

THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

Third quarter and nine months financial statements on consolidated results for the period ended 30 September 2018. These figures have not been audited.

1(a)(i) Unaudited Consolidated Statement of Profit or Loss for the Quarter and Nine Months Ended 30 September 2018

	3rd Qtr 2018	3rd Qtr 2017	+ / (-) %	9 months 2018	9 months 2017	+ / (-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
Interest income and hiring charges	19,300	17,758	8.7	55,685	53,558	4.0
Interest expense	(7,666)	(6,452)	18.8	(20,605)	(21,036)	(2.0)
Net interest income and hiring charges	11,634	11,306	2.9	35,080	32,522	7.9
Fees and commissions	365	205	77.7	861	657	31.0
Dividends	26	66	(60.7)	121	140	(13.3)
Rental income from investment properties	825	811	1.7	2,456	2,515	(2.3)
Other income	45	53	(14.5)	373	2,762	(86.5)
Income before operating expenses	12,895	12,441	3.6	38,891	38,595	0.8
Staff costs	(3,866)	(3,721)	3.9	(11,185)	(10,884)	2.8
Depreciation of property, plant and equipment	(274)	(157)	74.5	(771)	(496)	55.4
Depreciation of investment properties	(94)	(94)	(0.4)	(283)	(283)	(0.0)
Other operating expenses	(2,038)	(1,857)	9.7	(5,748)	(5,365)	7.1
Total Operating Expenses	(6,272)	(5,830)	7.6	(17,987)	(17,028)	5.6
Profit from operations before impairment losses	6,623	6,612	0.2	20,904	21,567	(3.1)
Write-back/(Allowances for) of impairment losses on loans and advances	0	(340)	NM	393	(1,478)	NM
Profit before income tax	6,623	6,272	5.6	21,297	20,090	6.0
Income tax expense	(1,103)	(1,107)	(0.4)	(3,568)	(3,325)	7.3
Profit for the period attributable to equity holders of the Company	5,520	5,164	6.9	17,729	16,765	5.8

NM: Not Meaningful

1(a)(ii) Earnings Per Share of the Group

	3rd Qtr 2018	3rd Qtr 2017	9 months 2018	9 months 2017
Annualised earnings per share (cents)				
- Basic	14.01	13.11	15.00	14.18
- Diluted	14.01	13.11	15.00	14.18

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 157,625,764 (30 September 2017: 157,625,764) shares.

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

1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter and Nine Months Ended 30 September 2018

	3rd Qtr 2018	3rd Qtr 2017	+/(-) %	9 months 2018	9 months 2017	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	5,520	5,164	6.9	17,729	16,765	5.8
<u>Other comprehensive income</u>						
Items that will not be reclassified subsequently to profit or loss						
Net change in fair value of Equity Investments at FVOCI	486	73	NM	318	678	(53.1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(83)	(12)	NM	(54)	(115)	(53.0)
	403	61	NM	264	563	(53.1)
Items that may be reclassified subsequently to profit or loss						
Net change in fair value of Debt Investments at FVOCI	(7)	(1,290)	(99.5)	(5,279)	2,412	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	1	219	(99.5)	897	(410)	NM
	(6)	(1,071)	(99.4)	(4,382)	2,002	NM
Other comprehensive income for the period - net of tax	397	(1,010)	NM	(4,118)	2,565	NM
Total comprehensive income for the period	5,917	4,154	42.4	13,611	19,330	(29.6)

NM: Not meaningful

FVOCI: Fair Value through Other Comprehensive Income

2(a) Statements of Financial Position as at 30 September 2018

	Group		Company	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash on deposit, at banks and in hand	272,459	250,568	272,403	250,499
Other assets	5,879	6,650	5,879	6,650
Investments	292,212	259,775	291,844	259,448
Loans and advances due within twelve months	402,290	420,155	402,290	420,155
Statutory deposit with the Monetary Authority of Singapore ("MAS")	61,579	55,057	61,579	55,057
Total current assets	1,034,419	992,205	1,033,995	991,809
Non-current assets				
Property, plant and equipment	21,375	17,044	21,375	17,044
Investment properties	23,035	23,319	23,035	23,319
Subsidiary	-	-	25	25
Loans and advances due after twelve months	1,672,069	1,489,106	1,672,069	1,489,106
Total non-current assets	1,716,479	1,529,469	1,716,504	1,529,494
Total assets	2,750,898	2,521,674	2,750,499	2,521,303
LIABILITIES AND EQUITY				
Current liabilities				
Deposits and balances of customers	2,354,899	2,141,763	2,355,654	2,142,512
Other liabilities	26,489	31,452	26,016	30,958
Enterprise Singapore loans due within twelve months (unsecured)	2,816	1,660	2,816	1,660
Provision for employee benefits	254	254	254	254
Current tax payable	4,103	3,690	4,103	3,690
Total current liabilities	2,388,561	2,178,819	2,388,843	2,179,074
Non-current liabilities				
Enterprise Singapore loans due after twelve months (unsecured)	4,392	2,963	4,392	2,963
Deferred tax liabilities	4,099	2,169	4,047	2,122
Total non-current liabilities	8,491	5,132	8,439	5,085
Total liabilities	2,397,052	2,183,951	2,397,282	2,184,159
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	173,838	157,715	173,209	157,136
Total equity	353,846	337,723	353,217	337,144
Total liabilities and equity	2,750,898	2,521,674	2,750,499	2,521,303
Off-balance sheet items				
Undrawn loan commitments	531,494	407,424	531,494	407,424
Guarantees issued	2,301	3,481	2,301	3,481
Total off-balance sheet items	533,795	410,905	533,795	410,905
2(b) Net asset value per ordinary share (\$)	2.24	2.14	2.24	2.14

The net asset value per ordinary share of the Group and of the Company is calculated based on the net assets of the Group and of the Company and the number of ordinary shares in issue of 157,625,764 (31 December 2017: 157,625,764) shares.

3 Consolidated Statement of Cash Flows for the Quarter and Nine Months Ended 30 September 2018

	3rd Qtr 2018	3rd Qtr 2017	9 months 2018	9 months 2017
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit before income tax	6,623	6,272	21,297	20,090
Adjustments for:				
Impact of accrual of interest income	1,606	1,254	1,540	2,902
Impact of accrual of interest expense	(1,406)	72	(3,148)	(57)
Depreciation of property, plant and equipment	274	157	771	496
Depreciation of investment properties	94	94	283	283
(Write-back of) / Allowances for impairment losses on loans and advances	-	340	(393)	1,478
Gain on disposal of investments	-	-	-	(2,426)
Dividends	(26)	(66)	(121)	(139)
Operating cash flows before movements in working capital	7,165	8,123	20,229	22,626
Changes in working capital				
Other assets	(41)	(709)	(524)	(736)
Loans and advances	(116,975)	9,028	(148,385)	55,631
Statutory deposits with the MAS	(4,274)	(719)	(6,523)	2,600
Deposits and balances of customers	143,536	74,532	214,629	(162,297)
Other liabilities	(1,077)	1,266	(3,308)	(8,009)
Enterprise Singapore loans	141	(208)	2,585	1,821
Cash (used in) generated from operating activities	28,475	91,313	78,703	(88,364)
Income taxes paid	(1,352)	(1,040)	(3,155)	(2,429)
Net cash used in operating activities	27,123	90,273	75,548	(90,793)
Investing activities				
Purchase of property, plant and equipment and investment properties	(4,719)	(43)	(5,101)	(58)
Dividends received	26	66	102	128
Purchase of investments	(99,802)	(85,251)	(299,804)	(152,943)
Proceeds from disposal and maturity of investments	82,180	70,000	262,180	154,426
Net cash generated from (used in) investing activities	(22,315)	(15,228)	(42,623)	1,553
Financing activities				
Dividend paid	-	-	(11,034)	(7,881)
Net cash used in financing activities	-	-	(11,034)	(7,881)
Net decrease in cash and cash equivalents	4,808	75,045	21,891	(97,121)
Cash and cash equivalents at beginning of the period	267,651	233,587	250,568	405,753
Cash and cash equivalents at end of the period	272,459	308,632	272,459	308,632

Note

The high cash movements for investments related to the replacements of short-term one-month MAS Bills, which form part of the liquid assets to be maintained for regulatory purposes.

4 Statements of Changes in Equity

Group	Share capital \$'000	Statutory reserve \$'000	Regulatory	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
			Loss Allowance Reserve \$'000			
2018						
Balance at 31 December 2017	180,008	104,960		9,731	43,024	337,723
Adjustment on initial application of SFRS(I) 9	-	-		-	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	-	-	4,230	-	(4,230)	-
Balance at 1 January 2018	180,008	104,960	4,230	9,731	52,340	351,269
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,184	6,184
Other comprehensive income for the period - net	-	-	-	(2,554)	-	(2,554)
Total	-	-	-	(2,554)	6,184	3,630
Transfer to Regulatory Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	7,177	58,202	354,899
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,025	6,025
Other comprehensive income for the period - net	-	-	-	(1,961)	-	(1,961)
Total	-	-	-	(1,961)	6,025	4,064
Transfer to Regulatory Loss Allowance Reserve	-	-	758	-	(758)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2018	180,008	104,960	5,310	5,216	52,435	347,929
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,520	5,520
Other comprehensive income for the period - net	-	-	-	397	-	397
Total	-	-	-	397	5,520	5,917
Transfer to Regulatory Loss Allowance Reserve	-	-	342	-	(342)	-
Balance at 30 September 2018	180,008	104,960	5,652	5,613	57,613	353,846
Balance at 1 January 2017	180,008	99,288	-	6,736	33,881	319,914
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,587	5,587
Other comprehensive income for the period - net	-	-	-	3,938	-	3,938
Total	-	-	-	3,938	5,587	9,526
Balance at 31 March 2017	180,008	99,288	-	10,674	39,469	329,440
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,013	6,013
Other comprehensive income for the period - net	-	-	-	(363)	-	(363)
Total	-	-	-	(363)	6,013	5,650
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2016 of 5 cents per share	-	-	-	-	(7,881)	(7,881)
Balance at 30 June 2017	180,008	99,288	-	10,311	37,600	327,208
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,164	5,164
Other comprehensive income for the period - net	-	-	-	(1,010)	-	(1,010)
Total	-	-	-	(1,010)	5,164	4,154
Balance at 30 September 2017	180,008	99,288	-	9,301	42,765	331,362

4 Statements of Changes in Equity

Company	Share capital \$'000	Statutory reserve \$'000	Regulatory	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
			Loss Allowance Reserve \$'000			
2018						
Balance at 31 December 2017	180,008	104,960		9,510	42,666	337,144
Adjustment on initial application of SFRS(I) 9	-	-		-	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	-	-	4,230	-	(4,230)	-
Balance at 1 January 2018	180,008	104,960	4,230	9,510	51,982	350,690
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,184	6,184
Other comprehensive income for the period - net	-	-	-	(2,560)	-	(2,560)
Total	-	-	-	(2,560)	6,184	3,624
Transfer to Regulatory Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	6,950	57,844	354,314
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,016	6,016
Other comprehensive income for the period - net	-	-	-	(1,988)	-	(1,988)
Total	-	-	-	(1,988)	6,016	4,028
Transfer to Regulatory Loss Allowance Reserve	-	-	758	-	(758)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2018	180,008	104,960	5,310	4,962	52,068	347,308
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,513	5,513
Other comprehensive income for the period - net	-	-	-	396	-	396
Total	-	-	-	396	5,513	5,909
Transfer to Regulatory Loss Allowance Reserve	-	-	342	-	(342)	-
Balance at 30 September 2018	180,008	104,960	5,652	5,358	57,239	353,217
Balance at 1 January 2017	180,008	99,288	-	6,490	33,536	319,323
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,587	5,587
Other comprehensive income for the period - net	-	-	-	3,916	-	3,916
Total	-	-	-	3,916	5,587	9,503
Balance at 31 March 2017	180,008	99,288	-	10,406	39,123	328,826
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,001	6,001
Other comprehensive income for the period - net	-	-	-	(344)	-	(344)
Total	-	-	-	(344)	6,001	5,656
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2016 of 5 cents per share	-	-	-	-	(7,881)	(7,881)
Balance at 30 June 2017	180,008	99,288	-	10,062	37,242	326,601
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,160	5,160
Other comprehensive income for the period - net	-	-	-	(988)	-	(988)
Total	-	-	-	(988)	5,160	4,172
Balance at 30 September 2017	180,008	99,288	-	9,074	42,402	330,773

5 Accounting Policies and Comparative Figures

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period as in the audited financial statements for the year ended 31 December 2017 except as stated below:

- i. With effect from 1 January 2018, the Group has reported our financial results for the first time under the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"). There are no material differences from the previous financial periods in adopting the transitional requirements under SFRS(I)1, First Time Adoption of Singapore Financial Reporting Standards (International).
- ii. For the period beginning 1 January 2018 the Group has adopted all new SFRS(I)s as appropriate. The application of these new standards had no material impact on the financial statements except for SFRS(I)9, Financial Instruments. The Accumulated Profits at 1 January 2018 had been increased by a net amount of \$13.5 million because of assessing the allowances for impairment of financial assets under the Expected Loss Model introduced in SFRS(I)9.
- iii. Additionally, the Monetary Authority of Singapore had under Revised Notice 811 (Credit Files, Grading and Provisioning) with effect from 1 January 2018 determined the requirement of a regulatory loss allowance reserve for financial assets to be set aside from accumulated profits. This has resulted in an amount of \$4.2 million transferred from Accumulated Profits at 1 January 2018 to a Regulatory Loss Allowance Reserve.

6 Review of Performance

The Group registered a net profit after tax of \$5.5 million for the third quarter of 2018, an improvement of 6.9% compared to the same period last year. The better performance was driven largely by higher income of \$0.5 million coupled with no additional charge for loan allowances during the quarter, which more than compensated the increase in operating expenses of \$0.4 million.

For the nine months ended 30 September 2018, the Group's after-tax profit reported a year-on-year improvement of \$1.0 million from \$16.7 million to \$17.7 million. This was boosted by better net interest margin and write-back of loan allowances.

Net interest income rose by \$2.6 million or 7.9% largely due to \$2.1 million increase in interest income driven primarily by loan growth, coupled with \$0.4 million reduction in interest expenses resulting from lower funding costs.

Other income decreased by \$2.3 million largely due to \$2.4 million gain from sale of SGS bonds in 2017. Operating expenses increased by \$1.0 million (5.6%) mainly from higher other operating expenses (\$0.4 million) and staff costs (\$0.3 million) to support added business activities. Depreciation also increased as a result of greater investments in technology infrastructure and capabilities building projects.

The Group managed to write back \$0.4 million for loan allowances for the nine months of 2018 compared to \$1.5 million allowances a year ago. The Group continues to maintain adequate loss allowances in respect of its loan portfolio.

In compliance with the revised regulatory requirement for loan allowance, there was an additional transfer of \$0.3 million to the Regulatory Loan Allowance Reserve for the quarter under review, bringing the total transfer for the nine months of 2018 to \$1.4 million. The transfers are reflected in the Statement of Changes in the Equity.

Total loans and advances grew by \$165.1 million (8.7%) from \$1,909.3 million as at 31 December 2017 to \$2,074.4 million as at 30 September 2018. In tandem with the higher loan balance, deposits and savings accounts of customers also increased by \$213.1 million (9.95%) from \$2,141.8 million as

at 31 December 2017 to \$2,354.9 million as of 30 September 2018.

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 report.

7 Comments on Significant Trends and Competitive Conditions in the Industry

According to 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.

The manufacturing sector grew by 4.5% on a year-on-year basis in the third quarter, slower than the 10.6% growth in the previous quarter, in tandem to the maturing global electronics cycle and trade war concerns. Construction sector continued to languish, contracting by 3.1% on year-on-year in Q3, extending the 4.2% decline in the previous quarter. The sector was weighed down by the weakness in public sector construction activities. However, on a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 1.7%, a turnaround from the contraction of 14.5 per cent in the second quarter.

The services producing industries remained steady, expanding by 2.9% on a year-on-year basis in the third quarter, the same pace of growth as in the previous quarter. Growth was largely supported by the finance & insurance, business services and wholesale & retail trade sectors.

In view of the expected economic slowdown and heightened market volatilities, the Group will remain vigilant in our risk monitoring, prudent in our credit lending as well as proactive in our management of interest margin.

8 Dividends

No dividend has been recommended for the current financial period.

Dividend declared for the previous corresponding period – Nil.

9 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 other purpose since the end of the previous period reported.

There has been no change in the Company’s share capital arising from the above issues.

As at the end of the financial period, there were no outstanding convertibles. (30 September 2017: Nil).

10 Sales, transfers, disposal, cancellation and /or use of treasury shares as at the end of the financial period.

Not applicable. During the financial period, no shares were held as treasury shares.

11 Shareholders’ mandate for interested party transactions (“IPT”)

The Group has not sought any shareholders’ mandate for IPTs pursuant to Rule 920 of the SGX-ST Listing Manual (30 September 2017: Nil).

12 SGX-ST Listing Manual Rule 720(1) – Procurement of undertakings to comply with listing rules from all directors and executive officers

Pursuant to Rule 720(1) of the SGX-ST Listing Manual, the Company has procured undertakings to comply with the Exchange's listing rules from all its directors and executive officers.

13 Comparative Figures of the Group's Borrowings and Debt Securities

	As at 30/9/2018		As at 31/12/2017	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	-	2,816	-	1,660
Amount repayable after one year	-	4,392	-	2,963

14 Other Information

- (a) Amount of any adjustment for under or overprovision of tax in respect of prior years - Nil
- (b) Amount of profits on any sale of investments, property, plant and equipment - Nil

By order of the Board

Lee Sze Leong
Managing Director
26 October 2018

Directors' Confirmation

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited interim financial results and the Company's statement of financial position and statements of changes in equity for the quarter and nine months ended 30 September 2018 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
26 October 2018