

NBFI

The Non-Bank Financial Institutions (NBFIs) constitute a rapidly growing segment of the financial system in Bangladesh. The NBFIs have been contributing toward increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet the

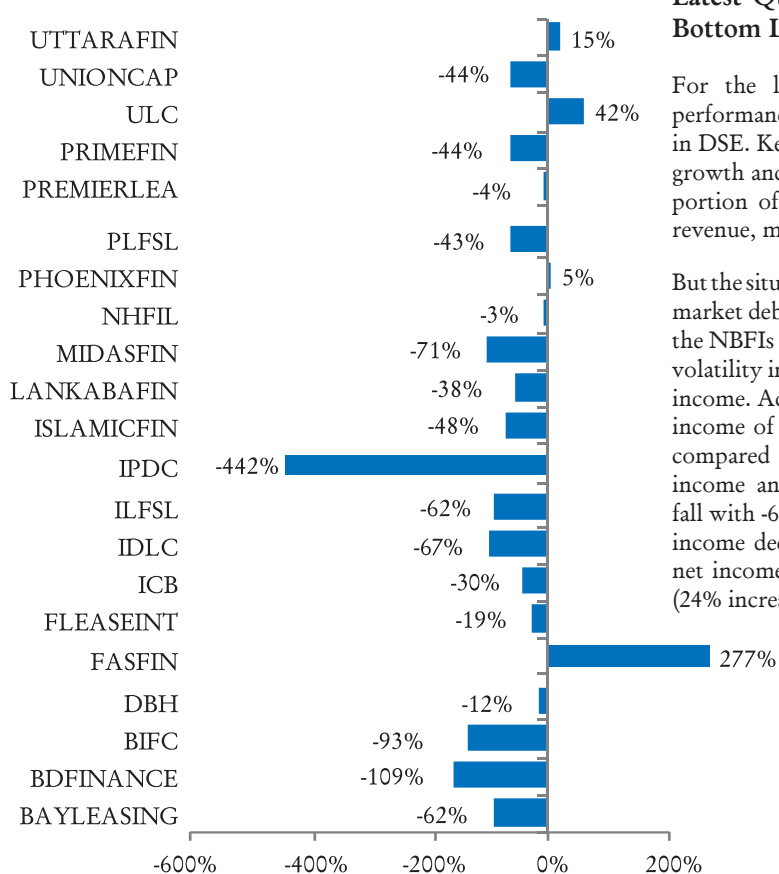
growing needs of different types of investment in the country. At present, 29 NBFIs are operating their business across the country of which one is government owned, 15 are privately owned local companies, and the remaining 13 are established under joint venture with foreign participation.

Recent Performance of NBFIs

3rd Quarterly Statement (Figures In MN.)			
Measurement (In BDT mn)	2011 Q3	2010 Q3	Industry Growth
Net interest income	5508.03	4642.20	19%
Income from investments	1451.54	4633.07	-69%
Commission, exchange and brokerage	2750.32	4037.71	-32%
Other operating income	1622.59	1311.96	24%
Total operating income	11332.47	14624.94	-23%
Total operating expenses	2347.27	1895.42	24%
Profit before provision against loans and advances	8985.21	12729.52	-29%
Total provision	1267.33	1482.90	-15%
Provision for tax	2420.58	2562.86	-6%
Net profit after tax for the year	5297.30	8683.76	-39%

Source: 3rd Quarterly Statement of NBFIs

9 months Earnings Growth



Source: 3rd Quarterly Statement of NBFIs

Latest Quarterly Results: Year of Sharpe Decline in Bottom Line

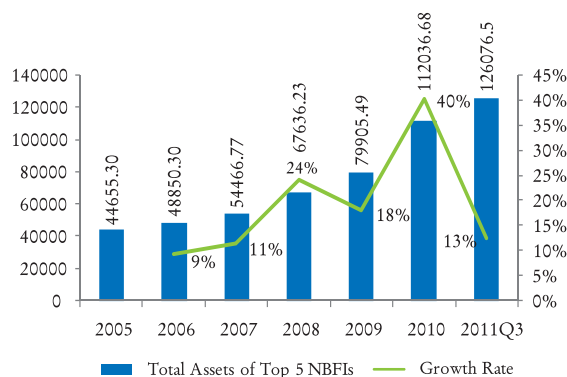
For the last few years price performance and operating performance of NBFIs outperformed most other sectors listed in DSE. Key reason behind this growth was the unprecedented growth and bullishness in the Bangladesh capital market. Large portion of the revenues of the NBFIs came from brokerage revenue, margin loan interest and proprietary investment.

But the situation has reversed since the beginning of 2011. Capital market debacle has taken the shine off the NBFIs. Since 2011 all the NBFIs generated negative price and earnings growth. Heavy volatility in the money market has caused shrinking net interest income. According to the latest third quarterly data net interest income of all the NBFIs listed in DSE generated 19% growth compared to same period of the previous year. Investment income and commission, exchange & brokerage had drastic fall with -69% and -32% growth respectively. Overall operating income declined by 23%. This decline drastically affected the net income (39% decline) due to increasing operating expense (24% increases).

Operating Performance of Leading NBFIs

Operating performance of the leading NBFIs were robust until 2011. After the capital market debacle profit of these NBFIs also declined significantly. According to data from the third quarter 2011 combined profit of major 6 NBFIs declined by 56% compared to 98% growth in 2010.

Asset Growth of Leading 5 NBFIs (BDT. mn.)



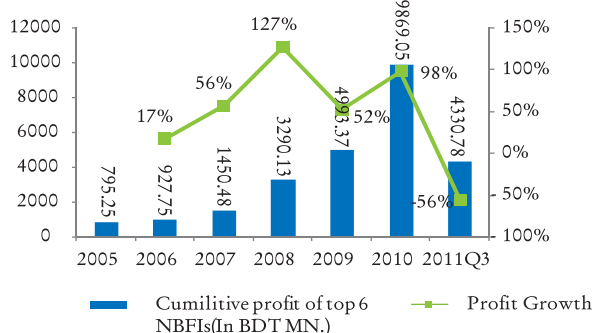
*This asset growth chart consists summation of ICB, IDLC, LANKABANGLA, PRIME FINANCE, PLFSL capitalization growth over the year.

Price Performance of NBFIs

	Return of 2010	Return of 2011	2 Years Holding Period Return
BAYLEASING	992%	-62%	311%
BDFINANCE	743%	-66%	189%
BIFC	335%	-50%	118%
PREMIERLEA	497%	-30%	317%
FASFIN	293%	-28%	185%
FLEASINT	632%	-37%	362%
ILFSL	578%	-42%	292%
IPDC	87%	-48%	-2%
ISLAMICFIN	265%	-56%	61%
MIDASFIN	442%	-64%	95%
NHFIL	43%	-9%	31%
UNIONCAP	184%	-55%	29%
ULC	382%	-43%	176%
UTTARAFIN	750%	-55%	283%
DBH	153%	-27%	84%
PRIMEFIN	756%	-59%	253%
ICB	154%	-48%	33%
PLFSL	1083%	-56%	419%
LANKABANGLAFIN	268%	-46%	100%
IDLC	448%	-50%	173%

Source: LBS Research

Cumulative Profit of Top 6 NBFIs over Last 5 Years (Tk. in million)

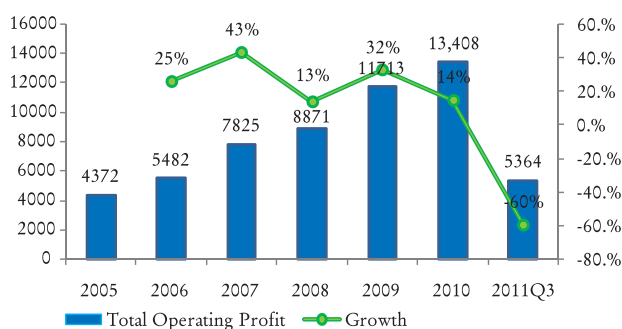


*Top 6 NBFIs include IDLC, ICB, LANKABANGLA, PRIME FINANCE, UTTARA FINANCE, UNION CAPITAL.

Over the past few years NBFIs performed very well. Overall asset base of major finance companies grew in a consistent manner. In 2005 total asset of these NBFIs was 44655 million. This amount more than doubled to 112036.68 million in the year 2010. Overall growth rate varied from 9% to 40%. According to the third quarterly data of 2011 growth in the asset base of the NBFIs has decelerated to only 13%.

In consistent with the asset growth of the NBFIs total operating revenue faltered heavily. Overall operating revenue growth of the leading 5 NBFIs showed 60% decline compared in the third quarter of 2011 to 14% growth in previous year.

Revenue Growth of Leading NBFIs



*revenue growth chart consists summation of ICB, IDLC, LankaBangla, Prime Finance, PLFSL capitalization growth over the 5 years period.

Source: LBS Research

Price Performance Followed the Operating Results

Price performance of all the NBFIs listed in DSE followed the trend of their operating performance. Most of them lost from one third to two third of their price. Although holding period return for most of the NBFIs still remain substantial. Bay leasing, one of the highest gainer (+992%) of the year 2010 lost 62% of the market capitalization during the year 2011. Other major gainers like PLFSL (1083% in 2010 and -56% in 2011), Prime Finance (756% in 2010 and -59% in 2011), Uttara Finance (750% in 2010 and -55% in 2011) had to accept the same fate as their earnings fell drastically. Overall two years and holding period return of the NBFIs are presented in the table beside.

Latest Earnings and Declaration Trend of NBFIs

According to latest available declaration data of the NBFIs show that most of the companies declared less robust dividend as the year end profit declined drastically. Except for one or two special companies most of the NBFIs showed negative operating cash flow, reflecting severe liquidity crisis among these

companies. Median earnings growth was more than -40%. Most of the companies' price showed negative reaction during the month of declaration or underperformed the market growth. Liquidity crisis forced all of the NBFIs to declare bonus shares rather than adding some cash dividend in the declaration.

Earnings & Declarations of 2012

	EPS		Net Profit After Tax		Earnings Growth	Dividend	NOCFPS	NAV	Price Return During the Month of Declaration
	2011	2010	2011	2010					
BDFINANCE	0.36	4.58	19.03	246.14	-92%	10%B	-2.13	17.58	-6%
PREMIERLEA	0.76	2.63	39.68	136.87	-71%	5%B	-5.01	13.82	-20%
GSPFINANCE	1.19	2.74	33	75.5	-56%	10%B	1.09	26.8	9%
UTTARAFIN	10.98	11.44	811	845	-4%	40%B	-8.54	55.75	18%
FASFIN	0.18	1.73	9.28	89.18	-90%	5%B	-3.15	18.63	-21%
First Lease	1.64	2.76	82.40	138.67	-41%	5%B	-5.01	14.48	-3.25%
ILFSL	-0.56	2.11	-56.58	343	-116%	7.5%B	6.47	11.5	-15.71%
ISLAMICFIN	0.4	1.79	27.61	123.86	-78%	20%B	4.71	12.61	7.96%
NHFIL	2.03	2.83	116.26	162.01	-28%	20%B	-12.2	12.73	-24.49%
ULC	2.31	4	213.34	378.28	-44%	10%B	-1.09	18.07	0.23%

Last Three years' Declaration Trend of NBFIs

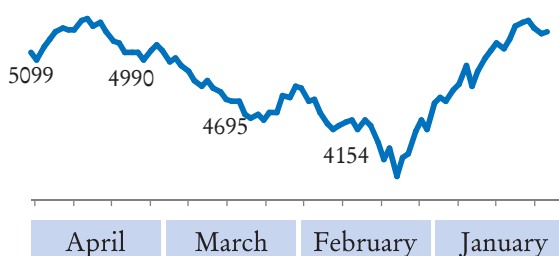
Ticker	2012		2011		2010	
	Stock %	Cash %	Stock %	Cash %	Stock %	Cash %
BAYLEASING	20	15	55	10	50	
BDFINANCE	10		22		20	
BIFC			25		22.5	
DBH			100		25	10
FASFIN	5		15		15	
FLEASEINT	20		25		75	
GSPFINANCE	10					
ICB			35	15	25	15
IDLC	25		65	35	100	10
ILFSL	5		60		75	
IPDC	10		10		10	
ISLAMICFIN	10		16		25	
LANKABAFIN	30		55		20	15
MIDASFIN			10		35	
NHFIL	20		10	10		17.5
PHOENIXFIN	30		35		30	
PLFSL			75		38.5	
PREMIERLEA	5		20		15	
PRIMEFIN	40		80		40	10
ULC	20	7.5	75	7.5	100	7.5
UNIONCAP	10	10	75		30	
UTTARAFIN	40		40		25	

Source: DSE Website

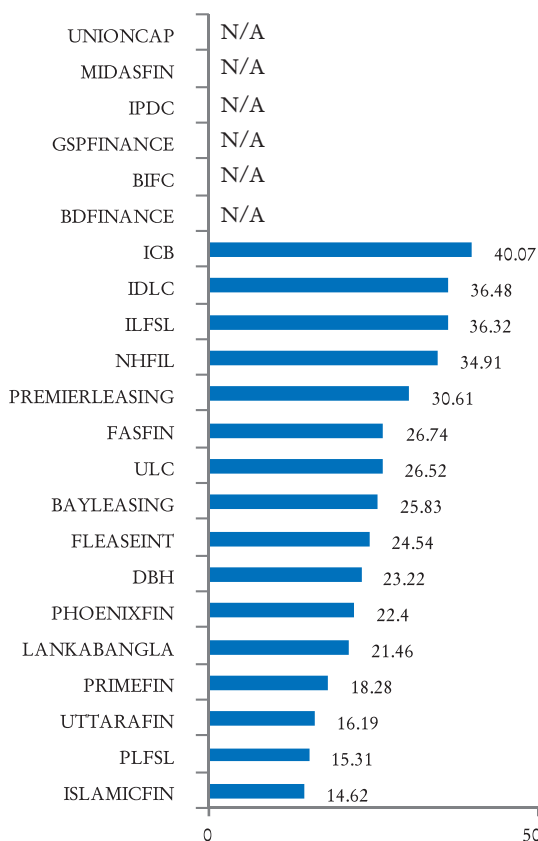
Capital Market Scenario

- Market has witnessed 38% decline during the year 2011. Coming into 2012, erratic volatility has continued.

DSE General Index-2012



Forward PE



*N/A = Earnings Negative or PE is Exceedingly High

Source: DSE Website

- Average turnover in 2011 has become one third of the highest turnover of 2010. Significant uptrend in the market seems less likely in the year 2012.

Future Growth Expectations

Average audited P/E of all the listed companies turned into 15 times compared to ever highest of 35 times in November 2010. Market is expected to bottom out in the year 2012. NBFIs are unlikely to see any significant capital gain in the year 2012.

We expect that next year large number of new IPOs will get listed in Stock Exchanges. Government has decided to divest its stake in SOEs. Securities and Exchange Commission has already approved several IPOs under fixed pricing method. It is expected to increase the volume level further. 20%-30% volume growth may prevail in future.

As the market is expected to experience a flat growth in incumbent year, NBFIs will struggle to generate any kind of major return from the market. Overall trading volume will also remain sluggish. As brokerage and proprietary investment profit consists of major portion (almost 70%) of income for NBFIs, overall profit growth will remain flat; even decline. In the traditional leasing and term financing business NBFIs facing severe liquidity constraint and competition from the banks. So, the gloomy market condition will be marked as a cautious year for the NBFIs.

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