

Standard Chartered Bank (Singapore) Limited

(Incorporated in Singapore)



8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, Singapore 018981

Audited accounts for the year ended 31 December 2019

Statements of financial position As at 31 December 2019

	Group 2019 \$'000	2019 \$'000	Bank 2018 \$'000
Equity			
Share capital	6,978,931	6,978,931	2,021,064
Reserves	225,644	225,658	(13,240)
Retained earnings	683,864	681,200	490,784
Total equity attributable to owner of the Bank	7,888,439	7,885,789	2,498,608
Liabilities			
Deposits and balances of banks	3,405,366	3,405,366	15,718
Deposits of non-bank customers	77,247,734	77,247,734	31,175,699
Structured notes and deposits	475,705	475,705	9,594
Derivative financial instruments and other trading liabilities	2,112,255	2,112,255	272,493
Bills and drafts payable	1,045,509	1,045,509	83,856
Amounts due to intermediate holding company and its branches	10,412,934	10,412,934	1,580,685
Amounts due to related corporations	1,055,383	702,095	67,157
Amounts due to subsidiary	-	353,803	-
Current tax payable	64,059	64,056	34,111
Other liabilities	5,898,069	5,897,582	583,242
Subordinated notes	726,763	726,763	784,000
Deferred tax liabilities	29,546	29,546	-
Total liabilities	102,473,323	102,473,348	34,606,555
Total equity and liabilities	110,361,762	110,359,137	37,105,163
Assets			
Cash and balances with central bank	13,462,018	13,462,018	1,007,193
Singapore government securities and treasury bills	2,770,371	2,770,371	1,049,153
Other government securities and treasury bills	6,480,495	6,480,495	1,591,381
Derivative financial instruments	1,876,278	1,876,278	238,530
Investment securities	7,309,812	7,309,812	2,410,777
Loans and advances to banks	6,872,909	6,872,909	46,177
Loans and advances to customers	50,750,422	50,750,422	23,756,951
Bills receivable	11,045,077	11,045,077	452,911
Amounts due from intermediate holding company and its branches	5,582,002	5,582,002	6,054,687
Amounts due from related corporations	658,585	658,585	9,015
Investment in associate	31,013	28,388	-
Other assets	2,966,471	2,966,471	162,593
Deferred tax assets	-	-	12,785
Property and equipment	169,299	169,299	2,920
Goodwill and intangible assets	387,010	387,010	310,090
Total assets	110,361,762	110,359,137	37,105,163

Notes to the financial statements

The notes form an integral part of the audited financial statements and a full understanding of the statements cannot be achieved without reference to the complete set of financial statements. It can be obtained upon request from our branches.

Directors

The directors in office at the date of this statement are as follows:

Alan Rupert Nisbet	Chan Meng Wah Alexander
Viswanathan Ramachandran	Koh Kok Yu Daniel
Judy Hsu Chung Wei	Patrick Lee Fook Yau
Gu ChenWei (Appointed on 24 July 2019)	Low Lily (Appointed on 15 January 2020)

Name of Subsidiary

Prunelli Singapore Asset Purchaser Pte Ltd ("Subsidiary")

Independent auditors' report

Members of the Bank
Standard Chartered Bank (Singapore) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Standard Chartered Bank (Singapore) Limited ("the Bank") and its subsidiary ("the Group"), which comprise the statements of financial position of the Group and the Bank as at 31 December 2019, the statements of profit or loss, statements of comprehensive income and statements of changes in equity of the Group and the Bank and the cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS105.

In our opinion, the accompanying financial statements of the Group and the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019 and of the financial performance and changes in equity of the Group and the Bank and cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Transfer of businesses to the Bank

[Refer to Note 44]

The key audit matter

During the year, Standard Chartered Bank consolidated its business operations in Singapore through the transfer of the Commercial Banking, Corporate & Institutional Banking (excluding certain Financial Markets transactions) and Private Banking businesses from Standard Chartered Bank Singapore Branch to the Bank. The transfer of businesses was accounted as a common control transaction. As a result of the transfer, the Bank's business activities, financial position and performance were materially altered, reflecting the enlarged business.

The transfer of the businesses involved significant complexities involving legal, regulatory, operational and technological matters. Judgement is also involved in determining whether the transfer is a business acquisition involving entities under common control.

How the matter was addressed in our audit

We read the agreements and documents including the scheme of arrangement to understand the terms of the transfer. We discussed with management to understand the project governance, the transfer approach including controls in place to effect accuracy of balances transferred and the key legal, regulatory, operational and technological matters arising and their implications.

We selected a sample of contracts to ascertain that assets or liabilities transferred were effected in accordance with the terms and conditions of the contracts.

We performed independent checks and reviewed the reconciliation controls in place for a sample of account balances transferred from the Branch to the Bank.

We challenged the accounting for the business transfer and found it to be appropriate. We also considered the adequacy of disclosures for the business transfer.

Impairment of loans and bills receivables

[Refer to Notes 18, 19 and 20]

The key audit matter

At 31 December 2019, the Group's loans and bills receivable made up more than half of the total assets.

In respect of non-credit impaired exposures, significant judgement and assumptions are required in the quantitative models used to determine expected credit losses ("ECL"), amongst others, in the:

- development of ECL model parameters, including the probability of default, loss given default and exposure at default for each portfolio;
- setting of criteria for credit exposures which exhibit significant increase in credit risk ("SICR"), thus requiring lifetime ECL; and
- determination of relevant and future macroeconomic factors to incorporate into the models.

In respect of credit-impaired exposures, judgement and estimation are applied in identifying impaired exposures and estimating the future recoverable amounts including the determination of collateral values, where applicable.

In view of the significance of loans and bills receivable and the estimation uncertainty over ECL, the impairment of loans and bills receivable is considered a key audit matter.

How the matter was addressed in our audit

Non-credit impaired exposures

We tested the design and operating effectiveness of key controls surrounding the determination of ECL and the accuracy of relevant information in the source systems as well as the interface between the source systems and the ECL system.

For a sample of key portfolios, we:

- assessed the appropriateness of the ECL modelling methodology, including the reperformance of certain aspects of the model build and independent evaluation of model performance results; and
- reviewed and challenged the appropriateness of macroeconomic forecast assumptions.

We also reviewed the appropriateness of the SICR thresholds.

Statements of profit or loss Year ended 31 December 2019

	Group 2019 \$'000	2019 \$'000	Bank 2018 \$'000
Interest income	2,192,005	2,187,054	885,251
Interest expense	(1,021,762)	(1,017,165)	(272,127)
Net interest income	1,170,243	1,169,889	613,124
Fee and commission income	959,586	959,586	372,998
Fee and commission expense	(227,870)	(227,545)	(81,628)
Net fee and commission income	731,716	732,041	291,370
Dividend income	135	135	-
Dealing and foreign exchange income/(losses)	137,200	137,200	(29,349)
Other income	40,268	40,268	12,881
Total non-interest income	909,319	909,644	274,902
Income before operating expenses	2,079,562	2,079,533	888,026
Staff costs	(684,118)	(684,118)	(267,061)
Other operating expenses	(603,624)	(603,624)	(362,434)
Total operating expenses	(1,287,742)	(1,287,742)	(629,495)
Operating profit before impairment loss	791,820	791,791	258,531
Impairment losses	(202,718)	(202,718)	(92,142)
Operating profit after impairment loss	589,102	589,073	166,389
Profit from associates	2,638	-	-
Profit before income tax	591,740	589,073	166,389
Income tax expense	(89,129)	(89,126)	(25,225)
Profit for the year	502,611	499,947	141,164

Capital Adequacy Ratio

The table below shows the composition of the Bank's regulatory capital and its capital adequacy ratios, determined according to the requirements of MAS Notice to Banks 637.

	Group 2019 \$'000	2019 \$'000	Bank 2018 \$'000
Ordinary shares	5,247,722	5,247,722	1,721,064
Disclosed reserves	610,840	608,190	477,544
Regulatory adjustments	(421,894)	(421,894)	(336,894)
Common Equity Tier 1 ("CET 1") Capital	5,436,668	5,434,018	1,861,714
Non-cumulative redeemable preference shares	1,731,209	1,731,209	300,000
Regulatory adjustments	(2,820)	(2,820)	-
Additional Tier 1 ("AT1") Capital	1,728,389	1,728,389	300,000
Tier 1 Capital	7,165,057	7,162,407	2,161,714
Subordinated notes	726,763	726,763	784,000
Impairment allowances	301,230	301,230	73,795
Tier 2 Capital	1,027,993	1,027,993	857,795
Eligible Total Capital	8,193,050	8,190,400	3,019,509
Risk-Weighted Assets	42,131,281	42,128,281	16,419,656
Capital Adequacy Ratios			
Common Equity Tier 1	12.90%	12.90%	11.34%
Tier 1	17.01%	17.00%	13.17%
Total	19.45%	19.44%	18.39%

Liquidity Coverage Ratio and Net Stable Funding Ratio

Disclosure of the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio for the year ended 31 December 2019 in accordance with the requirements of MAS 651 and MAS 653 respectively can be found in the Bank's website below:

<https://www.sc.com/sg/about-us/financial-results-pillar-3/>

Credit-impaired exposures

For a sample of exposures, we tested the appropriateness of credit grading and challenged the assumptions in estimating the future recoverable amounts, including the value of collaterals by reference to our understanding of the counterparties, the business environment and other externally derived evidence.

We found that the impairment allowances to be within an acceptable range of estimates.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lee Sze Yeng.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

30 March 2020