

Third Quarter and Nine Months Financial Statements Announcement

The Directors of Singapore Finance Ltd are pleased to announce the third quarter and nine months financial statements on consolidated results for the period ended 30 September 2018. These figures have not been audited or reviewed by the Auditors.

1(a) Unaudited Group Results for the Third Quarter and Nine Months ended 30 September 2018

	3 rd Quarter Sep 2018	3 rd Quarter Sep 2017	+ / (-)	9 Months Sep 2018	9 Months Sep 2017	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income and hiring charges	6,529	7,682	(15.0)	20,593	23,027	(10.6)
Interest expense	(1,833)	(2,255)	(18.7)	(5,617)	(7,418)	(24.3)
Net interest and hiring charges	4,696	5,427	(13.5)	14,976	15,609	(4.1)
Fee and commission income	163	304	(46.4)	625	947	(34.0)
Dividend income	-	-	n.m.	15	100	(85.0)
Gain on sale of investments	-	-	n.m.	-	106	(100.0)
Other operating income	209	86	143.0	480	243	97.5
Income before operating expenses	5,068	5,817	(12.9)	16,096	17,005	(5.3)
Staff costs	(1,933)	(1,829)	5.7	(5,636)	(5,573)	1.1
Depreciation of property, plant and equipment	(207)	(157)	31.8	(543)	(483)	12.4
Other operating expenses	(954)	(1,221)	(21.9)	(3,216)	(4,152)	(22.5)
Total operating expenses	(3,094)	(3,207)	(3.5)	(9,395)	(10,208)	(8.0)
Profit from operations before impairment losses	1,974	2,610	(24.4)	6,701	6,797	(1.4)
Write-back/(Allowance) of impairment losses on loans and advances	1,963	(389)	(604.6)	891	181	392.3
Profit before tax	3,937	2,221	77.3	7,592	6,978	8.8
Tax expense	(666)	(377)	76.7	(1,281)	(1,183)	8.3
Profit after tax	3,271	1,844	77.4	6,311	5,795	8.9

n.m. – not meaningful

1(b) Earnings Per Share of the Group

	3 rd Quarter Sep 2018	3 rd Quarter Sep 2017	9 Months Sep 2018	9 Months Sep 2017
Annualised earnings per share (cents)				
- Basic	8.24	4.65	5.30	4.87
- Diluted	8.24	4.65	5.30	4.87

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 158,685,890 for the periods ended 30 September 2018 and 2017.

There are no potential dilutive ordinary shares for the periods ended 30 September 2018 and 2017.

1(c) Unaudited Group Statement of Comprehensive Income for the Third Quarter and Nine Months ended 30 September 2018

	3rd Quarter Sep 2018	3 rd Quarter Sep 2017	+ / (-)	9 Months Sep 2018	9 Months Sep 2017	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	3,271	1,844	77.4	6,311	5,795	8.9
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Net change in fair value of available- for-sale investments ⁽¹⁾	NA	(486)	n.m.	NA	889	n.m.
Net change in fair value of available- for-sale investments reclassified to profit or loss on disposal ⁽¹⁾	NA	-	n.m.	NA	(106)	n.m.
Net change in fair value of investments measured at FVOCI ⁽¹⁾	97	NA	n.m.	(1,411)	NA	n.m.
Tax on items that may be reclassified subsequently to profit or loss	(16)	83	n.m.	240	(133)	n.m.
Other comprehensive income for the period, net of tax	81	(403)	n.m.	(1,171)	650	n.m.
Total comprehensive income for the period	3,352	1,441	132.6	5,140	6,445	(20.2)

n.m. – not meaningful

NA – Not Applicable

⁽¹⁾ Following the change in the classification and measurement requirements of financial assets in applying SFRS(I) 9 *Financial Instruments* with effect from 1 January 2018, available-for-sale investments in the prior period comparatives are now presented as investments measured at Fair Value through Other Comprehensive Income (“FVOCI”).

2(a) Balance Sheets

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	93,759	137,628	93,609	137,434
Statutory deposit with the Monetary Authority of Singapore	17,468	20,778	17,468	20,778
Investments	106,617	161,013	106,617	161,013
Loans and advances	693,943	746,689	693,943	746,689
Others receivables, deposits and prepayments	1,663	2,063	1,651	2,058
Subsidiaries	-	-	125	125
Property, plant and equipment	8,033	7,902	8,033	7,902
Deferred tax assets	253	27	253	27
Total assets	921,736	1,076,100	921,699	1,076,026
Equity				
Share capital	168,896	168,896	168,896	168,896
Reserves	86,125	85,100	84,017	83,074
Total equity attributable to owners of the Company	255,021	253,996	252,913	251,970
Liabilities				
Deposits and savings accounts of customers	657,602	808,278	659,892	810,445
Trade and other payables	5,694	10,548	5,480	10,336
Current tax liabilities	1,978	1,910	1,973	1,907
Staff retirement gratuities	1,441	1,368	1,441	1,368
Total liabilities	666,715	822,104	668,786	824,056
Total equity and liabilities	921,736	1,076,100	921,699	1,076,026

2(b) Net Asset Value

Net asset value per ordinary share (\$)	1.61	1.60	1.59	1.59
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The net asset value per share is calculated based on the number of shares of 158,685,890 ordinary shares in issue at the end of 30 September 2018 and 31 December 2017.

3. Consolidated Cash Flow Statement

	3 rd Quarter Sep 2018	3 rd Quarter Sep 2017	9 Months Sep 2018	9 Months Sep 2017
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit for the period	3,271	1,844	6,311	5,795
<u>Adjustments for:-</u>				
Depreciation of property, plant and equipment	207	157	543	483
Bad Debts (recovered)/written off	-	(5)	24	2
(Write-back)/Allowance of impairment losses on loans and advances	(1,963)	389	(891)	(181)
Property, plant and equipment written off	2	-	16	-
Gain on sale of investments	-	-	-	(106)
Dividend income	-	-	(15)	(100)
Staff retirement gratuity	24	23	73	69
Tax expense	666	377	1,281	1,183
	2,207	2,785	7,342	7,145
<u>Changes in working capital:</u>				
Statutory deposit with Monetary Authority of Singapore	414	326	3,310	1,856
Loans and advances	9,537	6,756	54,259	66,393
Other receivables, deposits and prepayments	255	336	400	863
Deposits and savings accounts of customers	(30,406)	7,496	(150,676)	(10,247)
Trade and other payables	(1,577)	(295)	(4,854)	(2,538)
Cash (used in)/from operations	(19,570)	17,404	(90,219)	63,472
Taxes paid	(597)	(615)	(1,197)	(1,239)
Net cash flows (used in)/from operating activities	(20,167)	16,789	(91,416)	62,233
Cash flows from investing activities				
Dividends received	-	-	15	100
Purchase of property, plant and equipment	(191)	(81)	(690)	(210)
Purchase of investments	(141,810)	(145,179)	(421,307)	(292,957)
Proceeds from sale and maturity of investments	168,776	119,961	474,290	251,551
Net cash flows from/(used in) investing activities	26,775	(25,299)	52,308	(41,516)
Cash flows from financing activities				
Dividends paid	-	-	(4,761)	(3,174)
Net cash flows used in financing activities	-	-	(4,761)	(3,174)
Net increase/(decrease) in cash and cash equivalents	6,608	(8,510)	(43,869)	17,543
Cash and cash equivalents at beginning of period	87,151	162,842	137,628	136,789
Cash and cash equivalents at end of period	93,759	154,332	93,759	154,332

4(a) Statements of Changes in Equity – Group

	Share Capital	Capital Reserve	Regulatory Loss Allowance Reserve	Statutory Reserve	Fair Value Reserve	General Reserve	Accumulated Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Group								
At 31 Dec 2017	168,896	1,353	-	65,488	309	730	17,220	253,996
Effect of adopting new accounting standard	-	-	-	-	-	-	646	646
Restated balance as at 1 Jan 2018	168,896	1,353	-	65,488	309	730	17,866	254,642
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	3,040	3,040
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI	-	-	-	-	(1,508)	-	-	(1,508)
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	-	256	-	-	256
Total other comprehensive income	-	-	-	-	(1,252)	-	-	(1,252)
Total comprehensive income for the period	-	-	-	-	(1,252)	-	3,040	1,788
Transaction with owners, recorded directly in equity								
Final dividend paid of 2 cents per share and Special dividend paid of 1 cent in respect of year 2017	-	-	-	-	-	-	(4,761)	(4,761)
Total transactions with owners	-	-	-	-	-	-	(4,761)	(4,761)
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	-	-	945	-	-	-	(945)	-
At 30 Jun 2018	168,896	1,353	945	65,488	(943)	730	15,200	251,669
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	3,271	3,271
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI	-	-	-	-	97	-	-	97
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	-	(16)	-	-	(16)
Total other comprehensive income	-	-	-	-	81	-	-	81
Total comprehensive income for the period	-	-	-	-	81	-	3,271	3,352
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	-	-	1,210	-	-	-	(1,210)	-
At 30 Sep 2018	168,896	1,353	2,155	65,488	(862)	730	17,261	255,021

FVOCI - Fair Value through Other Comprehensive Income

4(a) Statements of Changes in Equity – Group (cont'd)

	Share Capital \$'000	Capital Reserve \$'000	Statutory Reserve \$'000	Fair Value Reserve \$'000	General Reserve \$'000	Accumulated Profits \$'000	Total \$'000
The Group							
At 1 Jan 2017	168,896	1,353	63,058	(69)	730	17,917	251,885
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,951	3,951
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	1,375	-	-	1,375
Net change in fair value of available-for-sale investments reclassified to profit or loss on disposal	-	-	-	(106)	-	-	(106)
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	(216)	-	-	(216)
Total other comprehensive income	-	-	-	1,053	-	-	1,053
Total comprehensive income for the period	-	-	-	1,053	-	3,951	5,004
Transaction with owners, recorded directly in equity							
Final dividend paid of 2 cents per share in respect of year 2016	-	-	-	-	-	(3,174)	(3,174)
At 30 Jun 2017	168,896	1,353	63,058	984	730	18,694	253,715
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,844	1,844
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	(486)	-	-	(486)
Net change in fair value of available-for-sale investments reclassified to profit or loss on disposal	-	-	-	-	-	-	-
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	83	-	-	83
Total other comprehensive income	-	-	-	(403)	-	-	(403)
Total comprehensive income for the period	-	-	-	(403)	-	1,844	1,441
At 30 Sep 2017	168,896	1,353	63,058	581	730	20,538	255,156

4(b) Statements of Changes in Equity – Company

	Share Capital	Capital Reserve	Regulatory Loss Allowance Reserve	Statutory Reserve	Fair Value Reserve	General Reserve	Accumulated Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Company								
At 31 Dec 2017	168,896	1,353	-	65,488	309	730	15,194	251,970
Effect of adopting new accounting standard	-	-	-	-	-	-	646	646
Restated balance as at 1 Jan 2018	168,896	1,353	-	65,488	309	730	15,840	252,616
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	2,988	2,988
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI	-	-	-	-	(1,508)	-	-	(1,508)
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	-	256	-	-	256
Total other comprehensive income	-	-	-	-	(1,252)	-	-	(1,252)
Total comprehensive income for the period	-	-	-	-	(1,252)	-	2,988	1,736
Transaction with owners, recorded directly in equity								
Final dividend paid of 2 cents per share and Special dividend paid of 1 cent in respect of year 2017	-	-	-	-	-	-	(4,761)	(4,761)
Total transactions with owners	-	-	-	-	-	-	(4,761)	(4,761)
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	-	-	945	-	-	-	(945)	-
At 30 Jun 2018	168,896	1,353	945	65,488	(943)	730	13,122	249,591
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	3,241	3,241
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI	-	-	-	-	97	-	-	97
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	-	(16)	-	-	(16)
Total other comprehensive income	-	-	-	-	81	-	-	81
Total comprehensive income for the period	-	-	-	-	81	-	3,241	3,322
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	-	-	1,210	-	-	-	(1,210)	-
At 30 Sep 2018	168,896	1,353	2,155	65,488	(862)	730	15,153	252,913

FVOCI - Fair Value through Other Comprehensive Income

4(b) Statements of Changes in Equity – Company (cont'd)

	Share Capital \$'000	Capital Reserve \$'000	Statutory Reserve \$'000	Fair Value Reserve \$'000	General Reserve \$'000	Accumulated Profits \$'000	Total \$'000
<u>The Company</u>							
At 1 Jan 2017	168,896	1,353	63,058	(69)	730	15,942	249,910
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,930	3,930
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	1,375	-	-	1,375
Net change in fair value of available-for-sale investments reclassified to profit or loss on disposal	-	-	-	(106)	-	-	(106)
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	(216)	-	-	(216)
Total other comprehensive income	-	-	-	1,053	-	-	1,053
Total comprehensive income for the period	-	-	-	1,053	-	3,930	4,983
Transaction with owners, recorded directly in equity							
Final dividend paid of 2 cents per share in respect of year 2016	-	-	-	-	-	(3,174)	(3,174)
At 30 Jun 2017	168,896	1,353	63,058	984	730	16,698	251,719
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,837	1,837
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	(486)	-	-	(486)
Net change in fair value of available-for-sale investments reclassified to profit or loss on disposal	-	-	-	-	-	-	-
Tax on items that may be reclassified subsequently to profit or loss	-	-	-	83	-	-	83
Total other comprehensive income	-	-	-	(403)	-	-	(403)
Total comprehensive income for the period	-	-	-	(403)	-	1,837	1,434
At 30 Sep 2017	168,896	1,353	63,058	581	730	18,535	253,153

- 5 Group's borrowings and debt securities as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding financial year.**

Nil.

- 6 Changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported.**

Nil.

- 7 Number of shares held as treasury shares and the number of subsidiary holdings as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding financial year.**

Nil.

- 8 Sales, transfers, cancellation and/or use of treasury shares and subsidiary holdings as at the end of the financial period.**

Not applicable. During the financial period, no shares were held as treasury shares and there were no subsidiary holdings.

9 Accounting Policies

For the current financial year, the Group have adopted all the relevant new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which came into effect from 1 January 2018. The initial adoption of SFRS(I) does not have a material impact on the Group's financial statements except SFRS(I) 9 *Financial Instruments*.

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model ("ECL") for calculating impairment of financial assets, and new hedge accounting requirements. There is no material impact in the area of classification and measurement of financial instruments and the Group does not apply any hedge accounting.

Based on the ECL model under SFRS(I) 9, there was a reversal/decrease \$0.6 million in the opening balance of allowances for loan losses as at 1 January 2018, with a corresponding credit/increase to accumulated profits.

In addition, a revised regulatory requirement of maintaining Minimum Regulatory Loss Allowance ("MRLA") for non-credit-impaired exposures became effective on the same date as SFRS(I) 9. If allowances under SFRS(I) 9 falls below the MRLA, the Group will be required to set up a non-distributable Regulatory Loss Allowance Reserve ("RLAR") to set aside the additional amount required.

Except as described above, the accounting policies and methods of computation used in the financial statements for the period under review are consistent with those applied in the audited financial statements for the year ended 31 December 2017.

10 Review of the Performance of the Company and its Principal Subsidiaries

The Group's profit from operations before allowances declined by 24.4% to \$2.0 million for the quarter under review compared to \$2.6 million for the previous corresponding quarter. Total income slipped by \$0.7 million or 12.9% cushioned by a decline of \$0.1 million or 3.5% in total operating expenses.

Total income declined mainly due to lower net interest income. Net interest income contracted by \$0.7 million or 13.5% as the decrease in interest income and hiring charges primarily due to lower loan volume outpaced the drop in interest costs. Total operating expenses were well managed with the decline coming largely from other operating expenses.

For the nine months ended 30 September 2018, the Group's operating profit before allowances was \$6.7 million, compared to \$6.8 million during the same period last year. Total income contracted by \$0.9 million or 5.3% compared to the same period last year mainly due to lower net interest income. This is cushioned by a decline in operating expenses by \$0.8 million or 8.0% owing to the strict discipline in the management of operating costs in the light of lower interest income.

Net write back on allowances for loan impairment losses amounted to \$0.9 million for the nine months ended 30 September 2018 compared to \$0.2 million for the same period last year. The Group continues to set aside adequate impairment allowances for its loan portfolio.

In compliance with the revised regulatory requirement for loan allowance, there was an additional transfer of \$1.2 million from the accumulated profit to the Regulatory Loss Allowance Reserve for the quarter under review, bringing the total transfer for the nine months ended 30 September 2018 to \$2.2 million. The transfers are reflected in the Statement of Changes in the Equity.

The Group registered a profit after tax of \$6.3 million for the nine months ended 30 September 2018, an improvement of \$0.5 million or 8.9% compared to the same period last year.

Loans and advances dipped 7.1% to \$694 million as at 30 September 2018 compared to \$747 million as at 31 December 2017. In tandem with the lower loan balance, total customers' deposits was managed downwards by 18.6% to \$658 million as at 30 September 2018 compared to \$808 million as at 31 December 2017.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which is likely to affect substantially the results of the operations of the Group and the Company in the interval between the end of the financial period and the date of this announcement.

11 Comments on Significant Trends and Competitive Conditions in the Industry

Based on the Ministry of Trade and Industry (MTI)'s advance GDP estimates on 12 October 2018, the Singapore economy grew by 2.6% on a year-on-year basis in the third quarter of 2018, moderating from the 4.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 4.7%, faster than the 1.2% growth in the preceding quarter.

Looking ahead, slower growth is expected in the last quarter of 2018 as the latest cooling measures by the Government in July 2018 dampen the market sentiment of residential property market. Cognizant of the potential headwinds of rising trade tensions, slower growth and higher interest rate outlook, the Group will continue to be prudent in our credit granting criteria and be proactive in our management of interest margin and operating expenses.

12(a) Interim Dividend Recommended for Current Financial Period

Nil.

12(b) Interim Dividend Recommended for Previous Corresponding Period

Nil.

13 Shareholders' mandate for Interested Party Transactions

The Group has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

14 The Company confirms that it has procured the undertakings required under Rule 720(1) from all its directors and executive officers.

15 Negative Confirmation by the Board pursuant to Rule 705(5)

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the quarter and nine months ended 30 September 2018 financial results to be false or misleading in any material aspect.

16 Other Matters

Nil.

On behalf of the Board of Directors

Teo Chiang Long
Director

Tan Hui Keng, Martha
Director

By Order of the Board
Ngiam May Ling
Company Secretary

9 November 2018