



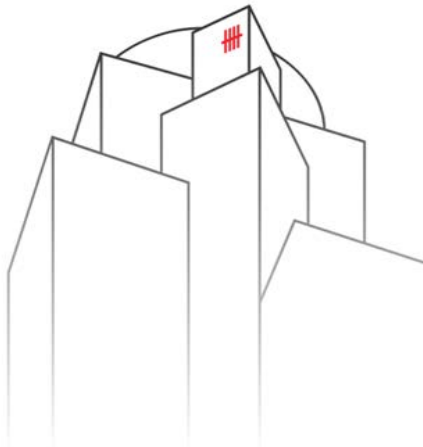
# UOB Group

For the First Half / Second Quarter Ended 30 June 2018

## Financial Highlights

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Group Chief Financial Officer

3 August 2018



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# Highlights

**New first half earnings high of \$2.05 billion in 2018 ↑ 24% YoY**

**Record second quarter earnings exceeding \$1 billion ↑ 28% YoY; ↑ 10% QoQ**

- Increase in net interest income supported by broad-based loan growth and an uplift in loan margin
- Strong performance in net fee and commission income
- Assets quality remained stable. Credit costs decreased substantially in a favourable operating environment
- Return on risk-weighted assets increased to 2.13% for the quarter.
- Strong profit momentum and improved risk-adjusted returns; interim core dividends to increase to 50 cents for the half year

# New high first half earnings surpassing \$2 billion

	1H18 \$m	1H17 \$m	YoY	
			\$m	+ / (-) %
Net interest income	3,012	2,659	353	13 ▲
Net fee income	1,015	887	129	15 ▲
Other Non-NII	546	621	(76)	(12) ▼
<b>Total income</b>	<b>4,573</b>	<b>4,167</b>	<b>406</b>	<b>10</b> ▲
Less: Total expenses	2,009	1,812	196	11 ▲
<b>Operating profit</b>	<b>2,564</b>	<b>2,355</b>	<b>210</b>	<b>9</b> ▲
Less: Total allowances	170	366	(197)	(54) ▼
Add: Assoc & JV	81	59	22	38 ▲
<b>Net profit</b>	<b>2,055</b>	<b>1,652</b>	<b>403</b>	<b>24</b> ▲

- Net interest income up 13% supported by uplift in net interest margin and broad-based loan growth.
- Higher net fee income driven by strong performance in loan-related, wealth management, fund management and credit card.
- Lower trading and investment gains mainly due to gains on disposal of investment securities last year.
- Expenses increased due to higher performance-related staff costs and planned IT-related investments.
- Allowances decreased 54%.

# Second quarter earnings exceeding \$1 billion

	2Q18 \$m	2Q17 \$m	YoY	
			\$m	+ / (-) %
Net interest income	1,542	1,356	186	14 ▲
Net fee income	498	448	50	11 ▲
Other Non-NII	302	310	(8)	(3) ▼
<b>Total income</b>	<b>2,342</b>	<b>2,114</b>	<b>228</b>	<b>11 ▲</b>
Less: Total expenses	1,022	925	96	10 ▲
<b>Operating profit</b>	<b>1,320</b>	<b>1,189</b>	<b>132</b>	<b>11 ▲</b>
Less: Total allowances	90	180	(90)	(50) ▼
Add: Assoc & JV	52	24	28	>100 ▲
<b>Net profit</b>	<b>1,077</b>	<b>845</b>	<b>232</b>	<b>28 ▲</b>

- Higher net interest income driven by strong loan growth and higher net interest margin.
- Higher net fee income due to broad-based growth in loan-related, fund management, credit card and trade-related fees.
- Expenses grew in tandem with income growth.
- Allowances decreased 50%.

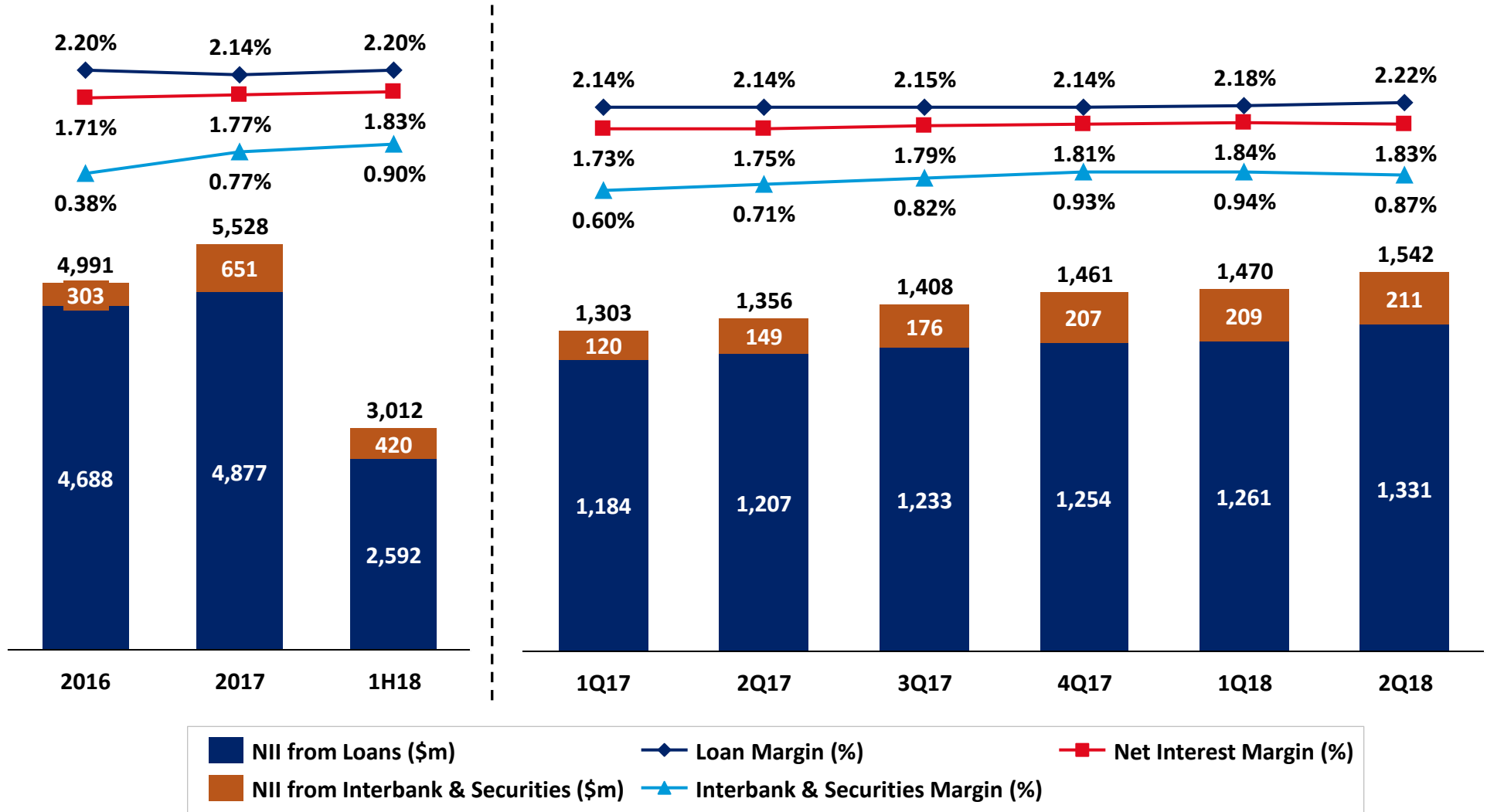
# Net earnings improved 10% QoQ

	2Q18	1Q18	QoQ	
	\$m	\$m	\$m	+/(-) %
Net interest income	1,542	1,470	72	5 ▲
Net fee income	498	517	(19)	(4) ▼
Other Non-NII	302	244	58	24 ▲
<b>Total income</b>	<b>2,342</b>	<b>2,231</b>	<b>112</b>	<b>5 ▲</b>
Less: Total expenses	1,022	987	35	4 ▲
<b>Operating profit</b>	<b>1,320</b>	<b>1,244</b>	<b>77</b>	<b>6 ▲</b>
Less: Total allowances	90	80	11	14 ▲
Add: Assoc & JV	52	29	23	81 ▲
<b>Net profit</b>	<b>1,077</b>	<b>978</b>	<b>99</b>	<b>10 ▲</b>

- Higher net interest income due to loan growth, partially offset by 1bp drop in net interest margin.
- Lower wealth management fees, partially offset by increase in credit card and loan-related fees.
- Increase in Non-NII mainly due to higher trading income.
- Higher expenses in line with income growth.
- Increase in allowances on higher quarterly loan growth.

# Higher NII driven by an uplift in loan margin and volume growth

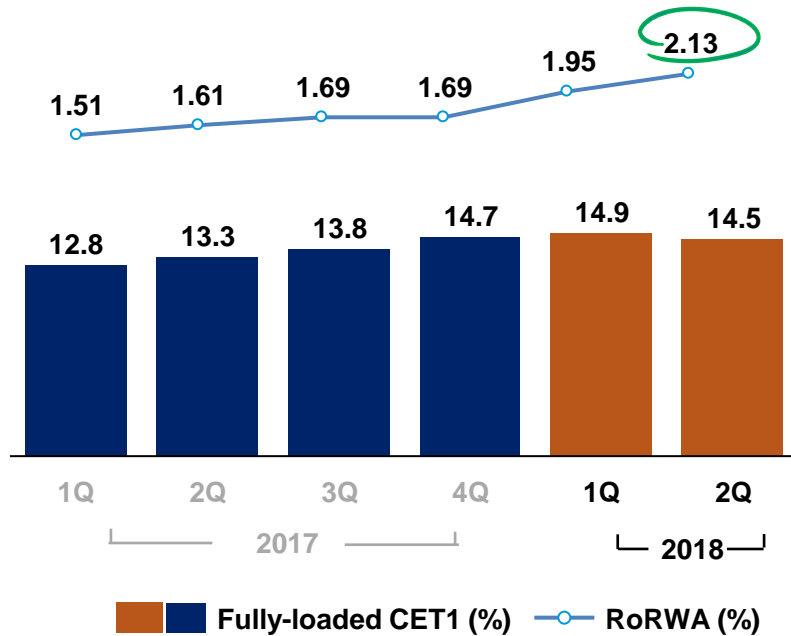
## Net Interest Income (NII) and Margin



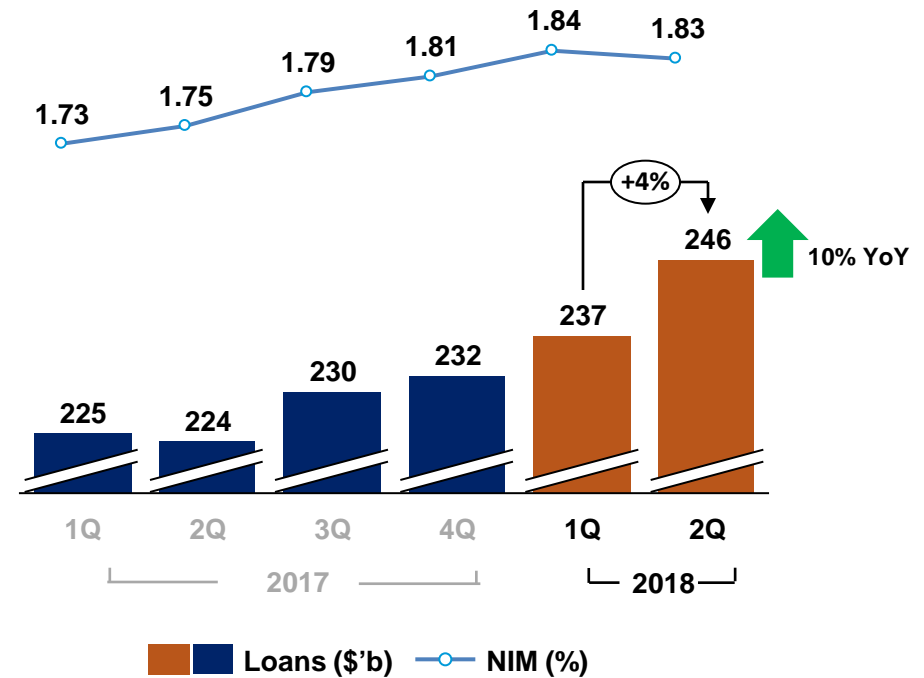
# Leverage strong capital position to drive volume growth on the back of the rising rate environment

## Well positioned to tap on opportunities for NII growth

Strong capital base and improvement in RoRWA



Steady loan momentum and healthy NIM

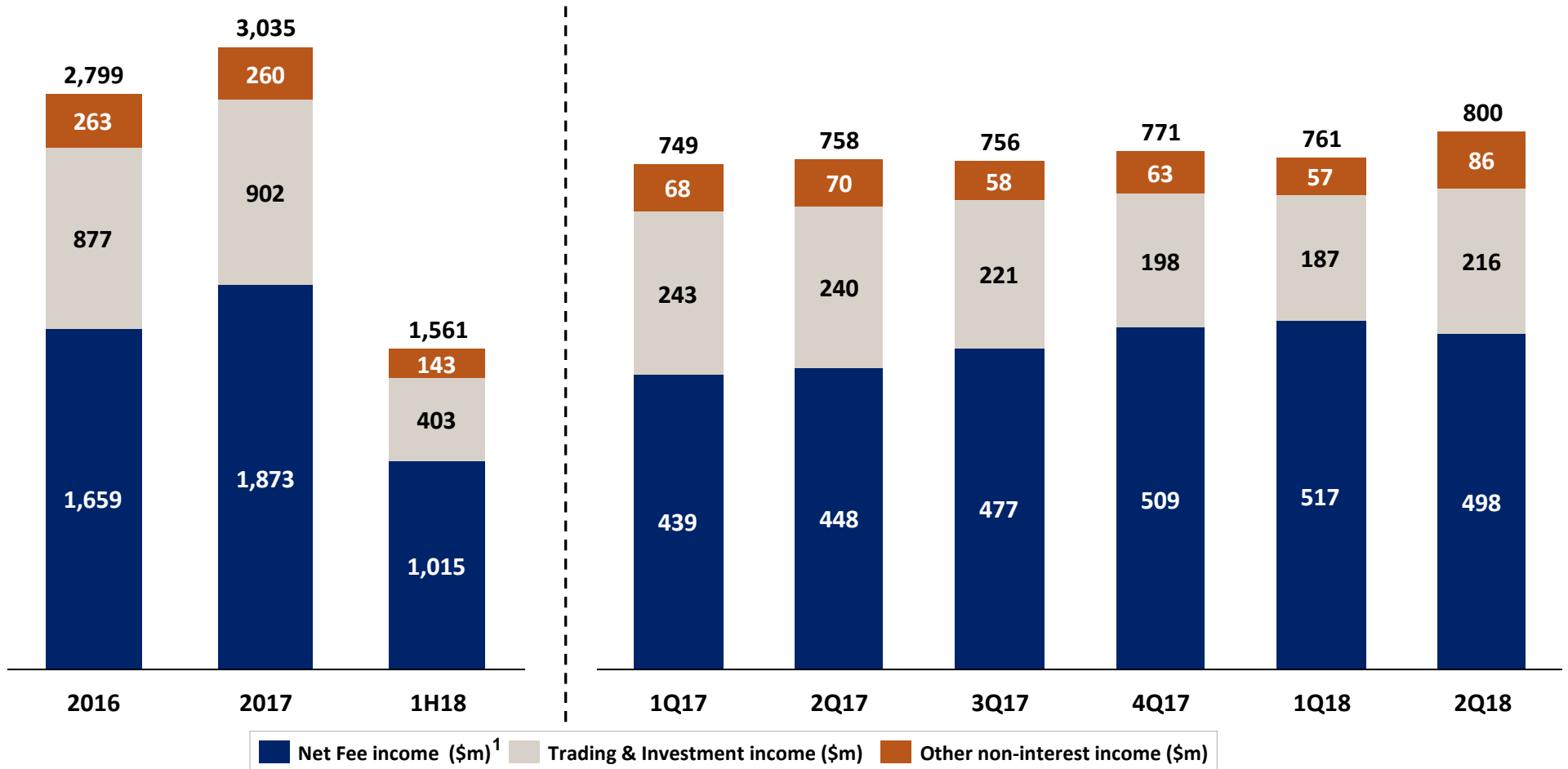


- Excess capital provided opportunities for higher loan growth.

- Competitive pricing for loan growth.
- Supported by debt issuances and deposit growth to maintain stable funding portfolio.

# Loan-related, fund management and credit cards fees continued to perform well

## Non-Interest Income (Non-NII)



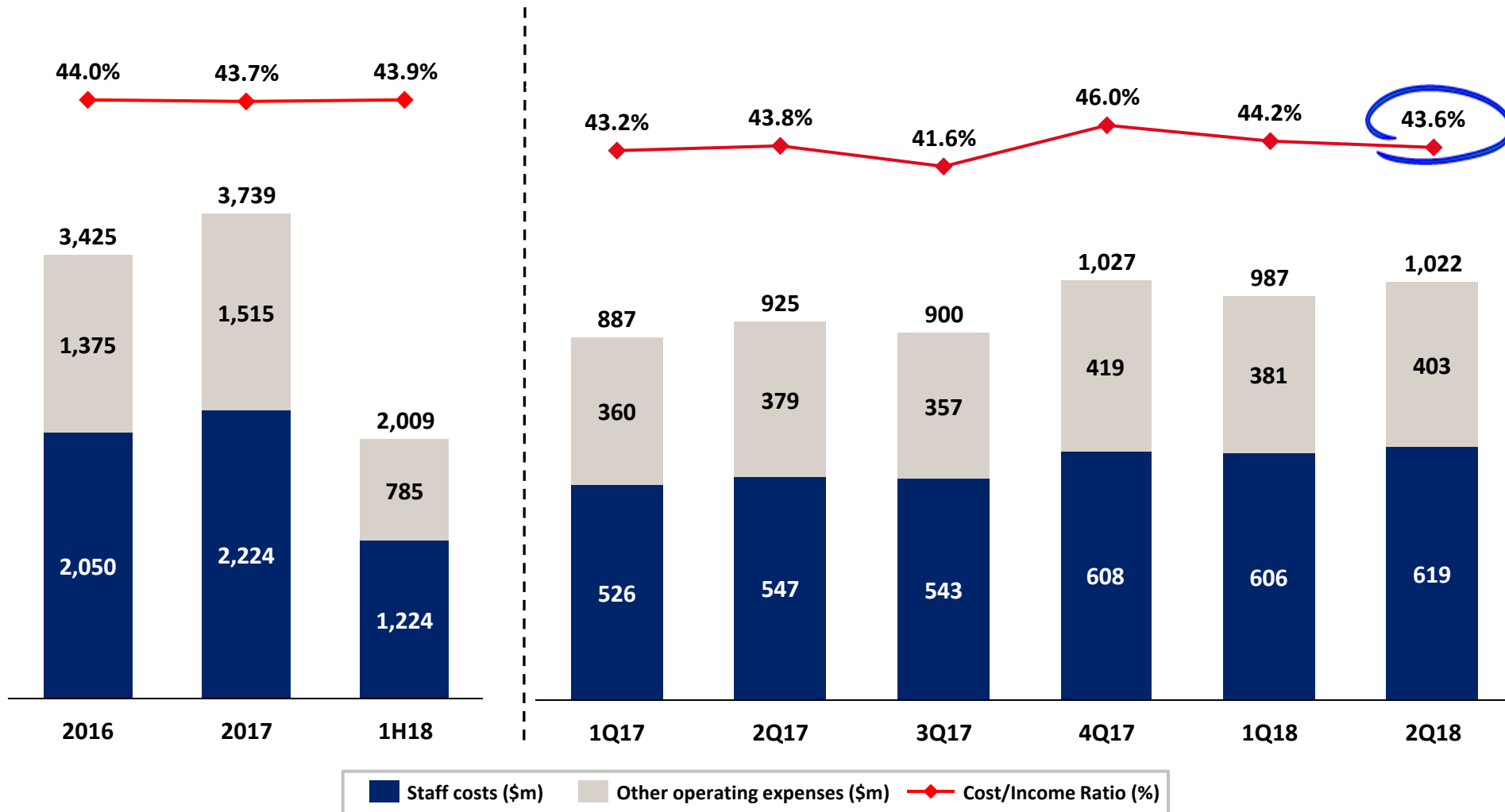
Note:

<sup>1</sup> Expenses directly attributable to fee income are presented net of fee income. Certain comparative figures have been restated to conform with the current period's presentation.



# Cost/Income ratio improved QoQ to 43.6%

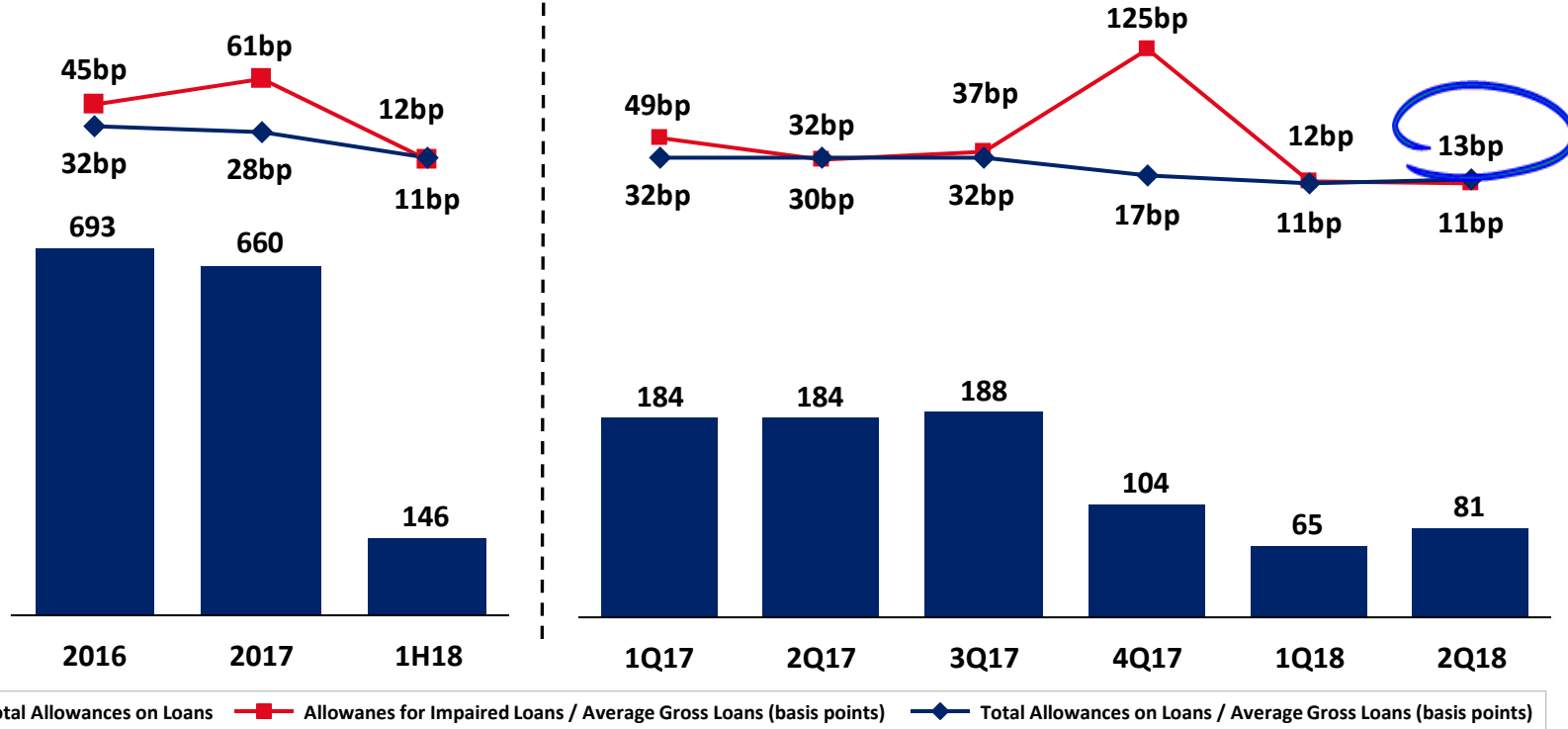
## Operating Expenses and Cost / Income Ratio



Note: Expenses directly attributable to the fee income are presented net of fee income. Certain comparative figures have been restated to conform with the current period's presentation.

# Stable total allowances

## Total Allowances on Loans



### Allowances on all exposures

	2016	2017	1H18
Allowances for Non-Impaired Loans and others (\$m)	(349)	(747)	18
Allowances for Impaired Loans and others (\$m)	942	1,475	152
<b>Total Allowances (\$m)</b>	<b>594</b>	<b>727</b>	<b>170</b>

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Allowances for Non-Impaired Loans and others (\$m)	(93)	12	(26)	(641)	(9)	27
Allowances for Impaired Loans and others (\$m)	279	168	247	781	88	64
<b>Total Allowances (\$m)</b>	<b>186</b>	<b>180</b>	<b>221</b>	<b>140</b>	<b>80</b>	<b>90</b>

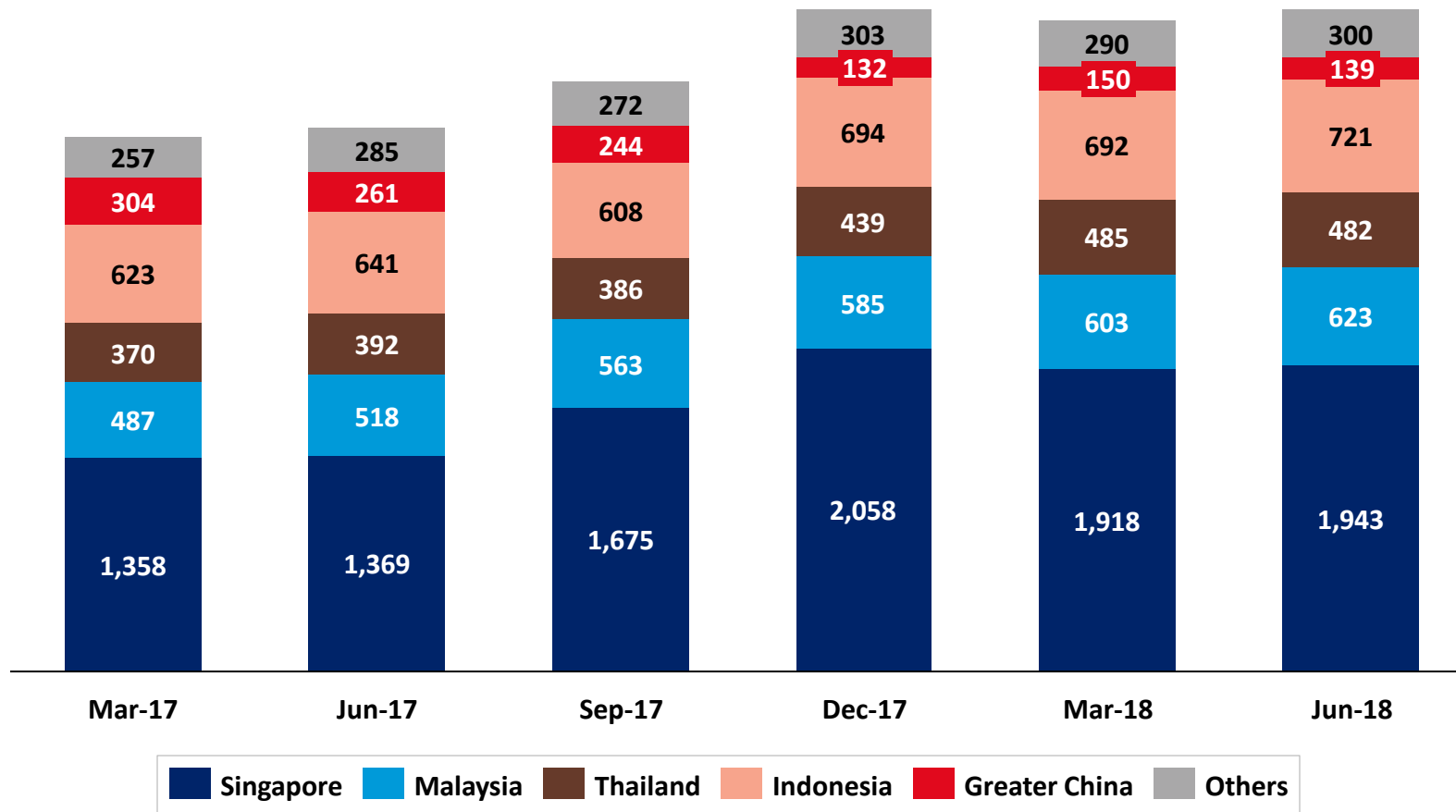
## New NPA formation stayed at normalised level

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
	\$m	\$m	\$m	\$m	\$m	\$m
<b>NPA at start of period</b>	3,480	3,543	3,587	3,919	4,389	4,323
New NPA	424	537	799	1,167	416	436
Upgrades, recoveries and translations	(293)	(255)	(369)	(354)	(310)	(212)
Write-offs	(68)	(238)	(98)	(343)	(172)	(143)
<b>NPA at end of period</b>	3,543	3,587	3,919	4,389	4,323	4,404

# NPL ratio remained stable

NPL (\$m)	3,399	3,466	3,748	4,211	4,138	4,208
NPL Ratio	1.5%	1.5%	1.6%	1.8%	1.7%	1.7%

## NPL (\$m)

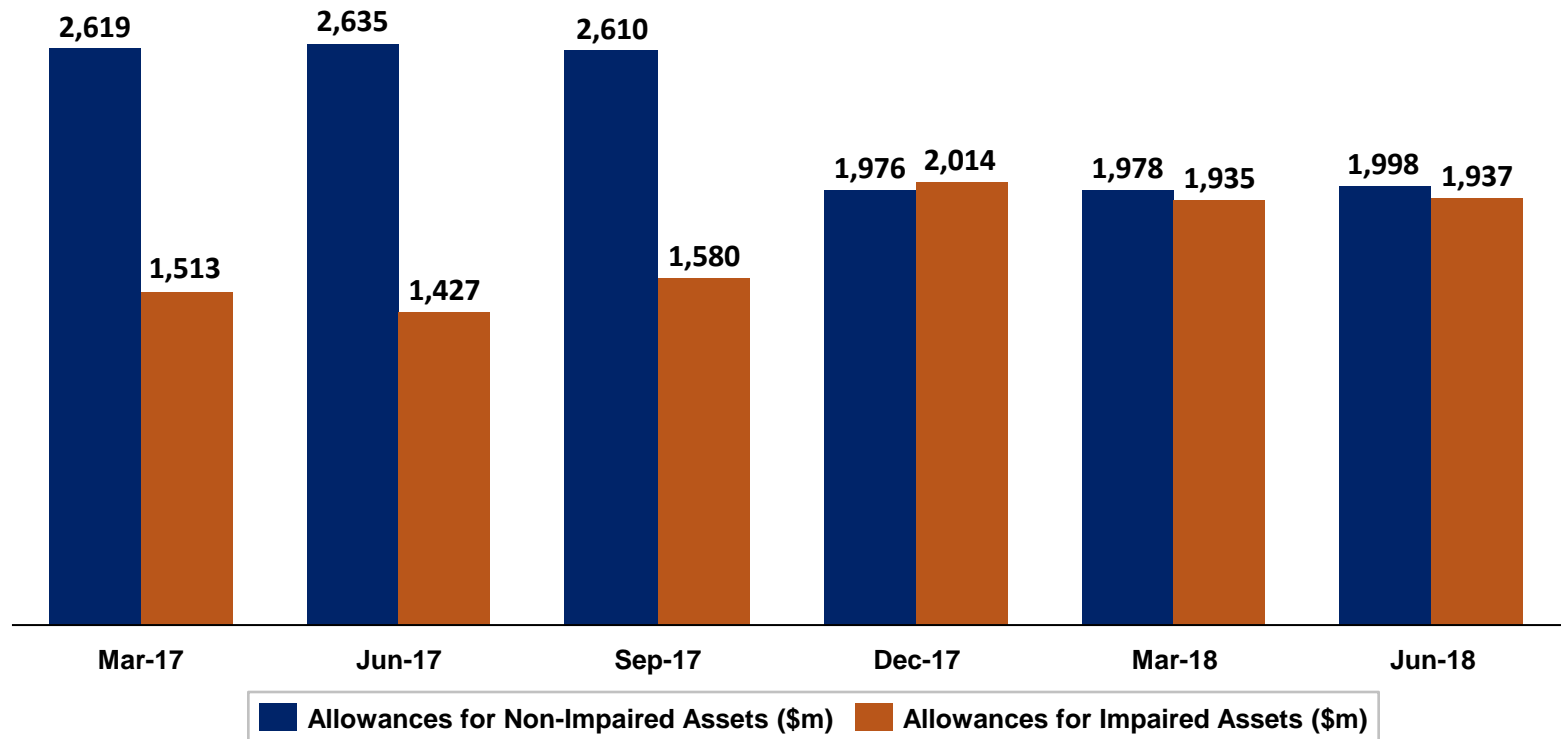


Note: Non-performing loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

# Adequate NPA coverage

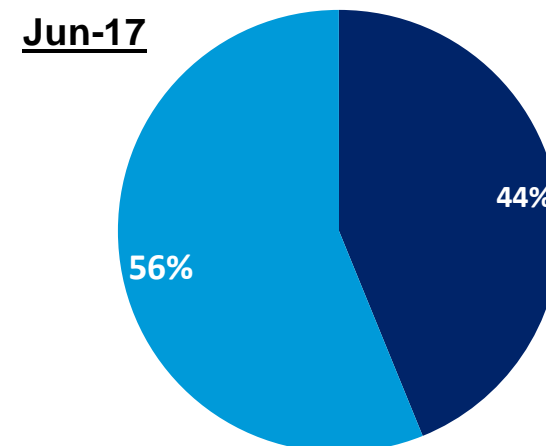
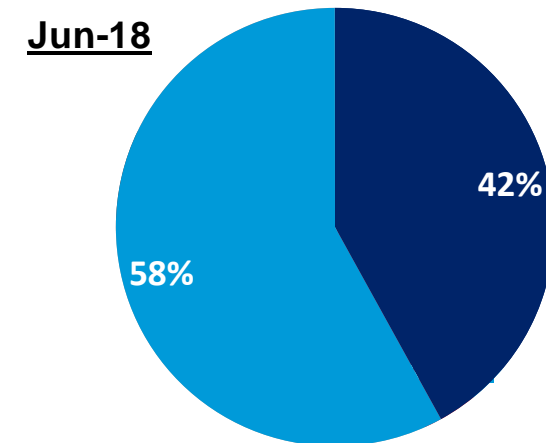
Total Allowances (\$m)	4,132	4,062	4,190	3,990	3,913	3,935
NPA coverage (%)	117	113	107	91	91	89
Unsecured NPA coverage (%)	232	232	223	187	190	190

## Total Allowances (\$m)



# Strong capital used to support broad-based loan growth across the Group

Gross Loans	Jun-18	Jun-17	+/( -)	Mar-18	+/( -)
	\$b	\$b	%	\$b	%
Singapore	131	125	4	129	2
Regional:	94	79	18	89	6
Malaysia	29	26	11	29	1
Thailand	16	14	13	16	0
Indonesia	11	12	(6)	10	4
Greater China	38	28	37	34	13
Others	25	23	12	24	8
<b>Total</b>	<b>250</b>	228	10	241	4

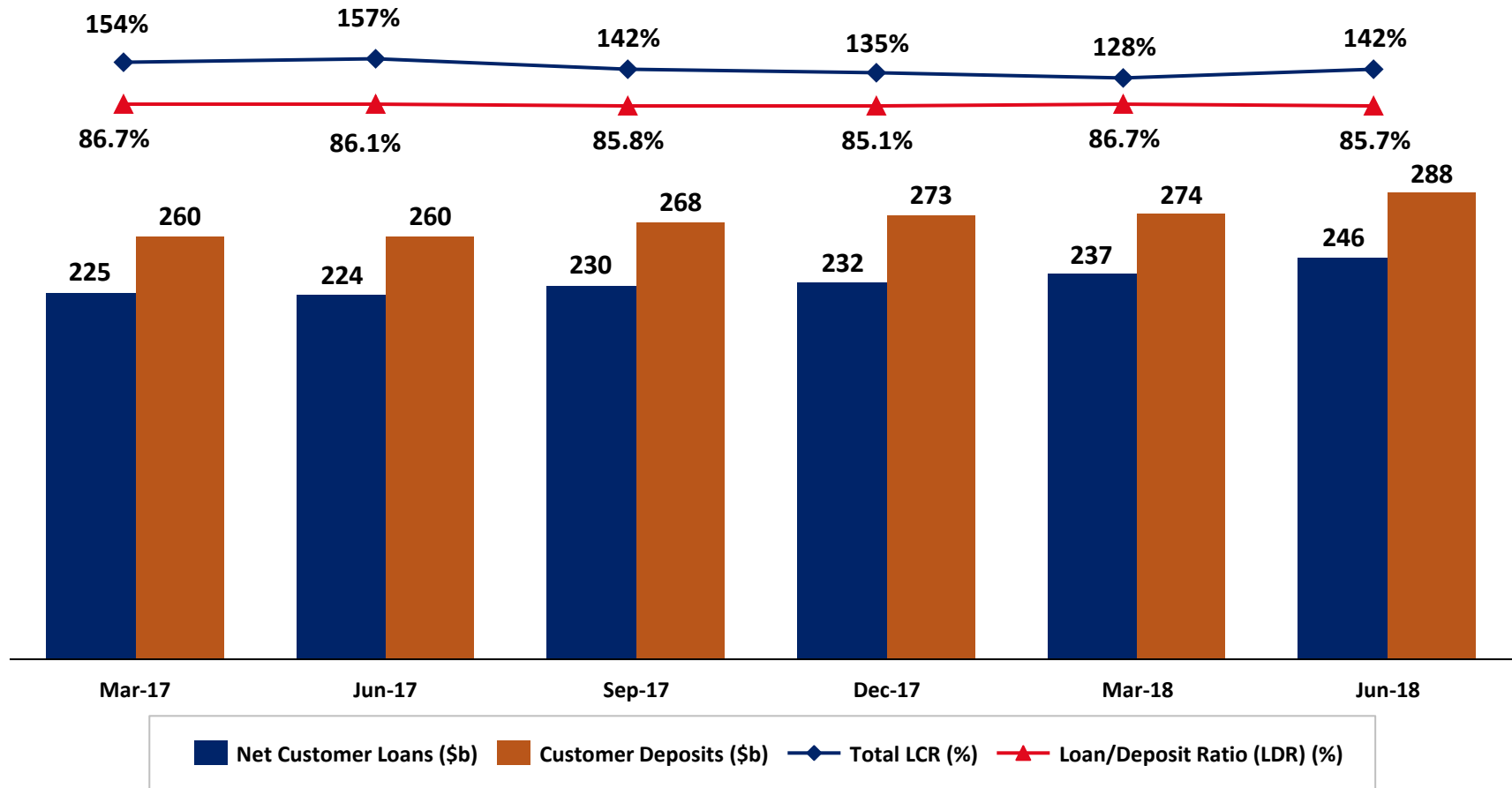


■ Group Retail ■ Group Wholesale

Note: Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

# Stable liquidity position with LCR at 142% and NSFR at 110%

## Customer Loans and Deposits; LDR, LCR and NSFR



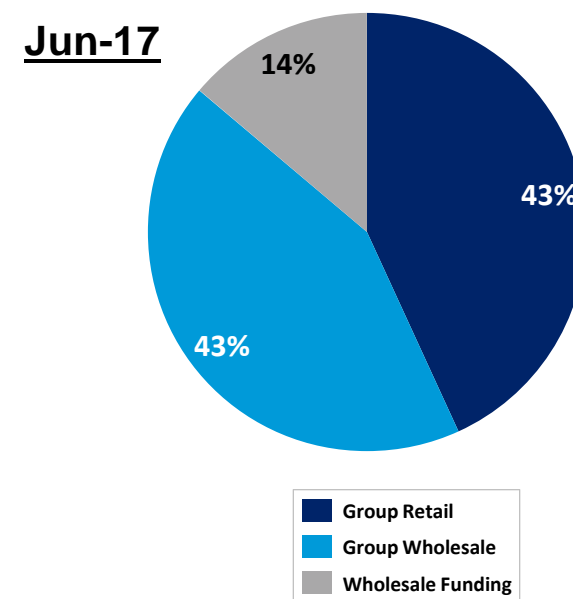
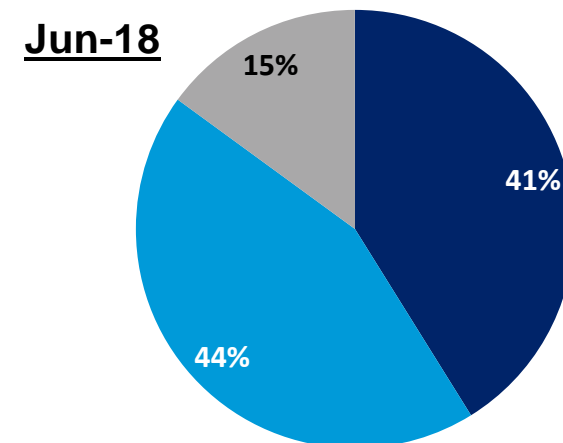
NSFR (%)

111

110

# Strong funding position in anticipation of further rate hikes

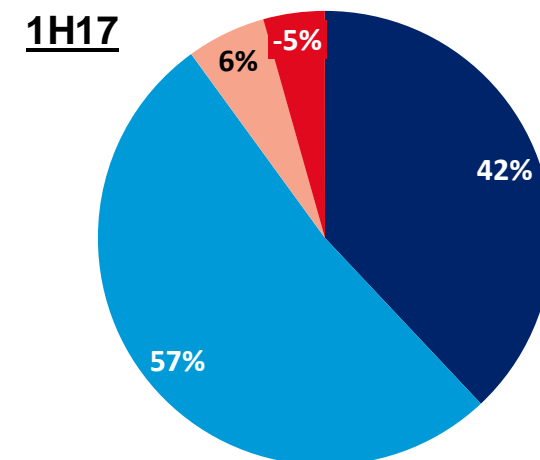
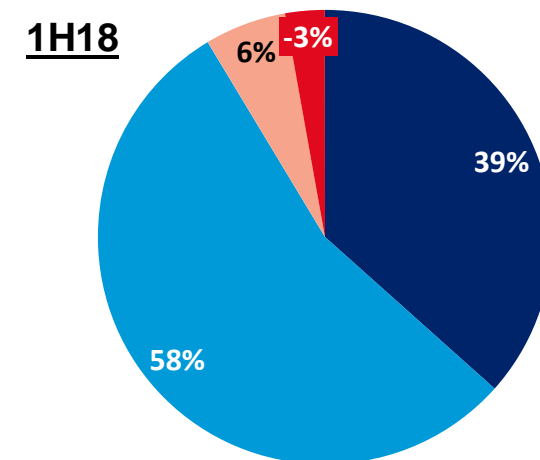
Customer Deposits	Jun-18 \$b	Jun-17 \$b	+/(-) %	Mar-18 \$b	+/(-) %
Singapore	192	180	7	184	5
Regional:	74	65	14	71	4
Malaysia	30	27	12	30	2
Thailand	17	14	17	17	(2)
Indonesia	7	8	(7)	7	5
Greater China	20	16	24	18	11
Others	22	15	42	19	15
<b>Total customer deposits</b>	<b>288</b>	260	11	274	5
Wholesale funding	48	40	19	41	16
<b>Total funding</b>	<b>335</b>	300	12	315	6





# Good performance by all business segments

Segment Operating Profit	1H18	1H17	+ / (-)
	\$m	\$m	%
Group Retail (GR)	1,016	992	2
Group Wholesale Banking (GWB)	1,482	1,336	11
Global Markets (GM)	145	134	8
Others *	(79)	(107)	27
<b>Total</b>	<b>2,564</b>	<b>2,355</b>	<b>9</b>

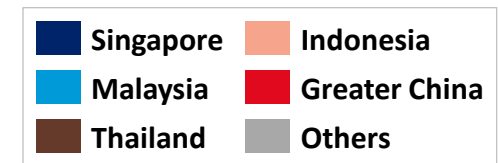
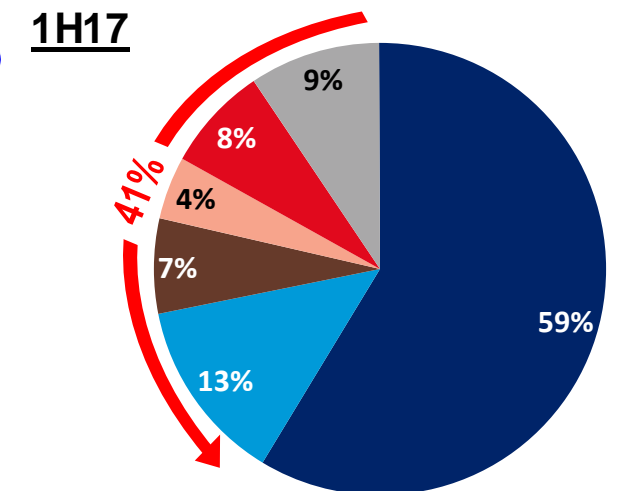
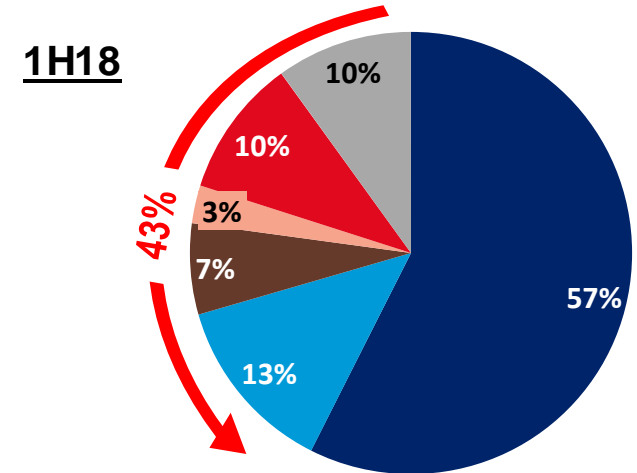


\* Comprises Investment Management, Central Treasury and Corporate Functions



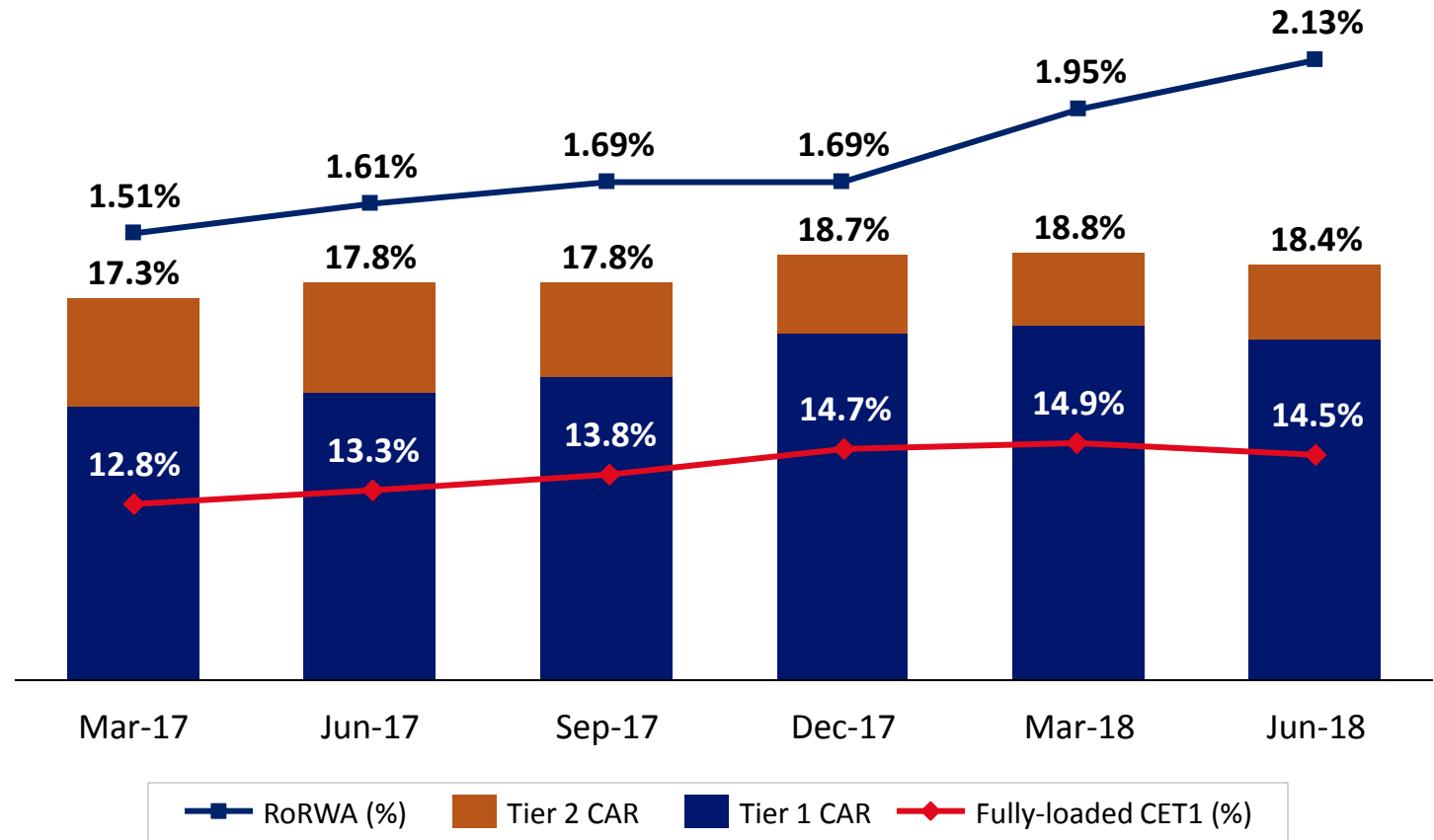
# Regional operating profit up 12% YoY in constant currency

Operating Profit	1H18	1H17	At constant FX rate	
	\$m	\$m	+ / (-) %	+ / (-) %
Singapore	1,458	1,378	6	6
Regional:	855	756	13	12
Malaysia	331	312	6	1
Thailand	196	161	22	18
Indonesia	71	82	(14)	(6)
Greater China	258	201	28	33
Others	251	220	14	18
<b>Total</b>	<b>2,564</b>	<b>2,355</b>	<b>9</b>	<b>9</b>



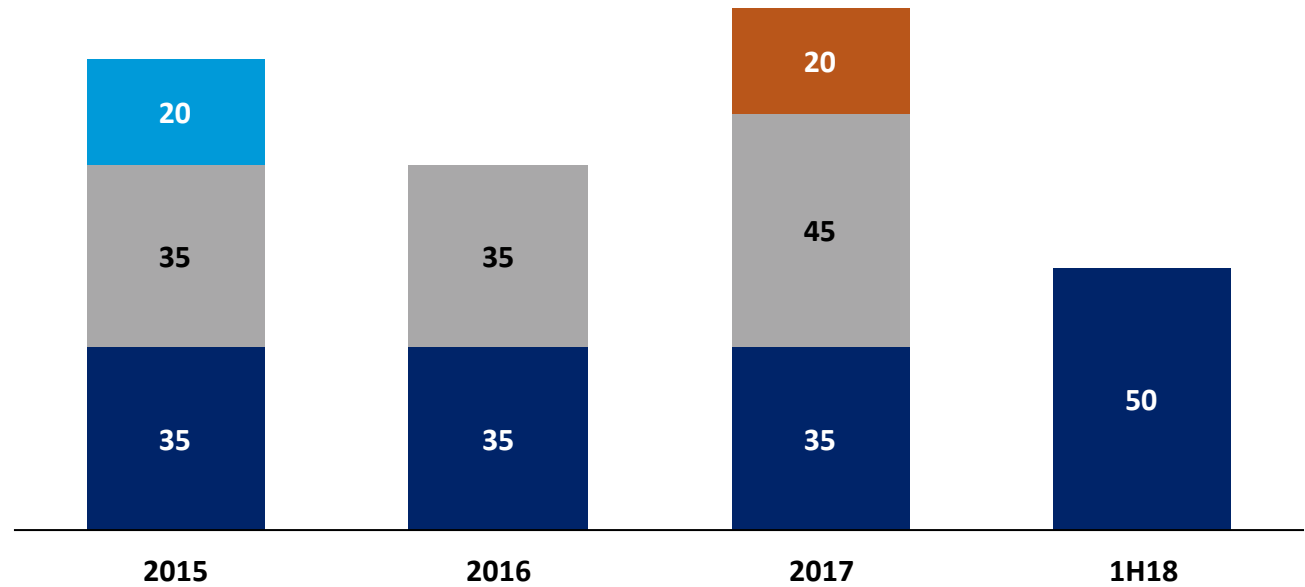
# Strong capital position with improving RoRWA

## Capital Adequacy Ratios (CAR) and RoRWA



RWA (\$b)	211	209	206	199	202	206
Leverage ratio (%)	7.6	7.8	7.7	8.0	8.2	7.7

# Increase in interim core dividend to 50 cents at 1H18



**Net dividend per ordinary share (¢)**

■ Interim ■ Final ■ Special ■ UOB 80th anniversary

	2015	2016	2017	1H18
<b>Payout amount (\$m)</b>	<b>1,444</b>	<b>1,135</b>	<b>1,660</b>	<b>835</b>
<b>Payout ratio (%)</b>	<b>45</b>	<b>37</b>	<b>49</b>	<b>41</b>

## Appendix :

### Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

### Exposure to China

# Singapore – Key Financials

	1H18	1H17	+/(–)	2Q18	1Q18	+/(–)
	\$m	\$m	%	\$m	\$m	%
Net interest income	1,719	1,446	19	887	832	7
Net fee income	619	551	12	302	317	(5)
Other non-interest income	258	392	(34)	154	104	48
<b>Total income</b>	<b>2,596</b>	<b>2,390</b>	<b>9</b>	<b>1,342</b>	<b>1,254</b>	<b>7</b>
Less: Expenses	1,138	1,011	13	581	557	4
<b>Operating profit</b>	<b>1,458</b>	<b>1,378</b>	<b>6</b>	<b>761</b>	<b>697</b>	<b>9</b>
Less: Total allowances	47	254	(82)	11	36	(69)
Add: Assoc & JV	38	24	57	19	18	6
<b>Profit before tax</b>	<b>1,449</b>	<b>1,148</b>	<b>26</b>	<b>770</b>	<b>679</b>	<b>13</b>
<b>Financial indicators (%)</b>						
Net interest margin	1.50	1.32		1.51	1.49	
Cost/Income ratio	43.8	42.3		43.3	44.5	
Customer loans (net) - \$b	146.2	139.6	5%	146.2	143.0	2%
Loan/Deposit ratio	76.2	77.7		76.2	77.9	
NPL ratio ^	1.9	1.5		1.9	2.0	

^ Based on location where the non-performing loans and gross loans are booked.

# Malaysia – Key Financials

	1H18	1H17	+/(–)	2Q18	1Q18	+/(–)
	RM'm	RM'm	%	RM'm	RM'm	%
Net interest income	1,069	1,060	1	543	526	3
Net fee income	314	293	7	145	169	(14)
Other non-interest income	182	151	21	78	104	(25)
<b>Total income</b>	<b>1,565</b>	<b>1,504</b>	<b>4</b>	<b>766</b>	<b>799</b>	<b>(4)</b>
Less: Expenses	582	528	10	291	291	-
<b>Operating profit</b>	<b>983</b>	<b>976</b>	<b>1</b>	<b>475</b>	<b>508</b>	<b>(6)</b>
Less: Total allowances	82	12	>100	45	37	22
<b>Profit before tax</b>	<b>901</b>	<b>964</b>	<b>(7)</b>	<b>430</b>	<b>471</b>	<b>(9)</b>
<b>Profit before tax (S\$m)</b>	<b>304</b>	<b>308</b>	<b>(1)</b>	<b>145</b>	<b>159</b>	<b>(9)</b>
<i>Average Exchange rate</i>	2.97	3.13		2.97	2.96	
<u>Financial indicators (%)</u>						
Net interest margin	2.12	2.20		2.07	2.16	
Cost/Income ratio	37.2	35.1		38.0	36.4	
Customer loans (net) - RM'b	86.7	81.3	7%	86.7	85.0	2%
Loan/Deposit ratio	96.8	96.1		96.8	97.4	
NPL ratio ^	1.8	1.6		1.8	1.6	

^ Based on location where the non-performing loans and gross loans are booked.

# Thailand – Key Financials

	1H18	1H17	+/(–)	2Q18	1Q18	+/(–)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	8,258	7,513	10	4,189	4,069	3
Net fee income	2,392	2,276	5	1,158	1,234	(6)
Other non-interest income	539	427	26	283	256	11
<b>Total income</b>	<b>11,189</b>	<b>10,216</b>	<b>10</b>	<b>5,630</b>	<b>5,559</b>	<b>1</b>
Less: Expenses	6,503	6,229	4	3,351	3,152	6
<b>Operating profit</b>	<b>4,686</b>	<b>3,987</b>	<b>18</b>	<b>2,279</b>	<b>2,407</b>	<b>(5)</b>
Less: Total allowances	1,397	1,583	(12)	833	564	48
<b>Profit before tax</b>	<b>3,289</b>	<b>2,404</b>	<b>37</b>	<b>1,446</b>	<b>1,843</b>	<b>(22)</b>
<b>Profit before tax (S\$m)</b>	<b>137</b>	<b>97</b>	<b>41</b>	<b>60</b>	<b>77</b>	<b>(23)</b>
<i>Average Exchange rate</i>	23.95	24.73		24.13	23.81	
<u>Financial indicators (%)</u>						
Net interest margin	3.35	3.54		3.36	3.33	
Cost/Income ratio	58.1	61.0		59.5	56.7	
Customer loans (net) - THB'b	356.7	322.1	11%	356.7	348.4	2%
Loan/Deposit ratio	88.4	91.8		88.4	86.3	
NPL ratio ^	3.2	2.9		3.2	3.2	

^ Based on location where the non-performing loans and gross loans are booked.



# Indonesia – Key Financials

	1H18	1H17	+/(–)	2Q18	1Q18	+/(–)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	1,664	1,652	1	861	803	7
Net fee income	366	380	(4)	188	178	6
Other non-interest income	231	213	8	102	129	(21)
<b>Total income</b>	<b>2,261</b>	<b>2,245</b>	<b>1</b>	<b>1,151</b>	<b>1,110</b>	<b>4</b>
Less: Expenses	1,527	1,462	4	776	751	3
<b>Operating profit</b>	<b>734</b>	<b>782</b>	<b>(6)</b>	<b>375</b>	<b>359</b>	<b>4</b>
Less: Total allowances	200	361	(45)	256	(56)	>100
<b>Profit/(loss) before tax</b>	<b>534</b>	<b>421</b>	<b>27</b>	<b>119</b>	<b>415</b>	<b>(71)</b>
<b>Profit/(loss) before tax (\$m)</b>	<b>51</b>	<b>44</b>	<b>16</b>	<b>11</b>	<b>40</b>	<b>(71)</b>
<i>Average Exchange rate</i>	10,385	9,515		10,397	10,382	
<u>Financial indicators (%)</u>						
Net interest margin	4.16	4.05		4.22	4.09	
Cost/Income ratio	67.5	65.1		67.4	67.7	
Customer loans (net) - IDR't	66.0	66.8	(1%)	66.0	62.1	6%
Loan/Deposit ratio	87.5	89.7		87.5	86.9	
NPL ratio ^	1.6	3.7		1.6	1.2	

^ Based on location where the non-performing loans and gross loans are booked.

# Greater China – Key Financials

	1H18	1H17	+/(-)	2Q18	1Q18	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	207	196	6	103	104	(1)
Net fee income	86	49	78	40	46	(12)
Other non-interest income	149	122	22	87	62	42
<b>Total income</b>	<b>442</b>	<b>366</b>	<b>21</b>	<b>231</b>	<b>212</b>	<b>9</b>
Less: Expenses	185	165	12	91	93	(2)
<b>Operating profit</b>	<b>258</b>	<b>201</b>	<b>28</b>	<b>139</b>	<b>118</b>	<b>18</b>
Less: Total allowances	37	10	>100	26	11	>100
Add: Assoc & JV	21	23	(8)	11	10	7
<b>Profit before tax</b>	<b>242</b>	<b>214</b>	<b>13</b>	<b>124</b>	<b>118</b>	<b>6</b>
<u>Financial indicators (%)</u>						
Net interest margin	0.90	1.04		0.84	0.97	
Cost/Income ratio	41.8	45.1		39.6	44.1	
Customer loans (net) - \$b	32.1	22.4	44%	32.1	28.5	13%
Loan/Deposit ratio	162.5	140.6		162.5	159.3	
NPL ratio ^	0.2	0.5		0.2	0.3	

^ Based on location where the non-performing loans and gross loans are booked.

# Exposure to China

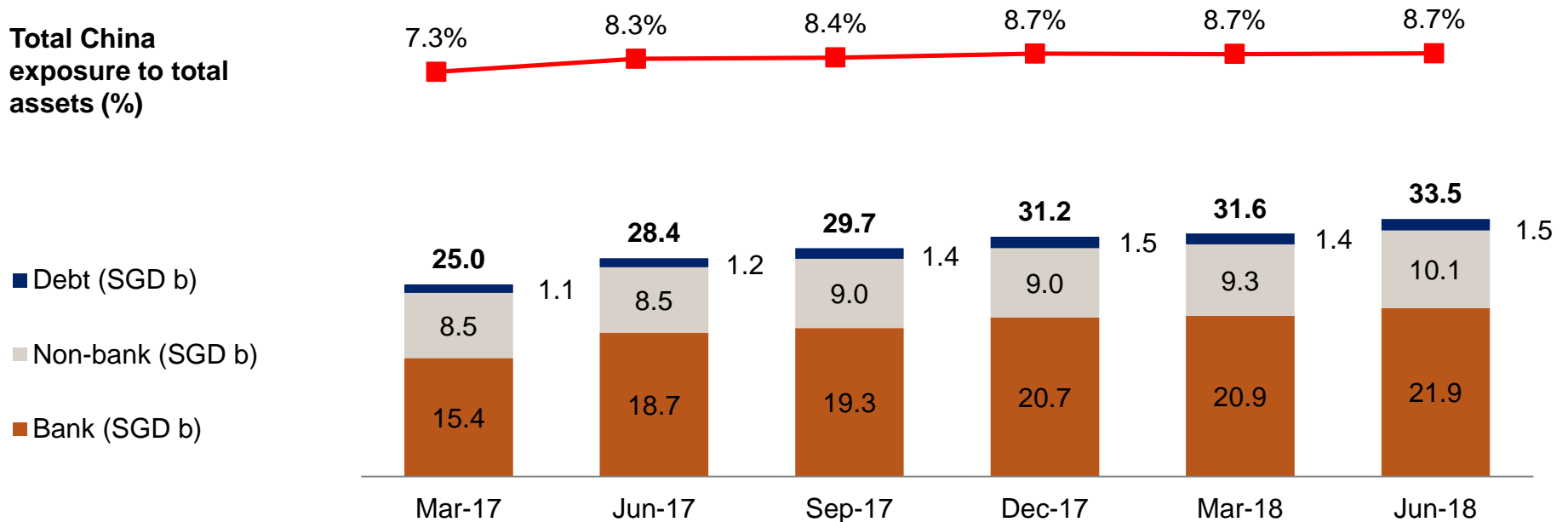
## Bank exposure as of 30 June 2018

- Bank exposure accounted for 65% of total exposure to China
- Top 5 domestic banks and 3 policy banks accounted for 70% of total bank exposure
- 99% with <1 year tenor
- Trade exposures mostly with bank counterparties, representing about half of bank exposure

## Non-bank exposure as of 30 June 2018

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio at 0.7%
- 50% denominated in RMB
- 50% with <1 year tenor

### Total China exposure to total assets (%)



Note: Classification is according to where credit risks reside, largely represented by the borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

# Thank You

