Issuer: Singapura Finance Ltd
Security: Singapura Finance Ltd

Meeting details:
Date: 28 April 2017
Time: 11:00H
Venue: 391A Orchard Road, Tower A, #26-00, Ngee Ann City, Singapore 238873

Company Description

Singapura Finance Ltd engages in the financing business in Singapore. The company provides personal banking products, such as deposit products, including fixed deposits and safe deposit boxes, as well as savings accounts; and loan products comprising housing, pleasure craft, land and construction, car, gold share, and WISE share loans. It also offers corporate banking services consisting of commercial and industrial property, equipment loan/lefs scheme, dealership financing, vehicle financing, vessels financing, and block discounting services, as well as call/fixed deposits. In addition, the company provides nominee, and estate agency and management services. Singapura Finance Ltd was incorporated in 1950 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S23)

Q1. The company carried out a one-for-one rights issue in December 2014 to raise $78.3 million. The net proceeds from the rights issue was fully utilised towards the expansion of the company's loan portfolio.

Since then, the performance of the group has been mixed. Some of the key metrics and financial ratios are shown in the table below.

	Audited 18 months 31 Dec 2016 S$'000	Audited 18 months 31 Dec 2015 S$'000	Audited 12 months 31 June 2015 S$'000	Audited 12 months 31 Jun 2014 S$'000
Net assets per share (dollars)	1.59	1.56	1.57	2.15
Loans before allowances	851,588	946,856	945,603	801,340
Deposits	856,928	946,937	978,143	847,330
Profit after tax	3,900	5,713	4,543	5,795
Dividend	3,174	3,174	3,174	3,967
Dividend per share (cents) – tax exempt one-tier	2.0	2.0	2.0	5.0
Earnings per share (cents)	2.5	4.1	3.5	6.1
Cost-to-income ratio (%)	71.2	72.8	71.0	66.0
Non-performing loans ratio – Secured by collateral (%)	2.4	2.3	2.3	1.3
Return on equity (%)	1.5	2.3	1.8	3.4
Return on total assets (%)	0.3	0.5	0.4	0.6

(Source: Singapura Finance Ltd Annual Reports)
* highlighted cells represent the least favourable in the 4 periods under comparison

As noted in the Corporate Governance report (page 13), one of the board's primary functions is to review management performance.

a) **Can shareholders hear from the board, especially the independent directors individually, their professional assessment of the performance of the group over the last three years?**

b) **Does the board think that a strategic review of the group's performance and operations would be useful?**

Q2. In February 2017, the Monetary Authority of Singapore eased the rules on finance companies. With the liberalisation, finance companies are able to offer current account and chequing services to their business customers, tap into the electronic payment networks, including Inter-bank GIRO, Fast and Secure Transfers (FAST) and offer uncollateralised business loans of up to 25% of its capital funds (subjected to a single borrower limit of 0.5% of capital funds).

a) **Can management help shareholders understand how these changes will impact the group's current business model?**

b) **Has the board and management reviewed the group's strategic future with respect to the new opportunities presented by the liberalisation?**

c) **How does the group intend to tap into the new opportunities?**

d) **Will the company be exploring strategic partnerships and innovative business models that can strengthen the group's SME financing business?**

Q3. The group's total allowance for loan losses is $13.2 million as at 31 December 2016. The adequacy of allowance for loan losses was identified as a key audit matter in the independent auditors' report (page 34) as it involves a considerable degree of judgement in assessing the adequacy of the allowances.

In Note 6 (page 57 – Loans and advances), the charge in the specific allowance increased from $0.719 million in 2015 to $7.591 million in 2016. The balance for specific allowance, after write-back and write-offs, stood at $4.7 million in 2016, compared to $0.67 million in 2015.

Total allowances for loan losses increased from $10.1 million to $13.2 million, partly as a result of lower collective allowance due to the lower loan.

a) **Can management provide more clarity into the charge of $7.591 million in specific allowances in 2016? What were the circumstances that led to disproportionally large increases in the allowance?**

b) **Does the group have sufficient collateral against these individually impaired loans and advances?**

c) **Can management help shareholders understand which were the sectors that experienced significant charge specific allowances in 2016?**