Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Singapura Finance Ltd

Stock code: S23

Meeting details:
Date: 19 April 2023
Time: 11.00 a.m.
Venue: 391A Orchard Road, Tower A, #26-00, Ngee Ann City, Singapore 238873

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Q1. For the financial year ended 31 December 2022, the group recorded a profit after tax of $8.3 million, a decline of 13.2% from $9.6 million in FY2021.

Net interest income and hiring charges were $1.62 million or 6.6% higher at $26.2 million, compared to $24.6 million last year. However, amidst a higher interest rate environment. interest expense increased sharply by $2.8 million or 56.3% to $7.9 million.

Profit from operations before allowances, profit after tax and total comprehensive income decreased by 9.2%, 13.2% and 46.9% to $11.6 million, $8.3 million and $2.2 million respectively.

Can the board/management help shareholders better understand the following operational and financial matters? Specifically:

(i) **Loans-to-deposits ratio:** The group's total loan, net of allowances, decreased 5.7% to $844 million as at 31 December 2022. Customers' deposits were actively managed downwards by 1.6% to $894 million. The loans-to-deposits ratio stands at 94.5%, down from 98.7%. **Can management help shareholders better understand if the loan book was actively managed down to reduce the group's exposure based on its economic outlook? What is the optimal loans-to-deposits ratio given the current macroeconomic conditions?**

(ii) **Net interest margin (NIM):** NIM increased from 2.16% to 2.35%. **What is management's view of the trend of interest rate? What is management's strategy to maintain or increase NIM?**

(iii) **Non-audit fees: Why have the non-audit fees doubled to $77,000?**

(iv) **Credit committees:** The group has two management committees assisting in the management of credit risk, namely Credit Control Committee (CCC) and Credit Portfolio Committee (CPC). The CCC reviews delinquent accounts and makes decisions on recovery actions while the CPC manages risk on a portfolio-wide basis and recommends alternative portfolio strategies, analyses the results of portfolio management actions, and develops portfolio limits for each portfolio segment for approval by the Risk Management Committee (RMC). **Who are the members of the CCC and CPC? What is the NPL ratio in 2022? What guidance has the board provided to management with regard to bringing down the NPL ratio?**

(v) **Credit risk:** Housing loans secured by property was the only sector that was an increase in outstanding loans and advances (page 109). As at 31 December 2022, loans increased from $163.9 million to $195.6 million, which in terms of percentage of total loan book it has increased from 18.2% to 23.0%. **What is management's view of the Singapore real estate market? What is the average loan-to-value ratio?**

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Q2. As noted in the corporate governance report, to assess board performance, the nominating committee (NC) carries out its assessment annually using objective and appropriate quantitative and qualitative criteria.

The quantitative criteria used to evaluate the overall board performance comprises performance indicators which include a comparison of the company's performance for the financial period under review against the performance of the company and industry peers for the corresponding period over the past five years and the longer-term indicators such as the company's total shareholder return over a five-year period.

(i) **What are the findings from the assessment of the board and board committees?**

(ii) **What is the total shareholder return for the past 3 years, 5 years, and 10 years?**

Specifically, when the company carried a rights issue on the basis of one rights share for every one existing ordinary share in the capital of the company in 2014, it was to strengthen the capital base of the company and to better position the company to take advantage of opportunities for business growth.

(iii) **Can the board help shareholders understand the total shareholder return achieved by investors who participated in the rights issue in 2014? How much would $1 invested in the company during the rights issue be worth today?**

(iv) **What is the relative performance of the company as compared to other SGX-listed finance companies? Has the board analysed the reasons for the underperformance?**

(v) The company's cost-to-income stands at 57.2% in 2022. In contrast, the two other finance companies had cost-to-income ratios of 38.2% and 42.7%. **Did the board/remuneration committee analyse the company's remuneration framework and incentive systems and assess if the level and structure of remuneration are in line with the market, and appropriate and proportionate to the sustained performance and value creation of the group?**

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Q3. In Note 20 (Related parties: Key management personnel compensation; page 102), an amount of $750,000 is recognised as "Directors ex-gratia".

Related parties

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2022	2021
	$'000	$'000
Directors' fees	**480**	540
Directors ex-gratia	**750**	–
Short-term employee benefits	**1,812**	1,610
Post-employment benefits	**108**	104

(Source: company annual report; emphasis added)

However, in the disclosure of the remuneration of directors, it is not clear who the recipient of the directors ex-gratia. Note (a) further stated that no staff retirement gratuity and termination benefits were paid to any directors during 2022.

Disclosure of the remuneration of Directors and Key Management Personnel (Provisions 8.1 and 8.3)
Remuneration of Directors

Details of Directors' remuneration for FY2022 is set out below. The disclosure is provided to enable a better understanding of the link between the remuneration paid to Directors, CEO and KMP and the performance of the individual and the Group. The criteria in setting the remuneration are disclosed under Principle 7 above.

Directors	Base Salary & Employer's CPF	Bonus/ Allowances	Other Benefits [a]	Board/Board Committee Fees [b]	Total
	%	%	%	%	%
$750,000 to below $1,000,000					
Teo Chiang Long	52.58	37.98	2.60	6.84	100
$500,000 to below $750,000					
Jamie Teo Miang Yeow	59.33	28.59	2.87	9.21	100
Below $250,000					
Teoh Eng Hong	–	–	–	100	100
William Ho Ah Seng	–	–	–	100	100
Yu-Foo Yee Shoon	–	–	–	100	100
Tan Hui Keng, Martha	–	–	–	100	100
Adam Tan Chin Han	–	–	–	100	100
Terence Khoo Chi Siang	–	–	–	100	100

Notes:

(a) These relate to provision for long-term incentive scheme, staff retirement gratuity. No staff retirement gratuity and termination benefits were paid to any Directors during FY2022.

(b) These fees comprise Directors' fees for FY2022 which are subject to approval by shareholders as a lump sum at the forthcoming AGM.

(Source: company annual report)

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(i) **Can the company clarify the payment of $750,000 as "Directors ex-gratia"?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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