high liquidity position.



Risk Management in the Group

- **Interest Rate Risk.** Generally the Group does not have open interest rate risk positions. If there are any, hedging is done through interest rate swaps, interest rate caps or fixed rate borrowings. As at end December 31, there were insignificant open positions.
- **Foreign Exchange Positions.** The Group does not undertake open FX positions. If a loan is in a foreign currency, funds are borrowed in that currency as well. Residual FX positions, e.g. fees, net interest gains are converted to S\$ monthly.
- **Derivative Transactions,** such as interest rate caps, forwards, are only used for hedging an underlying risk. The Group does not take any speculative positions. All derivative instruments are cleared by Internal Audit, reporting to the Audit Committee of IFS. The Audit Committee comprises independent directors.
- **Equity Risks.** The Group does undertake investments as part of its normal business activities. Equity risks were cut back substantially in June last year. The Group does not plan to increase significantly its equity allocation given current market turmoil.
- **Credit Risks.** The Group does undertake significant credit risks due to its lending activities or credit insurance and guarantee business under ECICS. Risks are mitigated wherever possible by collateral held, re-insurance outwards, club loans etc. Industry and client specific limits are set by the Board of IFS.



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Alternative Finance Unit

What is Alternative Finance?

- Alternative Finance refers to financing products and techniques which have yet to become mainstream.
- Financial products and techniques derived the relative value from either debt, equity or combination of both.
- Leverages on our specialized skills in Commercial Finance to assist our clients to solve their financing requirements.



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Alternative Finance Unit

Why Alternative Finance?

- Aim to create an edge for IFS in order to distinguish from banking institutions.
- Providing solution based financing as opposed to product pushing
- Providing financing where other institutions may not be offering to their clients i.e. Project Financing
- Creating new niche areas of innovative financing i.e. Intellectual Property Financing, Commodity Financing and Profit Sharing
- Regulatory arbitrage



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Alternative Finance Unit

Potential Areas

- Project Financing
- Debtor in Possession
- Commodity Financing
- Intellectual Property Financing
- Profit Sharing Transaction
- Structured Lending



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Q & A