



**DIGITAL**

**TRANSFORMATION 2.0**

I n v e s t o r   D a y   2 0 2 3

## **Group Financials**

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Chief Financial Officer

# Well-positioned for success with a strong balance sheet, digital capabilities and momentum from growth markets

1

## 2015 to 2022

Proven results from digital transformation

ROE structurally improved by 2.5% points

2

## Outlook

Well-positioned for future with strong franchise and fortress balance sheet

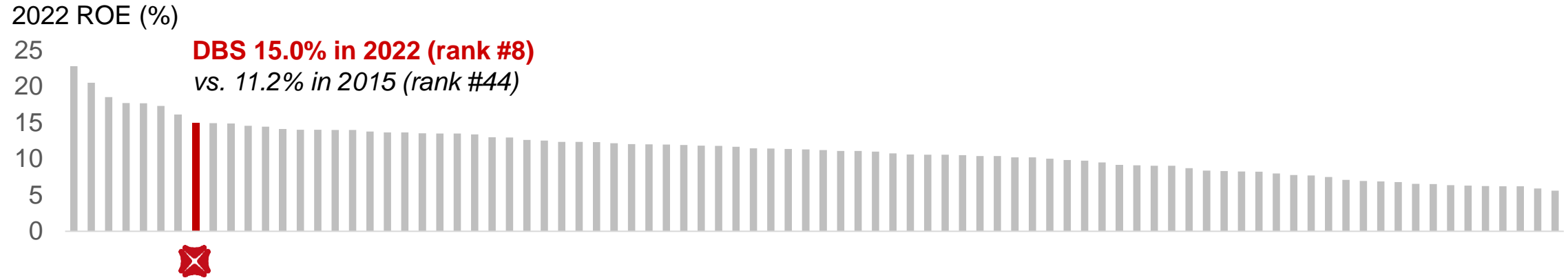
Earnings of \$10b+ and ROE of 15-17% in the medium term<sup>1</sup>

Drivers:

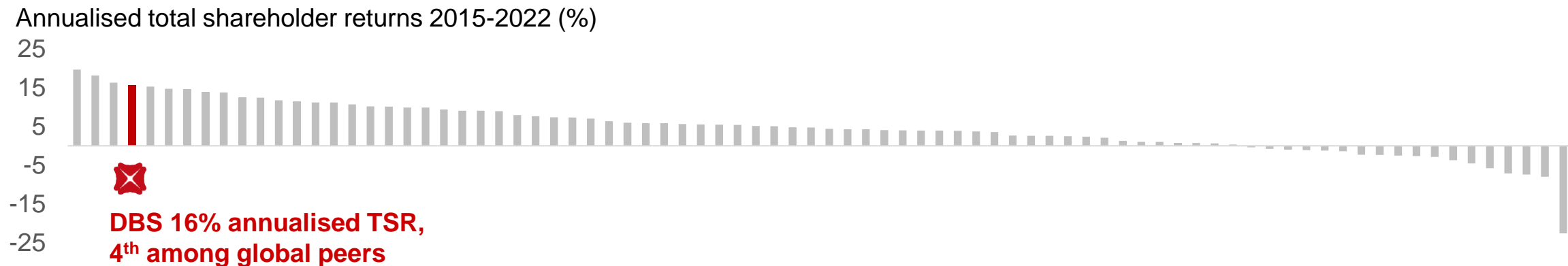
- ✓ **Strong balance sheet and capital;** well-positioned to capture opportunities
- ✓ **Formidable tech capabilities** anchoring digital transformation
- ✓ **New way of working and new risk management capabilities** enabling effective scaling while managing risks
- ✓ Momentum from **transformation initiatives across businesses** and in **growth markets**

# Successful digital transformation since 2015 led to higher ROE and better shareholder returns

## ROE in top decile of world's 100 largest banks

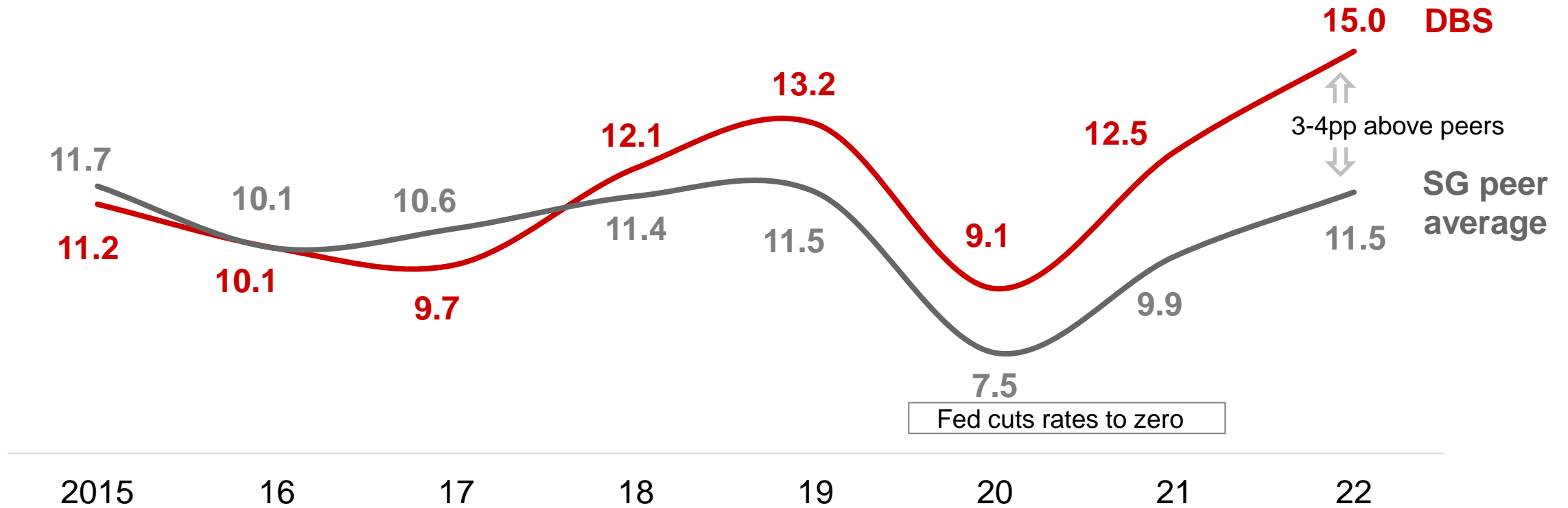


## #4 among global peers in total shareholder returns since end-2015

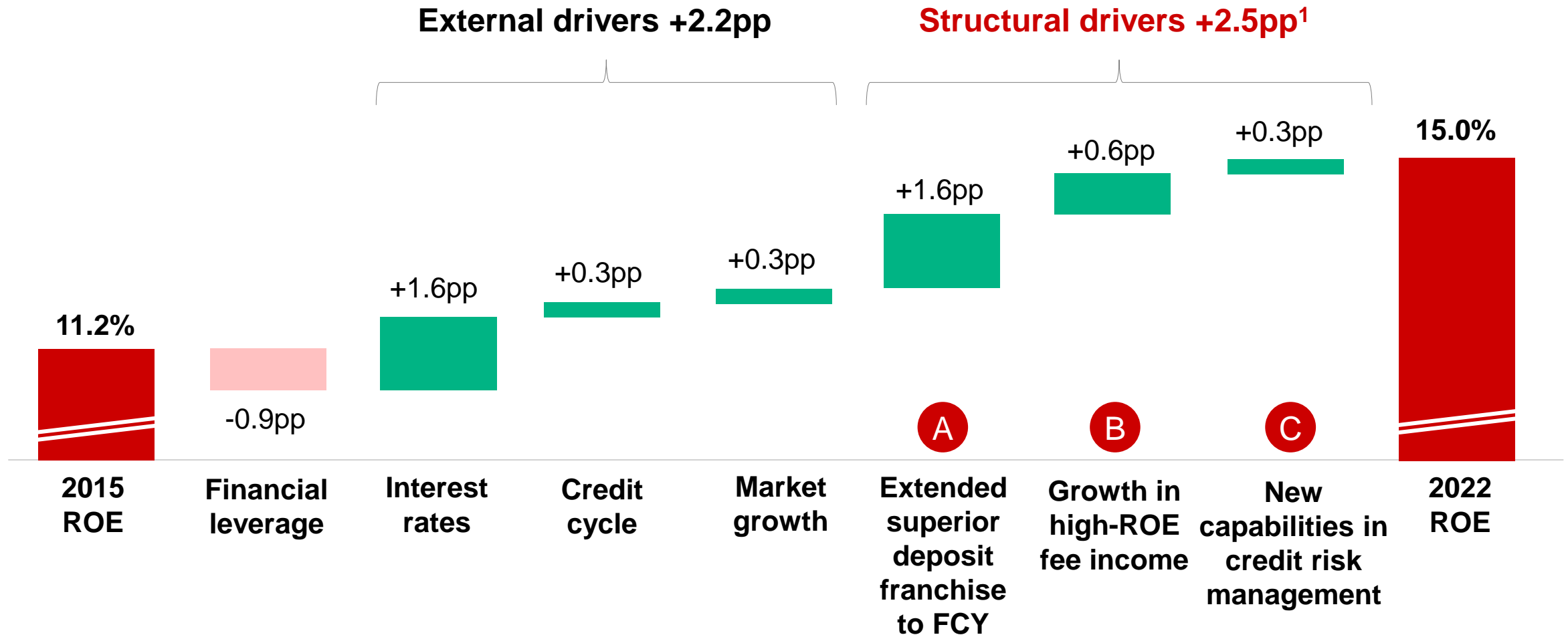


# Transformation has widened structural ROE advantage

ROE (%)

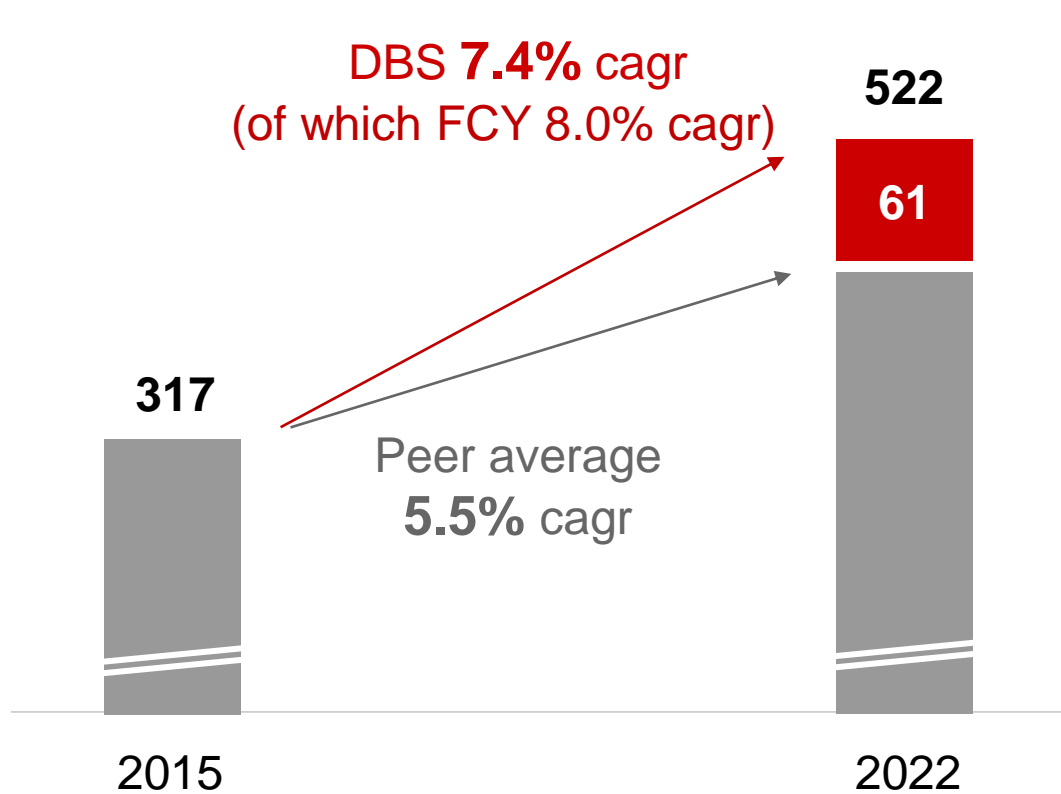


# 2015 to 2022: Group ROE structurally improved by 2.5pp



# A. Extended superior deposit franchise to FCY

Deposits (quarterly average, \$b)



Digital capabilities boosted deposit franchise:

- Higher SGD savings market share at 53%<sup>1</sup>
- FCY CASA ratio up 19pp to 54%

Despite higher FCY deposits, deposit beta (29%<sup>2</sup>) remained lower than local peers (average 34%) and major US banks (average 43%)

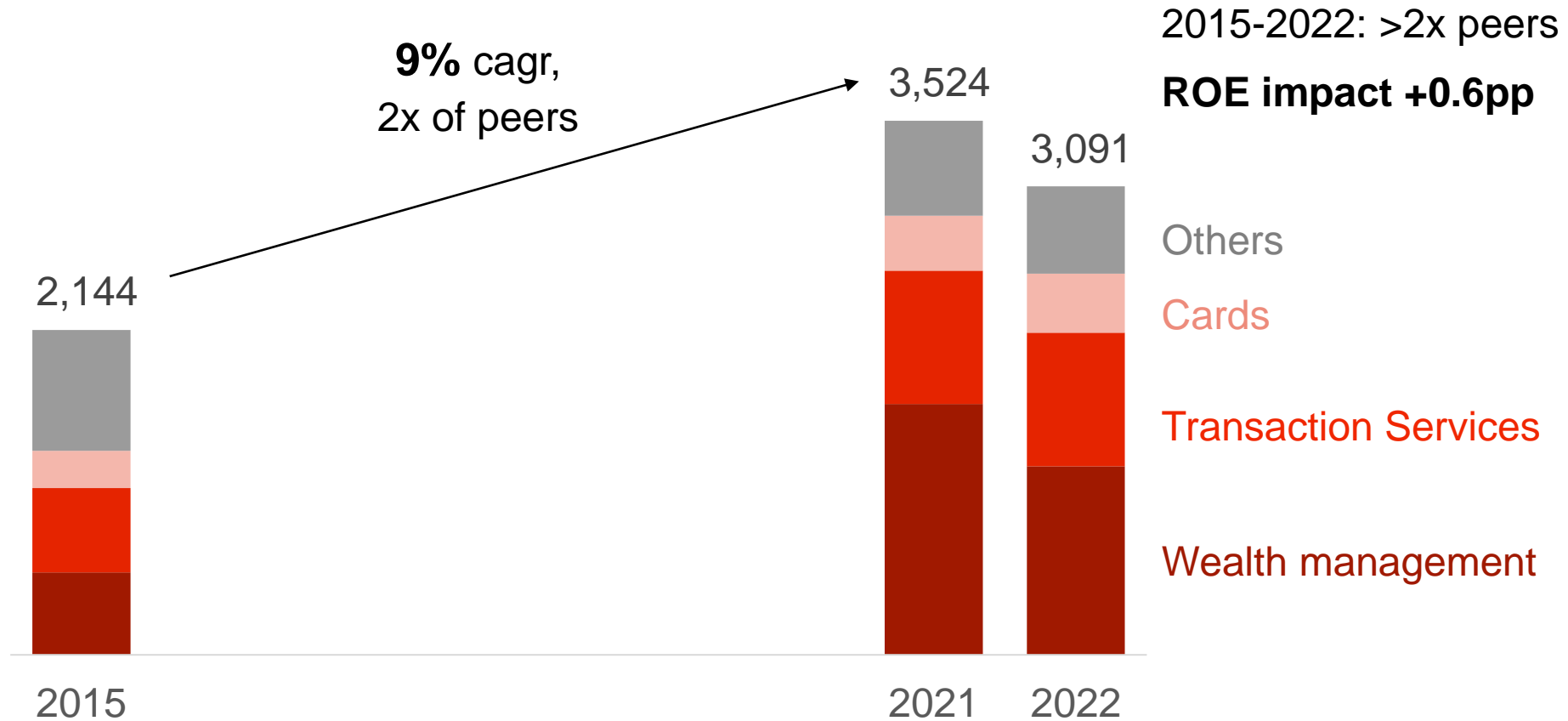
**ROE impact +1.6pp**



1. Quarterly average for 2022 vs 2015. Market share was 54% in Apr 2023  
2. Between 2H22 and 2H21 which saw a sharp rise in interest rates

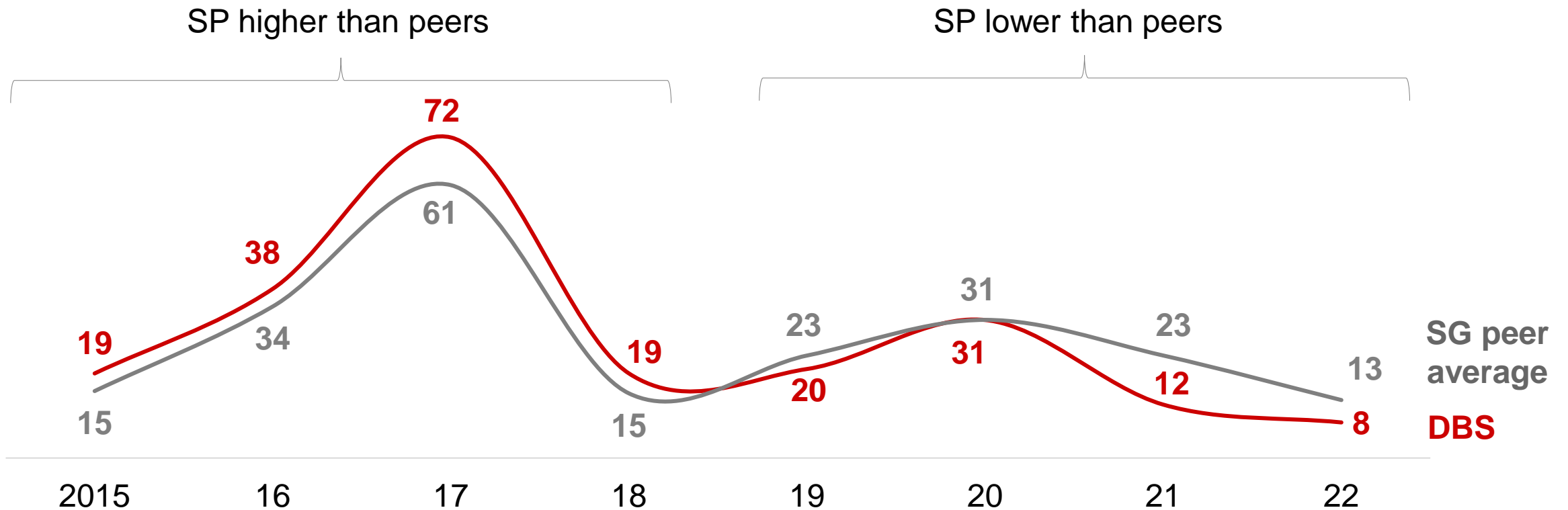
## B. Growth in high-ROE fee income outpacing peers

Net fee income (\$m)



# C. New capabilities in credit risk management driving structurally lower allowances

SP / loans (bp)



ROE impact of structurally lower allowances: +0.3pp



# Outlook: Near-term fundamentals sound

## 2023 ROE likely to be above 17%

### Base case

- Full-year **NIM** at 2.05-2.10%
- **Fee income** growth of high-single digit
- **Cost-income ratio** below 40%
- **SP / loans** expected at 10-15bp

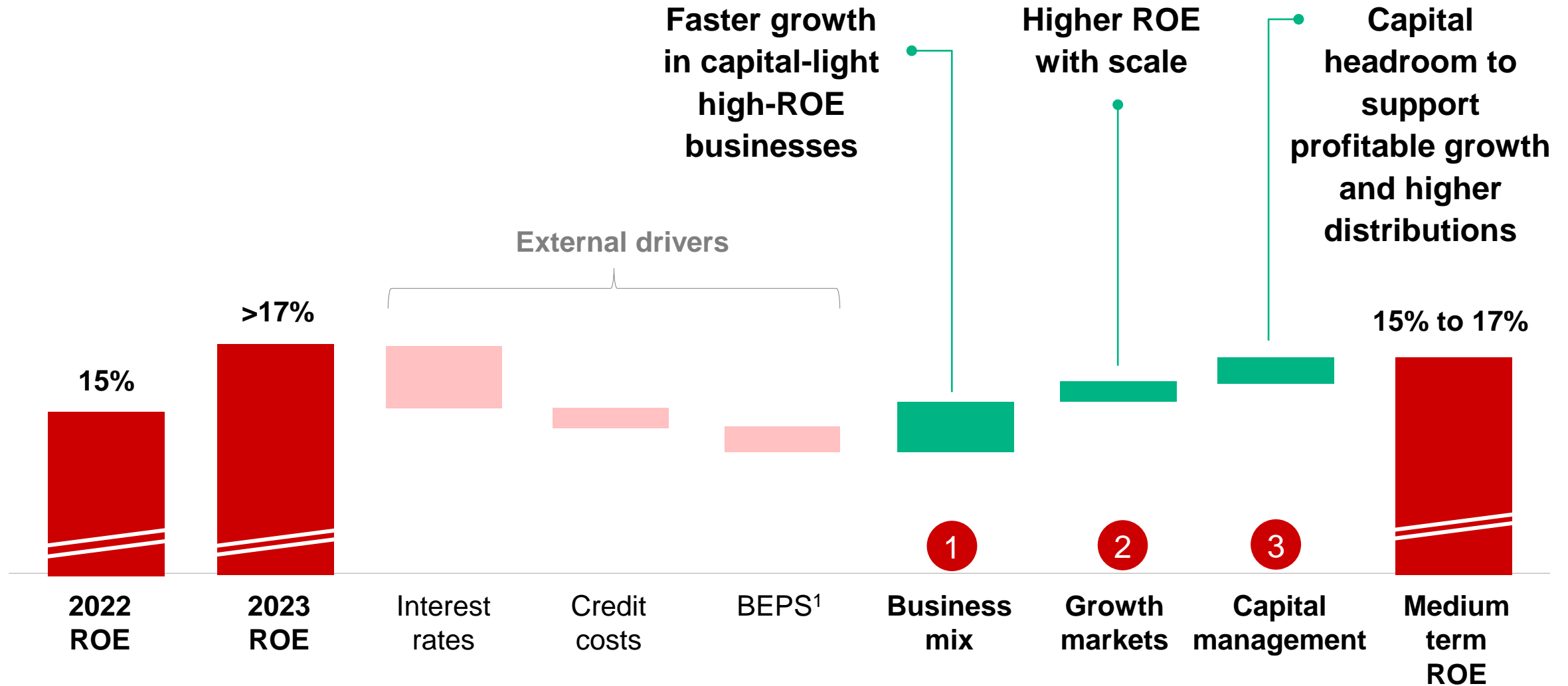
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## Bank will comfortably weather a recession

### Stress scenario

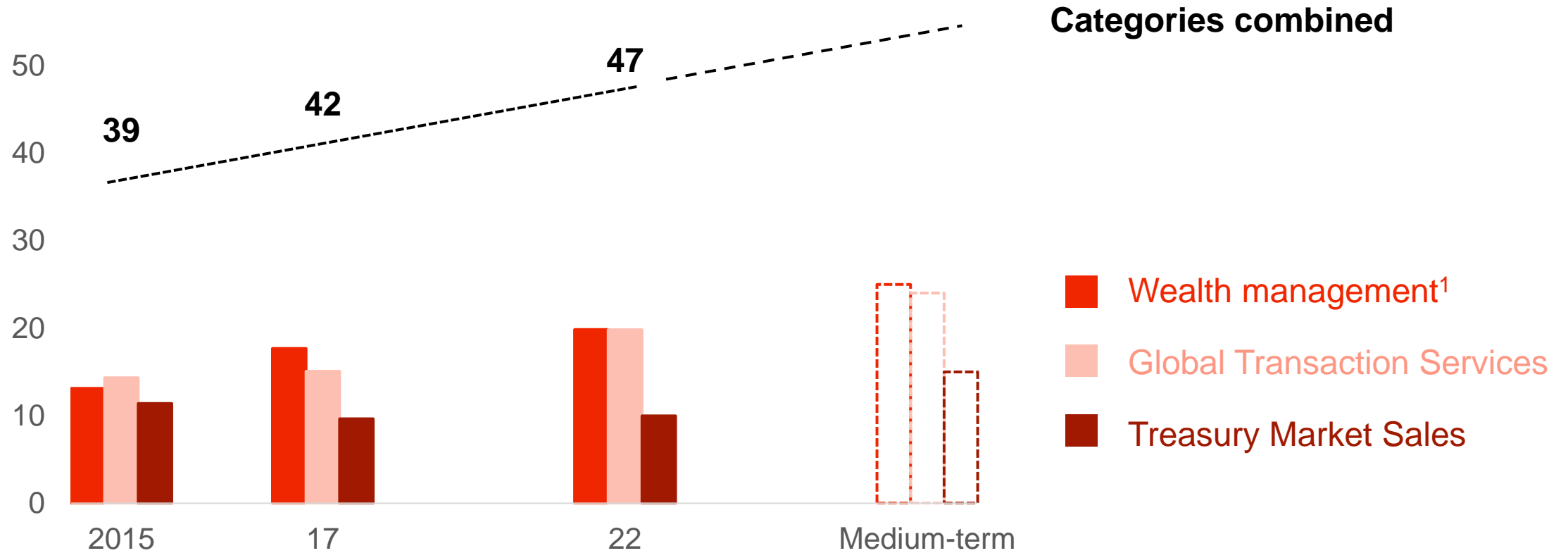
- Stress tested portfolio, **asset quality** to remain resilient
- **Substantial allowance reserves**, with \$3.8b GP buffer (including \$2b of overlays). NPA coverage at 127% and at 229% after including collateral
- Current **CET-1** of 14.1% comfortably above guided range of 12.5%-13.5%. Capital buffer increases during the Basel IV transition period
- Ample **liquidity** to support business operations even in stressed funding conditions

# Medium-term ROE of 15-17% and CET-1 at 12.5-13.5%



# 1. Faster growth in capital-light high-ROE businesses

Income (as % of group)



## 2. Increasing scale in growth markets

**Business model in place to drive scale**  
in high growth markets:

- **Digital ecosystem** led customer acquisition and engagement
- **AI/ML-led credit origination** and portfolio management capabilities
- **Building local depth** via ‘phygital’ model

**Growth market net profit to triple and ROE to double in medium term**

**Target high potential opportunities in growth markets**

**Forecasted market revenues<sup>1</sup>**  
India, Indonesia, China Taiwan

**2027F**  
US\$b

**Cagr**  
**2022-27**

**Transaction banking**

**1,520**

**7.4%**

**Wealth management**

**633**

**7.9%**

**SME lending**

**417**

**7.3%**

**Unsecured retail lending**

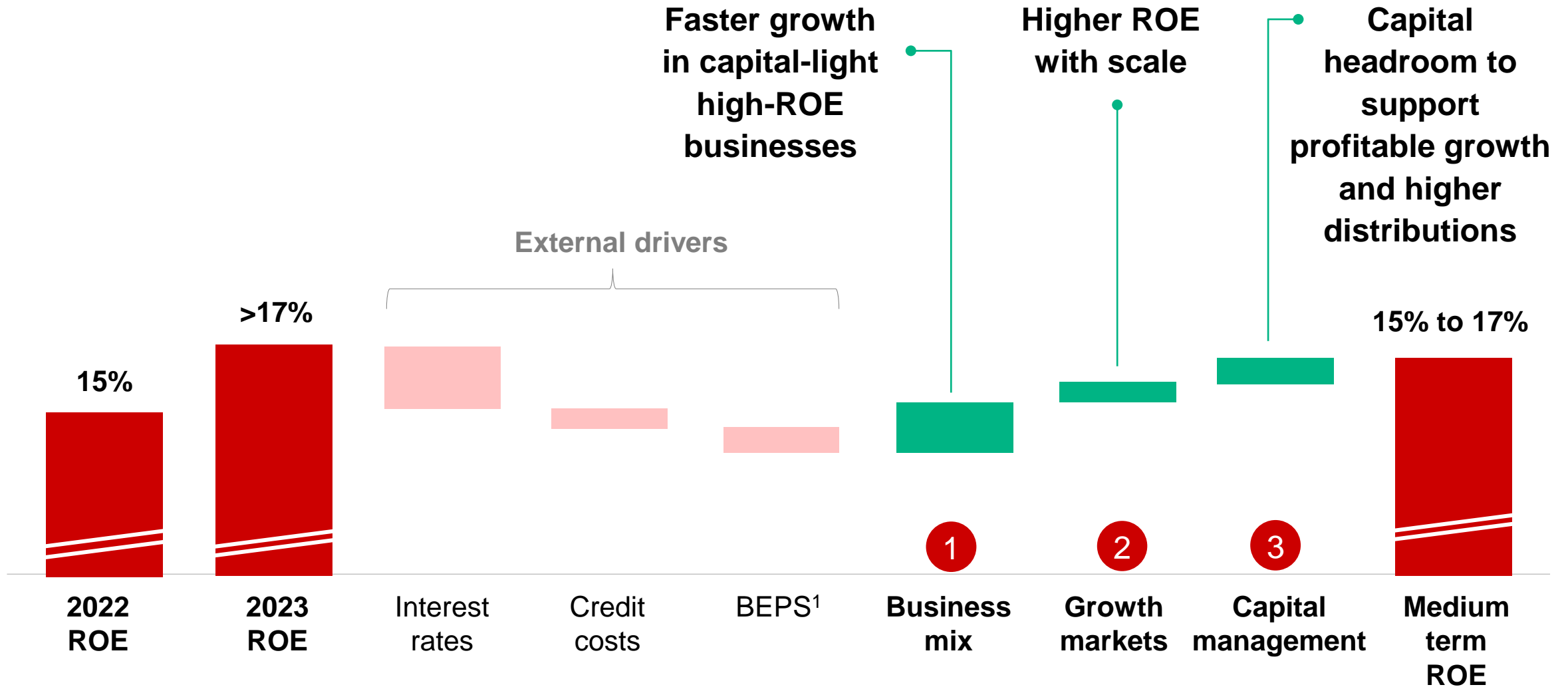
**263**

**9.8%**

### 3. Capital headroom to support profitable growth and higher distributions

- Ordinary dividend lifted by 24 cents to \$1.68 in 2023
- Baseline: +24 cents per year sustainable in the medium term, barring unforeseen circumstances
- Further upside of \$3b based on CET-1 operating range of 12.5-13.5%, distribution could be in further ordinary dividend step-up, special dividend or buyback. Pace dependent on business conditions and macroeconomic outlook

# Medium-term ROE of 15-17% and CET-1 at 12.5-13.5%



# APPENDIX



# Estimation of ROE impact from structural drivers

Drivers	Approach
<b>Structural</b>	
<p><b>(A) Extended superior deposit franchise to FCY</b></p>	<p>(A1) Excess deposit volume growth over peers from 2015-2022 (+\$61b) multiplied by the net return on low risk liquid assets</p> <p>(A2) Deposits growth at same rate as peers (+\$144b) multiplied by benefit from lower deposit beta than peers (-16bp deposit cost)</p>
<p><b>(B) Growth in fee-based high ROE businesses</b></p>	<p>Excess fee income growth over peers from 2015-2022 (+\$0.7b)</p>
<p><b>(C) New capabilities in credit risk management</b></p>	<p>Based on an estimated improvement in credit costs of 5bp of loans due to better credit risk management</p>
<b>Others</b>	
<p><b>Financial leverage</b></p>	<p>ROE adjusted for higher core capital between 2015 (12.4%) and 2022 (14.6%) and other comprehensive income</p>



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