

ANNUAL GENERAL MEETING TO BE HELD ON 21 MAY 2020
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

IFS Capital Limited (“**IFS**”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting (“**AGM**”) to be held by electronic means on 21 May 2020.

We have organised the questions which are relevant to the resolutions tabled for approval at the AGM that we have received and our responses thereto into 3 main themes as follows:

1. Questions on the Lending Business

- (1) Financial Statement Clarifications (Note 41 to financial statements)
 - a) It may appear that we have significant increases in our exposure in the manufacturing and services sectors which may lead to concerns over concentration risk. At this stage, we are comfortable with our portfolio mix from a Risk Management perspective. The types of business activities in the manufacturing and services sectors are very diversified and are not necessarily interconnected. Furthermore, the bulk of our loans in these sectors are extended on a secured basis.
 - b) Related to the above, there is a segment under concentration risk that has been classified as ‘Others’. While the increase year on year is not significant, the amount may be deemed to be significant. The bulk of these are companies that are involved in more than one business. We will work towards providing more clarity, by giving breakdowns, on this segment going forward.

- (2) Support for SMEs
 - a) We are working with Enterprise Singapore (ESG) to increase access to working capital and bridging facilities through the recently enhanced Enterprise Financing Scheme (EFS). We are also expanding our financing support for the micro-enterprise and self-employed/own-account-worker segments in Singapore, aligned with Government initiatives, through our digital micro-enterprise and consumer financing arms. The primary focus of our efforts is to help stabilise our clients’ businesses and to lay the foundation for their future growth.



(3) Competition from Fintechs and Digital Banks

- a) Fintech companies and digital banks can pose serious competition to our business. While we believe that our products and services will remain relevant to the various under-served SME and consumer segments, we are nevertheless open to forge partnerships with fintech companies and digital banks that share our values, to bring enhance core products and services to the SMEs. Meanwhile, we have already launched our digital arms such as Multiply (www.multiply.com.sg), focusing on micro-enterprises; Friday Finance (www.fridayfinance.sg), serving the financing needs of the consumer/self-employed; and Lendingpot (www.lendingpot.sg), which is a loan-matching platform connecting SMEs with representatives from over 45 financial institutions in Singapore.

2. Questions on our Insurance Business ECICS

(1) Financial Statement Clarifications (Note 42 to Financial Statements)

- a) Motor constitutes the largest business line for our insurance business. Through more stringent underwriting guidelines, the ultimate loss ratio (ULR) for motor has actually improved from 154% to 134% in FYE 2019.
- b) The high end ULR of 361% was due to work injury class of business. Corrective measures have since been put in place and improvements are expected.

(2) Steps taken to Turnaround to Profitability

- a) We have since stopped underwriting the long dated bond business which has not been profitable for us. Instead we are concentrating on the GI business focusing on Private Cars, Maids, Personal Accidents and Home Contents.



3. Questions on Corporate Governance

(1) Desired Matrix of the Board

- a) The Board and the Executive Resource and Compensation Committee (“**ERCC**”) have resolved to use the opportunity presented by the forthcoming Board Renewal to induct Board members with the skill sets likely to be relevant to the Company in the future.
- b) The Board and ERCC have also resolved to improve diversity in terms of gender.
- c) Our search for the above is based on contacts and referrals rather than professional search firms.