SingFinance
SING INVESTMENTS & FINANCE LIMITED

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Co Reg. No. 196400348D

RESPONSE TO THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) QUERIES ON RESULTS ANNOUNCEMENT FOR FINANCIAL YEAR 2025

In response to the queries raised by Securities Investors Association (Singapore) ("**SIAS**") on the Company's results announcement release on 25 March 2026 for the Financial Year ended 31 December 2025, the Board of Directors of the Company wishes to clarify the following:

SIAS's Queries 1

For the financial year ended 31 December 2025, the group expanded its loan book to $2.79 billion, representing a 4% year-on-year growth. Net interest margin (NIM) increased by 28 basis points from 1.99% to 2.27%. Together, these are the key factors contributing to the group's record net profit of $42.3 million, up 16% from the previous year.

i) Could management elaborate on the key drivers of the increase in net interest margin to 2.27%, including the relative contributions from repricing, funding costs and loan mix? How sustainable is the current margin level in the context of interest rate trends and competitive dynamics?

   Interest rates in Singapore declined significantly in 2025. As market interest rates eased, both our asset yields and funding costs fell, with savings from lower deposit costs more than offsetting the decline in asset yields.

   In 2025, the Group planned for orderly collection of deposits to meet liquidity needs, maintained disciplined deposit pricing and managed loan/deposit ratio efficiently to contain funding costs. These measures were the primary contributors to the expansion of net interest margin to 2.27%.

   Like our peers, our net interest margin is subject to cyclical fluctuations. Following the recent decline in interest rates, there appears to be limited scope for further easing and the downward trend in deposit funding costs may not persist in 2026. Rising deposit costs are expected to place pressure on our net interest margin, especially in the second half of the year.

   The Middle East crisis has escalated recently and is expected to have material implications for inflation and interest rates. However, it is too early to form a reliable assessment of its full impact.

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(ii) Can management provide greater clarity on the breakdown of stage 3 credit impaired assets, including borrower profile, industry concentration, average loan size and tenure, and key impairment triggers? How does Page 2 of 4 management assess the adequacy of provisioning and the likelihood of further migration across credit stages?

The stage 3 credit-impaired assets of the Group at $10.3m as at 31 December 2025 remain relatively immaterial in the context of our overall loan portfolio. The non-performing loan ratio of 0.4% compares favorably with our industry peers, including local banks.

In addition, all non-performing loans as at 31 December 2025 were either secured by collaterals or risk-shared by a Singapore statutory board, with net exposures fully provided for.

Our stage 3 credit-impaired assets as at 31 December 2025 are mainly from property mortgage loans and working capital loans and customers are from sectors such as general commerce, finance activities and professionals & private individuals.

These loans were classified as Stage 3 due to factors such as delinquency or deterioration in the borrower's financial condition.

We conduct regular and systematic reviews of all our credit facilities. Credit facilities deemed to be of higher risk, including impaired assets, are subject to enhanced monitoring to ensure early detection of further deterioration, timely migration across credit stages and maintenance of adequate provisions. In ensuring adequate provisions, collateral values are subject to haircuts to arrive at forced-sale values in accordance with the Group's loan policy.

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SIAS's Queries 2

As noted in the sustainability report, the group's two largest lending segments are property loans and automotive financing, which together account for more than half of total customer loans.

The report also highlighted that, while the Singapore Government has introduced various green building incentives and financing initiatives to support decarbonisation, adoption among SMEs remains relatively low.

(i) Has the group introduced green financing products within its property and automotive portfolios, such as green mortgages, sustainable development loans or green vehicle financing? If so, what has been the take-up, credit performance and margin profile of these products? If not, what are the key constraints?

We have introduced a dedicated financing package for selected electric vehicles to encourage the adoption of environmentally friendly transport. This package offers SME dealers attractive interest rates and an end-to-end solution covering the purchase of new EVs, payment of duties, COE, vehicle registration, and eventual sale. While take-up is not yet broad, participation is steadily increasing and the trend is encouraging. In addition, we have recently launched working capital loans to support energy-generating projects, such as SME-led solar panel installations. These initiatives remain in the early stages, but initial credit performance has been stable and margins are consistent with our broader lending portfolio. The key constraint continues to be market adoption, as SMEs remain cautious about upfront costs and long payback periods.

(ii) Does the group have the necessary internal capabilities, including expertise in sustainability risk assessment, product structuring and client advisory, to scale green financing? How is management building these capabilities in a commercially viable manner?

Since 2022, we have embarked on a structured learning journey to strengthen internal capabilities in sustainability risk assessment. Annual e-learning on environmental, social, and governance (ESG) risks was introduced in 2024 to raise awareness of environmental issues and equip employees to identify, assess, and mitigate risks effectively. We are progressively building expertise in sustainability risk assessment, product structuring, and client advisory. Our teams have been trained to evaluate environmental impact and structure our financing package appropriately.

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Management's approach is to embed these capabilities into existing business lines in a commercially viable manner, ensuring that green financing products are both compliant with sustainability frameworks and competitive in terms of pricing and service delivery.

(iii) What guidance has the board provided to management on integrating sustainability into the lending strategy? Are there specific targets, frameworks or risk parameters guiding the growth of green financing within the portfolio?

The Board has provided clear direction to integrate sustainability into our lending strategy. Specific limits on onboarding industries with high ESG risk targets have been established and are monitored through our risk dashboard, including limits on onboarding industries with high environmental risk. These limits were implemented since 2023. While implementation is still at an early stage, the Board has emphasized the importance of balancing commercial viability with long-term sustainability objectives. These limits were being developed to track progress, and management is expected to report regularly to the Risk Management Committee to ensure that risks are carefully monitored and managed.

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SIAS's Queries 3

The board has proposed a dividend of 7.5 cents per share for 2025, representing a payout ratio of 42% of net profit. In recent years, the payout ratio has remained broadly stable at this level, compared with a higher payout of approximately 47% prior to the pandemic.

As at 31 December 2025, the group's capital adequacy ratio stood at 15.2%, which is 3.2% above the regulatory minimum set.

It is worth noting that local banks have undertaken capital optimisation initiatives, including share buybacks and special dividends, to return excess capital to shareholders and enhance returns.

(i) What considerations and trade-offs has the board evaluated in maintaining a payout ratio of approximately 42%? How does the board assess whether this level appropriately balances growth, capital buffers and shareholder returns?

The Board has maintained the dividend pay-out ratio of 42% for the financial year 2025 after carefully considering a range of factors, including the need to reinvest for future growth and to deliver sustainable and appealing returns to shareholders.

As a finance company regulated by the Monetary Authority of Singapore, we are subject to the capital adequacy ratio requirements. Accordingly, our dividend decisions consider the importance of maintaining a strong capital position to support long-term growth in our regulatory environment while benchmarking our dividend payout levels and shareholder return against comparable peers.

Based on this approach, SingFinance typically aims to distribute about 40% or more of its annual profits as dividends, while ensuring full compliance with statutory and regulatory requirements. The Board continually reviews the guideline to ensure it remains appropriate in the context of the Group's financial performance, risk environment and long-term strategy.

(ii) Has the board evaluated additional capital return options, such as share buybacks or special dividends? Are there structural, regulatory or business model constraints that limit the group's ability to pursue similar capital optimisation strategies as the local banks?

A strong capital position is required as the Group continues to pursue growth. Therefore, the Board has no plans to undertake capital optimisation exercises at this juncture. Once

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economic conditions stabilise and credit demand improves, the Group intends to deploy the capital in excess of the regulatory minimum to support business expansion.

The Board will continue to monitor the capital position closely and will consider appropriate measures to optimise our capital should the need arise.

BY ORDER OF THE BOARD

Ong Beng Hong
Joint Company Secretary
Singapore, 14 April 2026