

CEO Observations

November 6, 2017

Agenda

- **Removal of Uncertainty Over Oil and Gas Support Services Exposure**
- **FRS 109 / MAS Guidelines**
- **Business Momentum and Outlook**

Accelerated recognition of support services NPAs

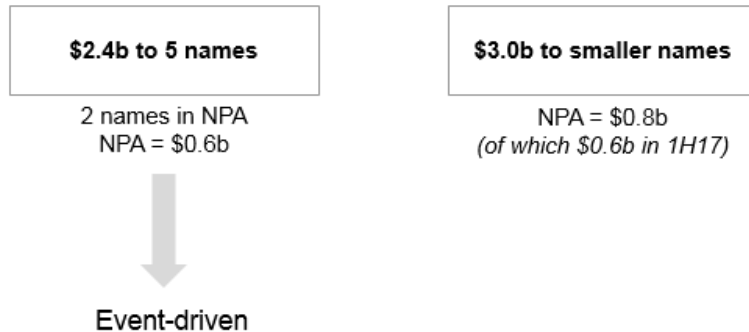
2Q17 results briefing in August

Portfolio update: Support services

| (S\$b) | Exposure | Of which: Loan |
|-----------------------|----------|----------------|
| Jun 2017 ¹ | 7 | 6 |

Update on portfolio

- \$1.6b to state-owned / government-linked shipyards
- Remaining \$5.4b



2Q17: Highlighted likelihood of additional NPAs over next few quarters

- \$1b for granular portfolio
- Event-driven for lumpy portfolio

3Q17: accelerated the recognition of \$1.7b residual weak cases as NPAs with commensurate specific provisions

¹ Excludes Swiber

Conservative NPA recognition, based on sector view

63% are current or within 90 days overdue

| | S\$m | |
|--|--------------|-----------------------------------|
| Exposure | 5,267 | < 2% of Group |
| Non-performing assets | 3,008 | 57% of exposure |
| Not overdue | 769 | 26% of NPA |
| Within 90 days overdue | 1,112 | 37% of NPA |
| More than 90 days overdue | 1,127 | 37% of NPA |
| Secured | 1,499 | 50% of NPA |
| Unsecured | 1,509 | 50% of NPA |
| Outstanding specific allowances | 1,507 | 50% of NPA, 100% of unsecured NPA |

Conservative collateral value

Collateral marked down to liquidation value

| Year | Vessel valuation |
|------|------------------|
| 2014 | 100% |
| 2015 | 70% |
| 2016 | 50% |
| 2017 | 35% |
| Now | 25% |

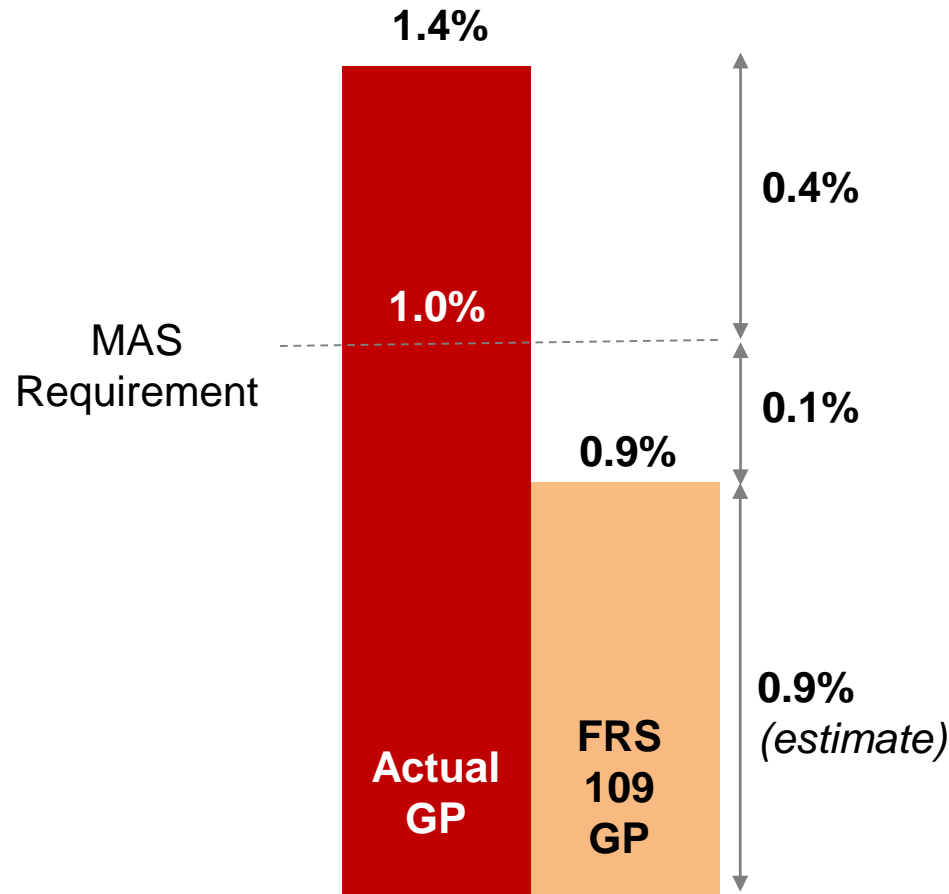
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Conservative provisioning

Specific allowances fully cover unsecured portion of NPAs

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FRS 109 / MAS Guidelines



- 1 FRS 109 GP built on a model that reflects portfolio mix and macroeconomic outlook
- 2 0.1% shortfall must be transferred to non-distributable RLAR. This cannot be released to P/L subsequently
- 3 On Jan 1, 0.4% must be transferred to shareholders' funds as:
(a) Retained Earnings, or (b) Non-distributable RLAR
The 0.4% cannot be released to P/L subsequently

Strong business momentum

- **Loans grew 4% on quarter**, including \$6b from ANZ consolidation
 - Excluding ANZ, loans* grew 2% or \$8b, vs \$7b in 2Q and \$2b in 1Q
 - Broad-based loan growth across corporate and consumer
 - Mortgage market share crossed 30%
- **SGD NIM increased by 2bps**
- **Fee income grew 8% on quarter, 12% from a year ago**
 - Led by wealth management, cash management and investment banking

*Gross loans; on constant currency

Outlook

- **Underlying loan growth likely to be 7% - 8% this year and next**
- **Income growth likely to be around 3% this year, and double digit next year**
- **Cost-income ratio: at 43% this year, expect to improve**
- **SPs next year should be lower than through-the-cycle level of 27bps**
- **ANZ on track to deliver higher bottom line in 2018 vs initial projections**