First Half 2018 Results

Record Quarterly Earnings; Healthy Balance Sheet Growth

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

3 August 2018
Record Earnings – Healthy Contributions from Core Business

- 2Q18 profit exceeded $1bn; 1H18 profit at $2.05bn, ▲24% YoY
  - Both net interest income and fee income saw strong growth in 1H18

- Net interest income ▲13% YoY to $3.01bn
  - Loans ▲10% YoY; increase was broad-based across most markets and industries
  - NIM ▲9bps to 1.83%, as short-term rates rise

- Non-interest income lifted mainly by fee income (▲15% YoY)

- Cost-to-income ratio stable at 43.9%
  - Continue to invest in infrastructure and technology to enhance capabilities
Disciplined Balance Sheet Management

- **Healthy portfolio quality**
  - 11bps credit cost on NPL lower YoY
  - NPL ratio stable at 1.7%
  - Adequate non-performing assets reserve cover: 89%, or 190% including collateral

- **Improved balance sheet efficiency**
  - Stronger RoRWA¹ driven mainly by higher profit

- **Proactive liability management**
  - Liquidity Coverage Ratios³: S$ (206%) and all-currency (142%)
  - Net stable funding ratio: 110%, above regulatory requirement

- **Robust capital; 14.5% CET1 ratio**

- **Interim dividend / share ↑ to 50 cents, vs 35 cents in 1H17**

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1. Return on average risk-weighted assets (RoRWA) is computed on an annualised basis for 1H18.
2. Compound annual growth rate (CAGR) computed over 3 years (2014 to 2017)
3. Average ratios for second quarter of 2018
Wholesale Banking: Income Diversification Remains Key

Income from Non-Loan: +15% YoY in 1H18

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<thead>
<tr>
<th></th>
<th>FY17</th>
<th>1H17</th>
<th>1H18</th>
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<tbody>
<tr>
<td>S$m</td>
<td>1,855</td>
<td>850</td>
<td>918</td>
</tr>
<tr>
<td>Non-loan income %</td>
<td>52%</td>
<td>51%</td>
<td>52%</td>
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<tr>
<th></th>
<th>Non-loan income</th>
<th>Loan income</th>
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<tbody>
<tr>
<td>S$m</td>
<td>1,707</td>
<td>1,009</td>
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Segment RoRWA¹: +0.16% pt YoY in 1H18

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<tr>
<td>%</td>
<td>2.04%</td>
<td>2.02%</td>
<td>2.18%</td>
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Income from Transaction Banking: +17% YoY in 1H18

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<tbody>
<tr>
<td>S$m</td>
<td>798</td>
<td>241</td>
<td>269</td>
</tr>
<tr>
<td>TB income %</td>
<td>36%</td>
<td>36%</td>
<td>38%</td>
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<tr>
<th></th>
<th>Cash</th>
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<tr>
<td>S$m</td>
<td>501</td>
<td>384</td>
<td>461</td>
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Cross-border income: +5% YoY in 1H18

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<tr>
<td>S$m</td>
<td>924</td>
<td>415</td>
<td>437</td>
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<tr>
<td>Cross-border income %</td>
<td>26%</td>
<td>24%</td>
<td>23%</td>
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1. RoRWA: Ratio of “Operating profit” to “Average segment RWA”
Retail Banking: Steady Improvement in Performance

- **Gross Loans (Group Retail¹):** +6% YoY in 1H18
  - FY17: $104bn
  - 1H17: $100bn
  - 1H18: $106bn

- **Income³ (Group Retail¹):** +5% YoY in 1H18
  - FY17: $3,781m
  - 1H17: $1,851m
  - 1H18: $1,943m

- **High Affluent² Income:** +12% YoY in 1H18
  - FY17: $1,330m
  - 1H17: $652m
  - 1H18: $731m

- **Segment RoRWA⁴:** +0.42% pt YoY in 1H18
  - FY17: 6.46%
  - 1H17: 6.60%
  - 1H18: 7.02%

1. Includes Business Banking
2. High Affluent comprises Privilege Banking and High Net Worth (Privilege Reserve + Private Bank) segments.
3. Income includes fee and commission income that is net of directly attributable expenses.
4. RoRWA: Ratio of “Operating profit” to “Average segment RWA”
Harnessing Technology and Innovation to Enhance the Customer Experience

- **Keep our customers at the centre**
  - Provide an omni-channel experience
  - Offer relevant, seamless, smarter, simpler and safer solutions
  - Increase performance and productivity

- **Invest for the future**
  - Strengthen capabilities in technology and people
  - Collaborate with ecosystem partners
  - Incorporate innovations into our end-to-end solutions

- **Scale up our regional customer franchise**
  - Deepen relationships
  - Sharpen focus on the “mobile first” and “mobile only”
  - Wrap technology in the human touch
Looking Ahead

- **Near-term uncertainties for global economy and Singapore**
  - Trade tensions between US and China, slowing China’s economy
  - Impact of government’s recent property market measures

- **Confidence in Asia’s long-term potential, underpinned by intra-regional investment flows and rising affluence**
  - UOB is well-positioned, given our unique regional footprint, diversified customer franchise and strong balance sheet
  - Strengthening capabilities to tap connectivity opportunities
Thank You