



# UOB Group

For the Financial Year / Fourth Quarter Ended 31 December 2018

## Financial Highlights

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Group Chief Financial Officer

22 February 2019



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## Highlights

**Full year profit crosses the \$4 billion mark, supported by strong balance sheet**

**FY18 earnings of \$4.01 billion ▲ 18% YoY**

**4Q18 earnings of \$916 million ▲ 7% YoY; ▼ 12% QoQ**

- Total income rose 6% to \$9.12 billion led by strong growth in both net interest income and net fee and commission income
- Sound funding position with healthy loan-to-deposit ratio at 88.2%, LCR for the year at 135% and NSFR at 107%
- Assets quality resilient with improved NPL ratio at 1.5%
- Return on risk-weighted assets for the year increased to 1.93%; supported by strong earnings
- Strong capital position with CET1 CAR at 13.9%

## New high full year earnings surpassing \$4 billion

	2018 \$m	2017 \$m	YoY +/- \$m	% %	
Net interest income	6,220	5,528	692	13	▲
Net fee income	1,967	1,873	94	5	▲
Other Non-NII	930	1,162	(232)	(20)	▼
<b>Total income</b>	<b>9,116</b>	<b>8,563</b>	<b>554</b>	<b>6</b>	<b>▲</b>
Less: Total expenses	4,003	3,739	265	7	▲
<b>Operating profit</b>	<b>5,113</b>	<b>4,824</b>	<b>289</b>	<b>6</b>	<b>▲</b>
Less: Total allowances	393	727	(335)	(46)	▼
Add: Assoc & JV	106	110	(4)	(4)	▼
<b>Net profit</b>	<b>4,008</b>	<b>3,390</b>	<b>618</b>	<b>18</b>	<b>▲</b>

- Net interest income (NII) rose 12% lifted by higher margins and broad-based loan growth.
- Higher net fee income driven by strong growth in loan-related, credit card, trade-related and fund management fees.
- Lower other non-NII due to unrealised mark-to-market on investment securities and lower gains from sale of investment securities.
- Expenses increased due to higher performance-related staff costs and IT-related expenses.
- Allowances dropped substantially attributed to benign credit environment.

# Fourth quarter earnings increased 7% from a year ago

	4Q18 \$m	4Q17 \$m	YoY +/- \$m	% %
Net interest income	1,608	1,461	148	10 ▲
Net fee income	467	509	(42)	(8) ▼
Other Non-NII	140	262	(121)	(46) ▼
<b>Total income</b>	<b>2,216</b>	<b>2,231</b>	<b>(15)</b>	<b>(1) ▼</b>
Less: Total expenses	984	1,027	(43)	(4) ▼
<b>Operating profit</b>	<b>1,232</b>	<b>1,205</b>	<b>27</b>	<b>2 ▲</b>
Less: Total allowances	128	140	(13)	(9) ▼
Add: Assoc & JV	0	22	(22)	(99) ▼
<b>Net profit</b>	<b>916</b>	<b>855</b>	<b>61</b>	<b>7 ▲</b>

- Higher net interest income led by 11% loan growth.
- Lower net fee income as higher credit card fees were offset by lower wealth management and loan-related fees amid market uncertainties.
- Other non-NII declined due to unrealised mark-to-market on investment securities offset by growth in customer-related flows.
- Expenses decreased due to lower revenue-related and staff costs.
- Allowances declined attributed to higher allowances on the oil and gas and shipping sectors last year.

## Net earnings 12% lower QoQ

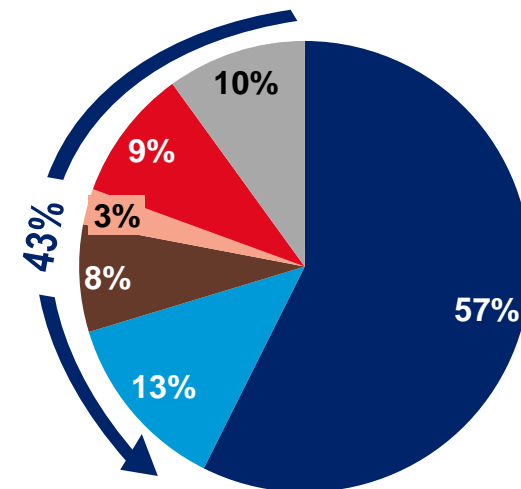
	4Q18 \$m	3Q18 \$m	QoQ +/- \$m	QoQ +/- %
Net interest income	1,608	1,599	9	1 ▲
Net fee income	467	484	(17)	(4) ▼
Other Non-NII	140	244	(103)	(42) ▼
<b>Total income</b>	<b>2,216</b>	<b>2,327</b>	<b>(112)</b>	<b>(5) ▼</b>
Less: Total expenses	984	1,011	(27)	(3) ▼
<b>Operating profit</b>	<b>1,232</b>	<b>1,317</b>	<b>(85)</b>	<b>(6) ▼</b>
Less: Total allowances	128	95	33	34 ▲
Add: Assoc & JV	0	25	(24)	(99) ▼
<b>Net profit</b>	<b>916</b>	<b>1,037</b>	<b>(122)</b>	<b>(12) ▼</b>

- Lower net fee income due to lower wealth management and loan-related fees on subdued market sentiment.
- Other non-NII declined mainly due to lower trading and investment income offset by growth in customer-related flows.
- Total expenses dropped in tandem with lower operating income.
- Higher allowances on impaired assets mainly in Singapore and Indonesia.
- Contribution from associates declined mainly due to unrealised mark-to-market recognised by an associated company in 4Q18.

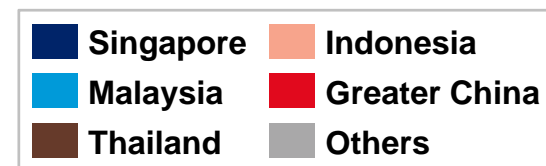
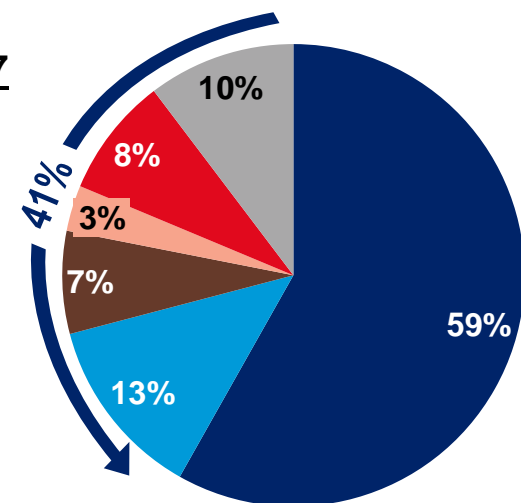
# Regional operating profit up 8% YoY in constant currency

Operating Profit	2018	2017	+ / (-)	At constant FX rate
	\$m	\$m	%	+ / (-) %
Singapore	2,934	2,834	4	4
Regional:	1,669	1,535	9	8
Malaysia	661	621	7	2
Thailand	393	350	12	9
Indonesia	132	156	(15)	(8)
Greater China	483	408	18	21
Others	510	454	12	15
<b>Total</b>	<b>5,113</b>	<b>4,824</b>	<b>6</b>	<b>6</b>

2018



2017

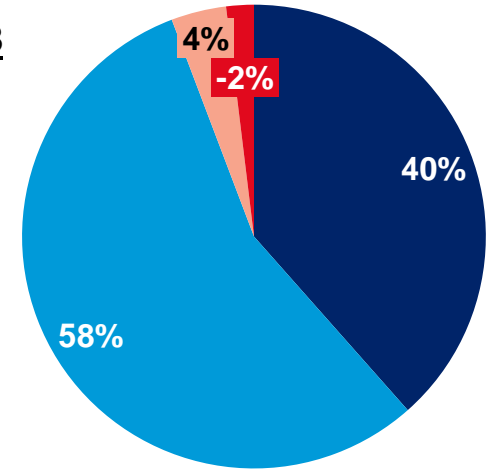


# All business segments performed better YoY

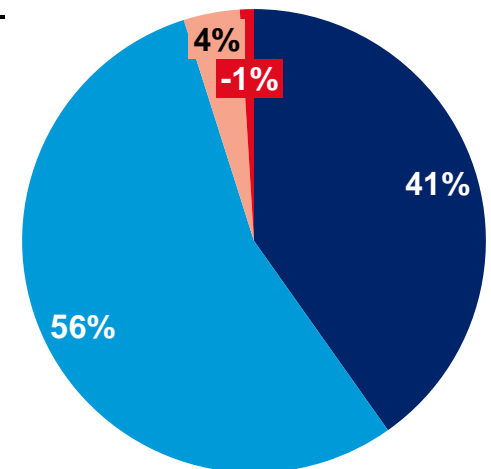
## Segment Operating Profit

	2018	2017	+ / (-)
	\$m	\$m	%
Group Retail (GR)	2,023	1,981	2
Group Wholesale Banking (GWB)	2,982	2,713	10
Global Markets (GM)	220	187	17
Others *	(112)	(57)	(95)
<b>Total</b>	<b>5,113</b>	<b>4,824</b>	<b>6</b>

2018



2017

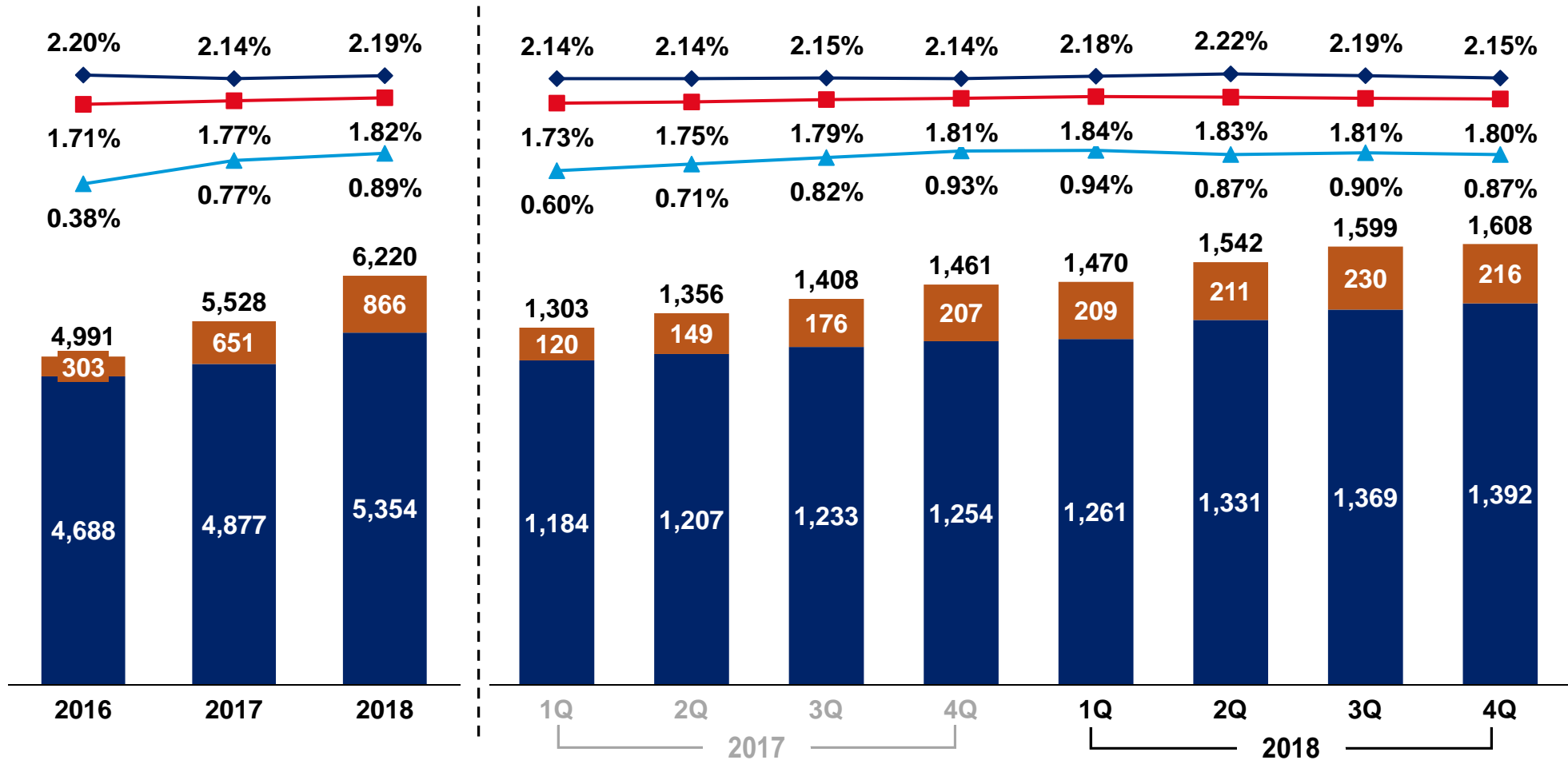


\* Comprises Investment Management, Central Treasury and Corporate Functions



# Higher NII driven by broad-based loan growth

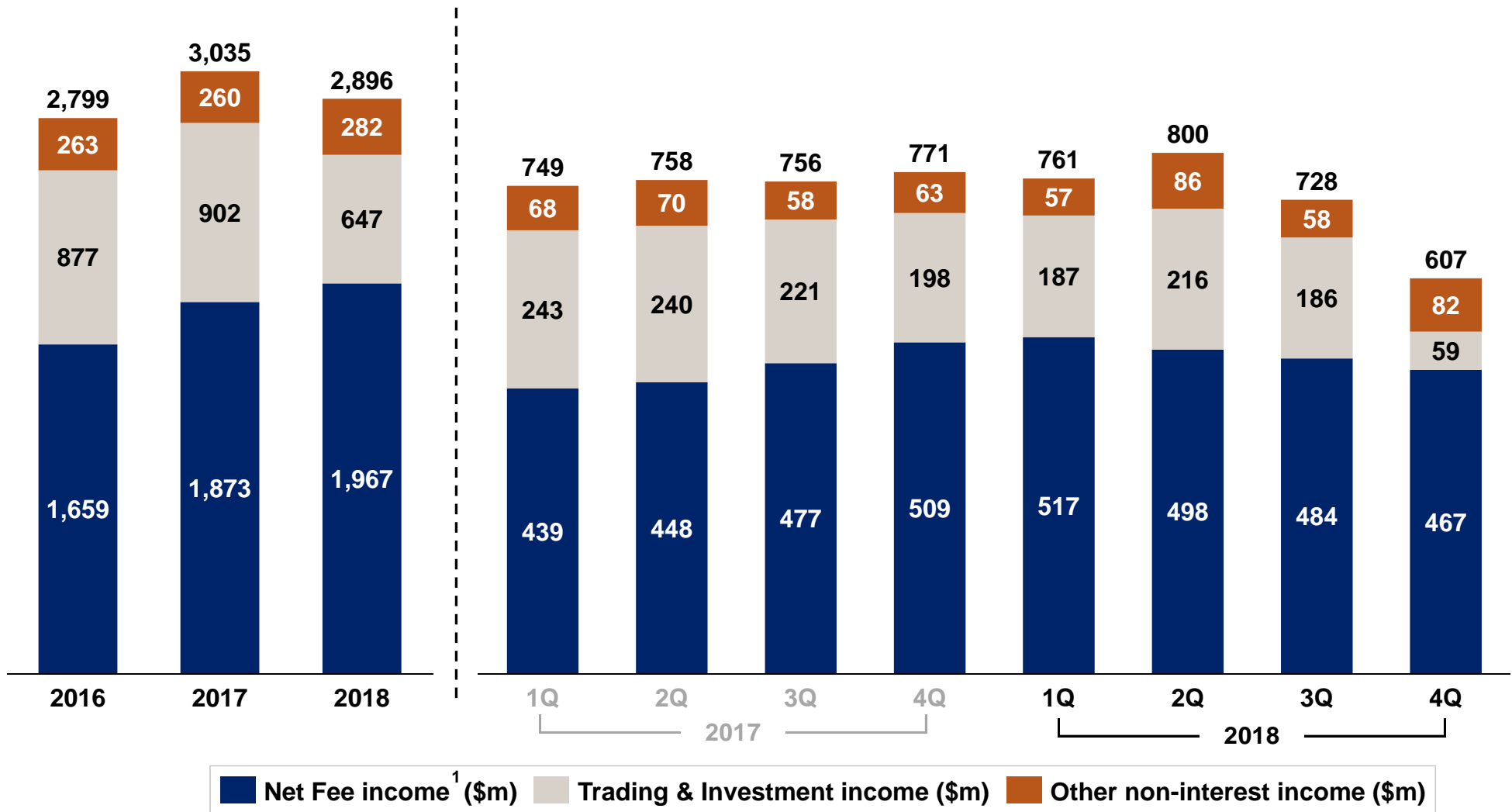
## Net Interest Income (NII) and Margin





# QoQ lower fee and trading and investment income amid market uncertainties

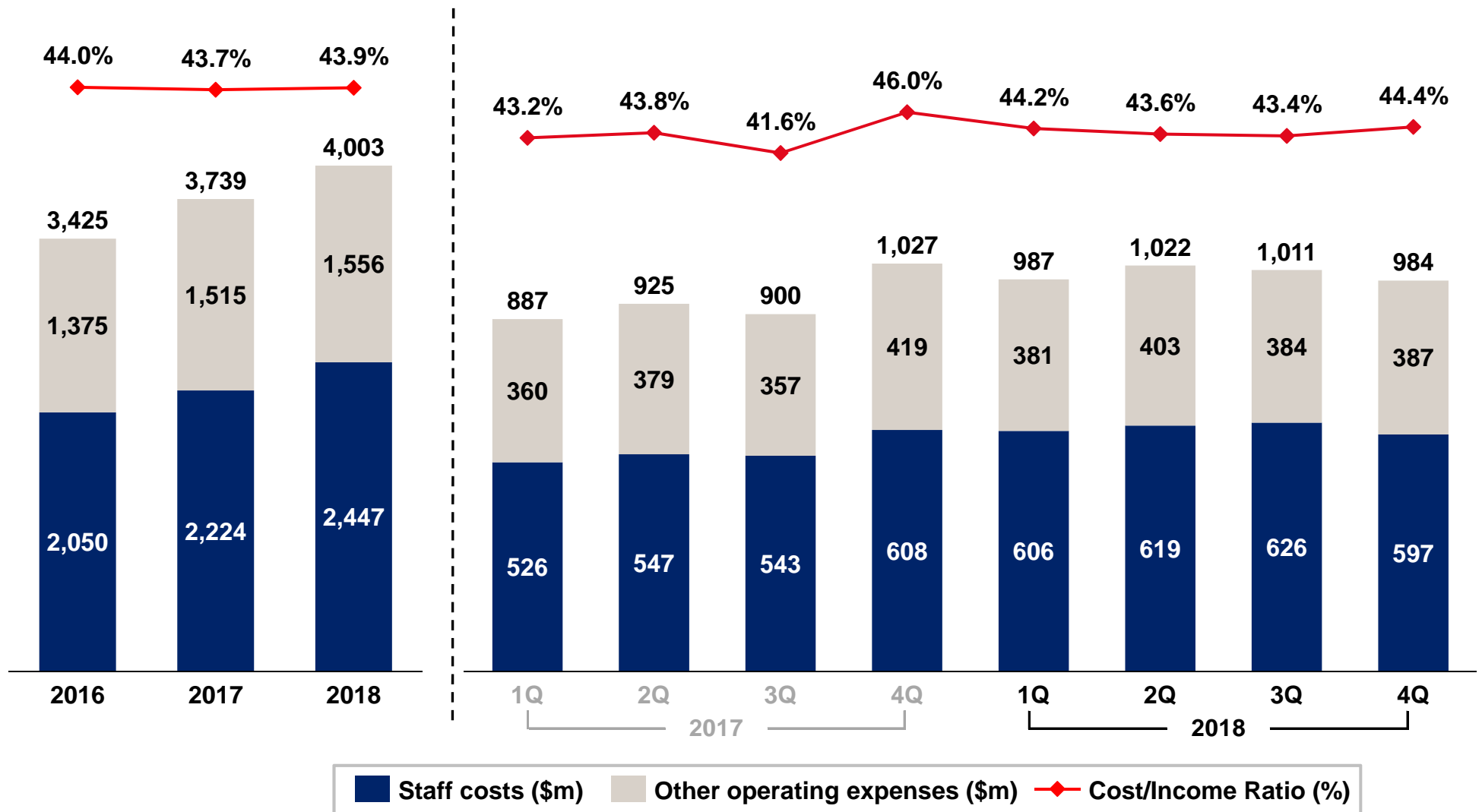
## Non-Net Interest Income



Note: 1. 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.

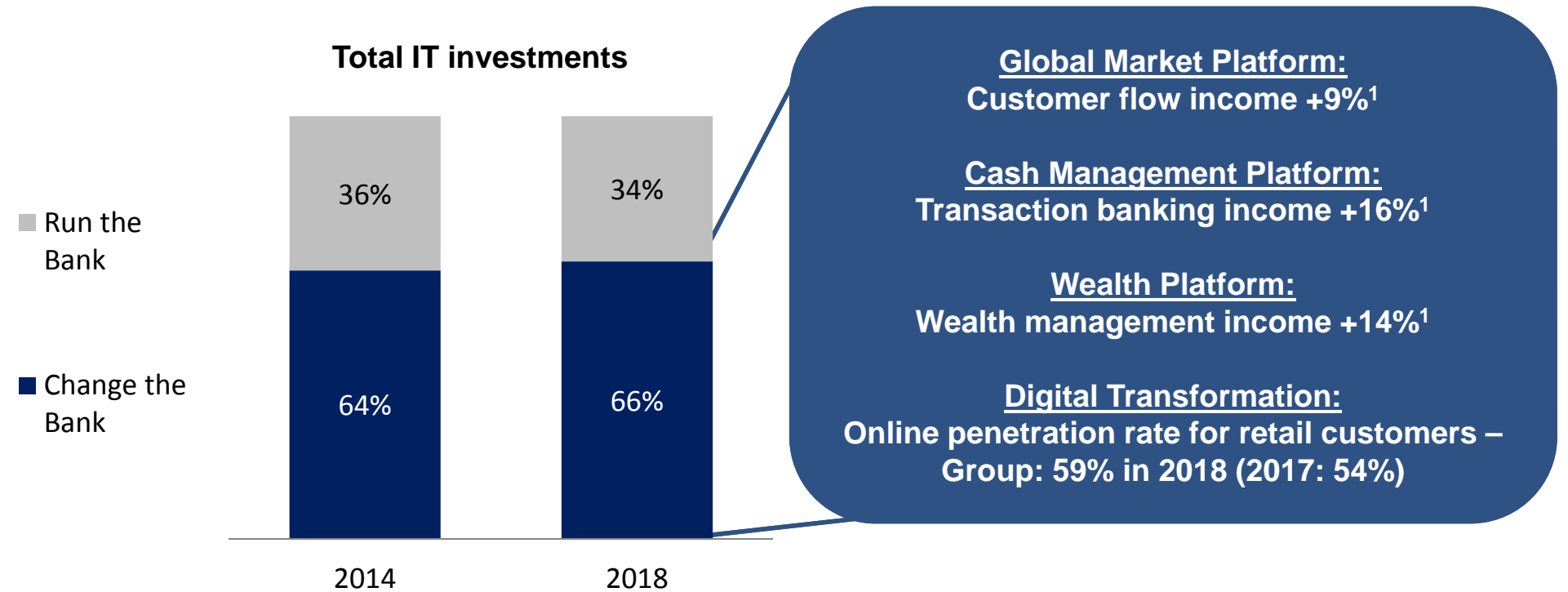
# Cost/Income ratio remained stable

## 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.

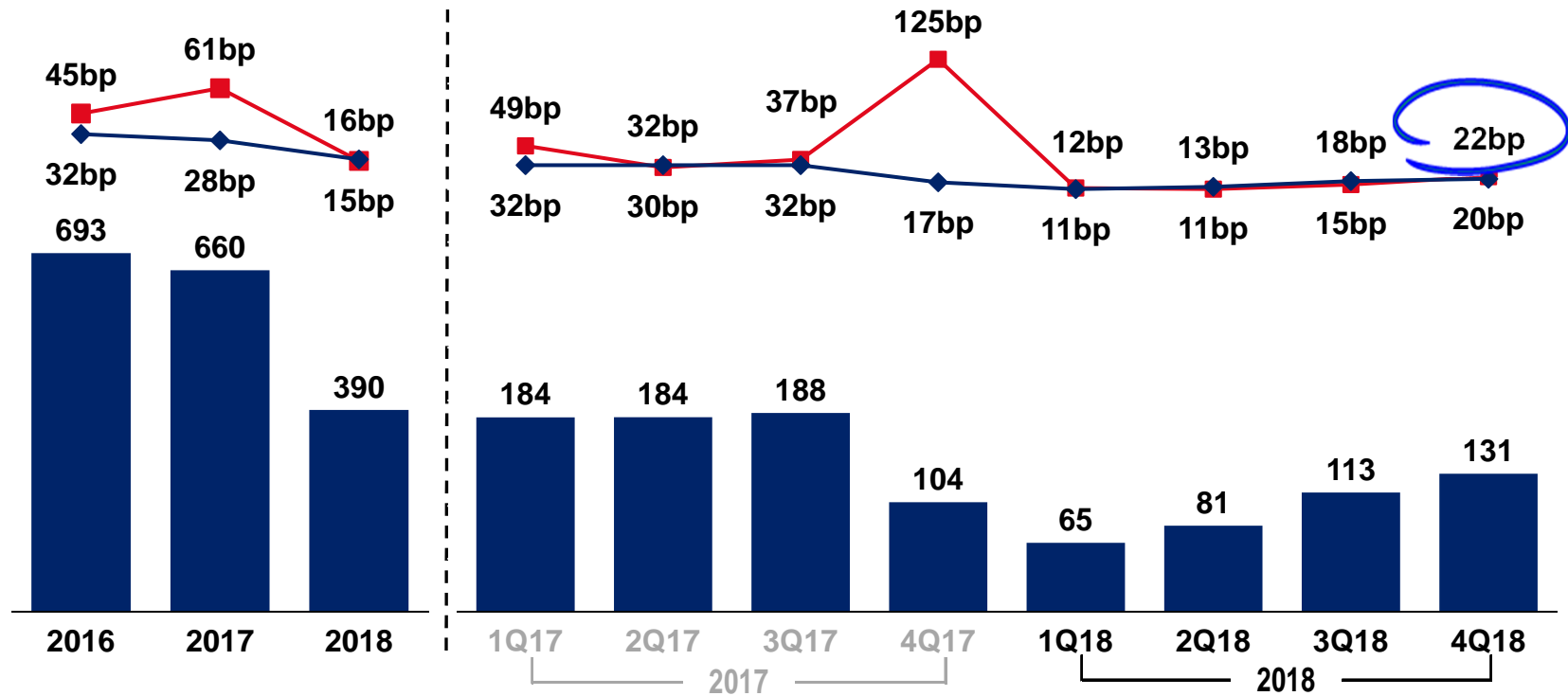
# IT Investments Towards “Changing the Bank”



Note:  
1. CAGR computed over 5 years (2013 to 2018).

# Total credit costs increased QoQ to 22 bps

## Total Allowances on Loans



■ Total Allowances on Loans      ◆ Total Allowances on Loans / Average Gross Loans (basis points)  
■ Allowances for Impaired Loans / Average Gross Loans (basis points)

	2016	2017	2018	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Allowances for Non-Impaired Loans (\$m)	(277)	(747)	14	(93)	12	(26)	(641)	(6)	17	18	(16)
Allowances for Impaired Loans (\$m)	969	1,407	376	277	172	214	744	71	64	94	146
<b>Total Allowances on Loans (\$m)</b>	<b>693</b>	<b>660</b>	<b>390</b>	<b>184</b>	<b>184</b>	<b>188</b>	<b>104</b>	<b>65</b>	<b>81</b>	<b>113</b>	<b>131</b>

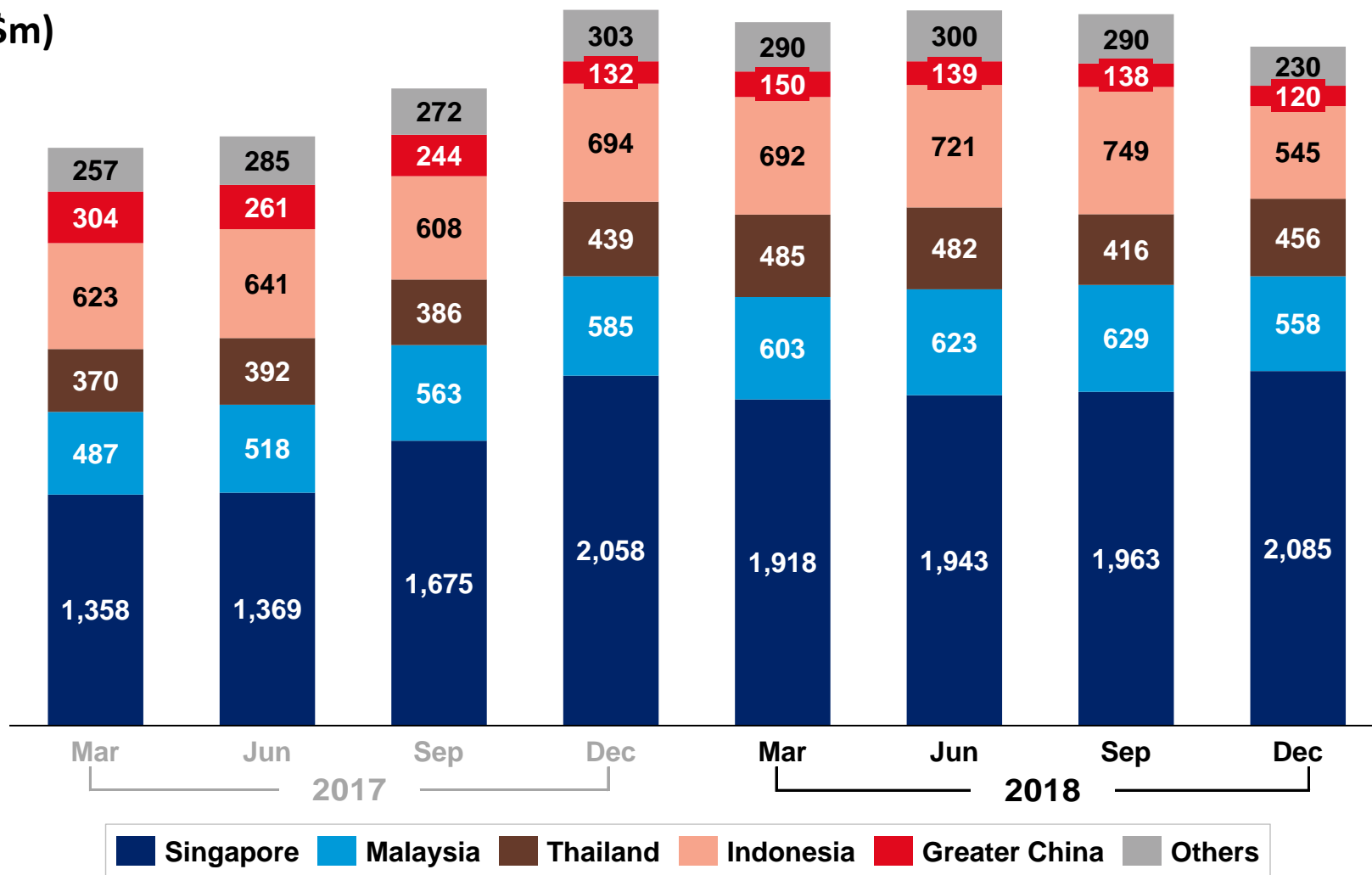
## QoQ non-performing assets decreased 5%

	2017				2018			
	1Q \$m	2Q \$m	3Q \$m	4Q \$m	1Q \$m	2Q \$m	3Q \$m	4Q \$m
<b>NPA at start of period</b>	3,480	3,543	3,587	3,919	4,389	4,323	4,404	4,374
New NPA	424	537	799	1,167	416	436	475	609
Upgrades, recoveries and translations	(293)	(255)	(369)	(354)	(310)	(212)	(398)	(382)
Write-offs	(68)	(238)	(98)	(343)	(172)	(143)	(107)	(435)
<b>NPA at end of period</b>	3,543	3,587	3,919	4,389	4,323	4,404	4,374	4,166

# NPL ratio improved to 1.5%

NPL (\$m)	3,399	3,466	3,748	4,211	4,138	4,208	4,185	3,994
NPL Ratio	1.5%	1.5%	1.6%	1.8%	1.7%	1.7%	1.6%	1.5%

NPL (\$m)

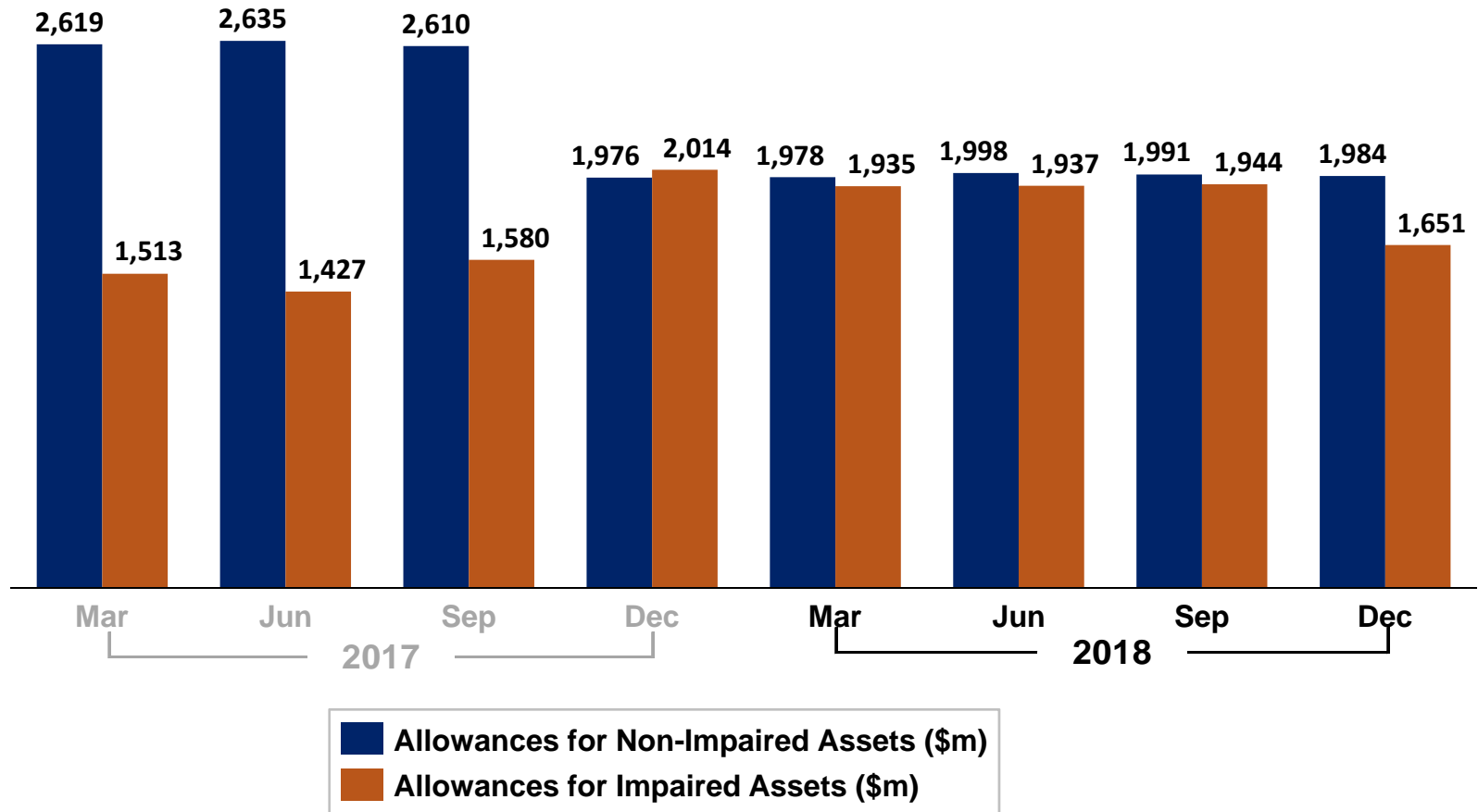


Note: Non-performing loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

# Adequate NPA coverage

Total Allowances (\$m)	4,132	4,062	4,190	3,990	3,913	3,935	3,935	3,636
NPA coverage (%)	117	113	107	91	91	89	90	87
Unsecured NPA coverage (%)	232	232	223	187	190	190	189	202

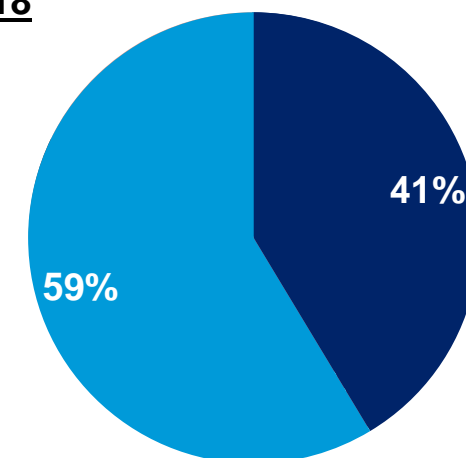
## Total Allowances (\$m)



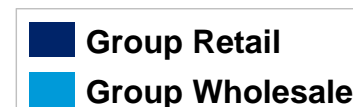
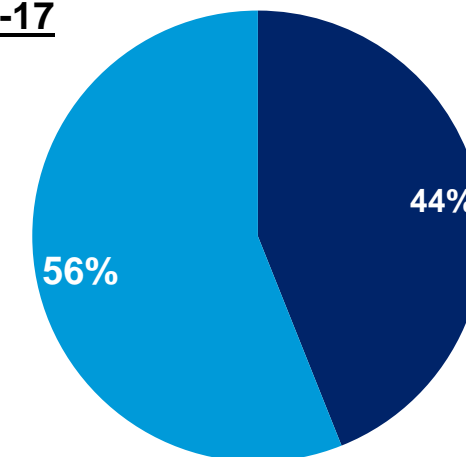
# Strong capital and funding supported broad-based loan growth across the Group

Gross Loans	Dec-18	Dec-17	+/(-) %	Sep-18	+/(-) %
	\$b	\$b	%	\$b	%
Singapore	137	128	8	133	3
Regional:	97	85	15	95	2
Malaysia	29	27	9	29	1
Thailand	17	15	12	16	3
Indonesia	11	11	5	11	2
Greater China	40	32	24	39	3
Others	27	23	15	27	1
<b>Total</b>	<b>262</b>	<b>236</b>	<b>11</b>	<b>255</b>	<b>3</b>

Dec-18



Dec-17



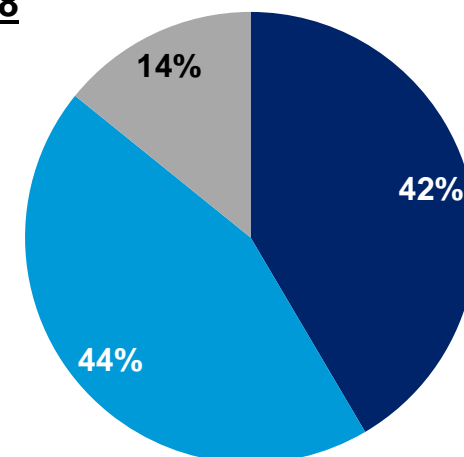
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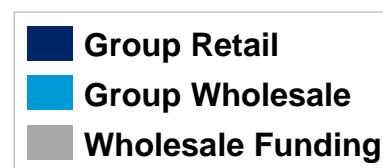
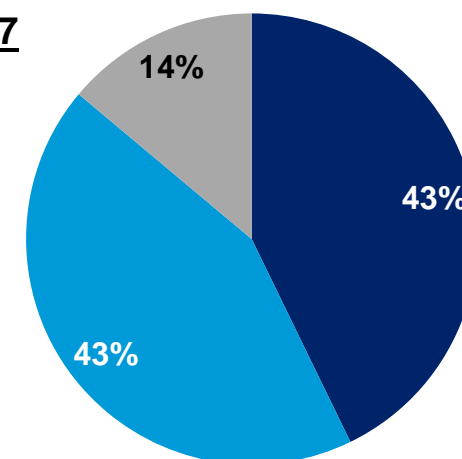
# Diversified funding sources

Customer Deposits	Dec-18 \$b	Dec-17 \$b	+/(-) %	Sep-18 \$b	+/(-) %
Singapore	195	185	5	197	(1)
Regional:	76	69	11	75	2
Malaysia	30	28	6	30	(1)
Thailand	17	16	12	18	(1)
Indonesia	7	7	(1)	7	(1)
Greater China	22	18	22	20	9
Others	23	19	19	22	5
<b>Total customer deposits</b>	<b>293</b>	<b>273</b>	<b>7</b>	<b>294</b>	<b>(0)</b>
Wholesale funding <sup>(1)</sup>	47	40	18	41	14
<b>Total funding</b>	<b>340</b>	<b>312</b>	<b>9</b>	<b>334</b>	<b>2</b>

**Dec-18**



**Dec-17**

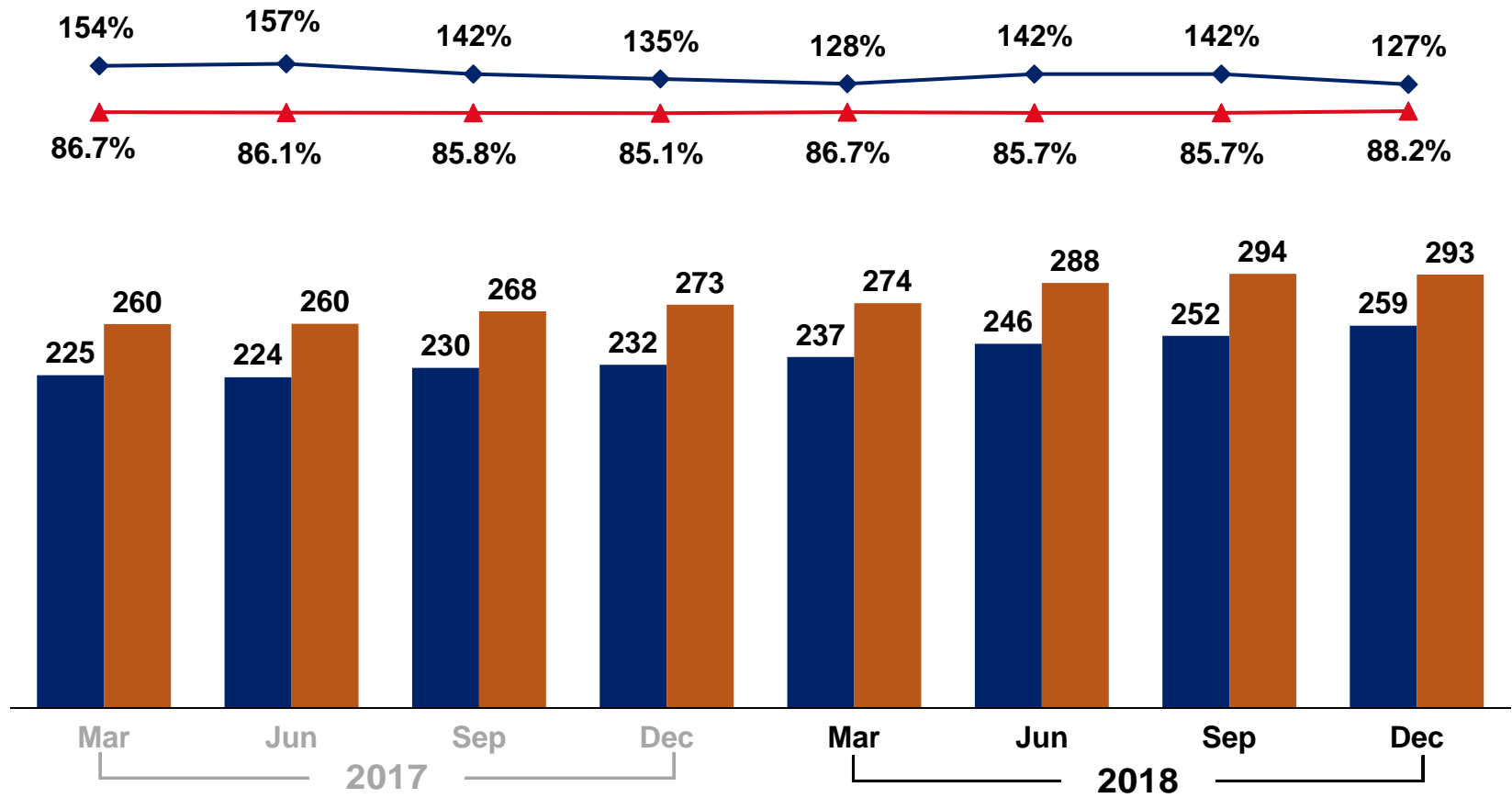


Note:

(1) Comprising debt issuances, perpetual capital securities, commercial paper and interbank.

# Stable liquidity position with LCR at 127% and NSFR at 107%

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

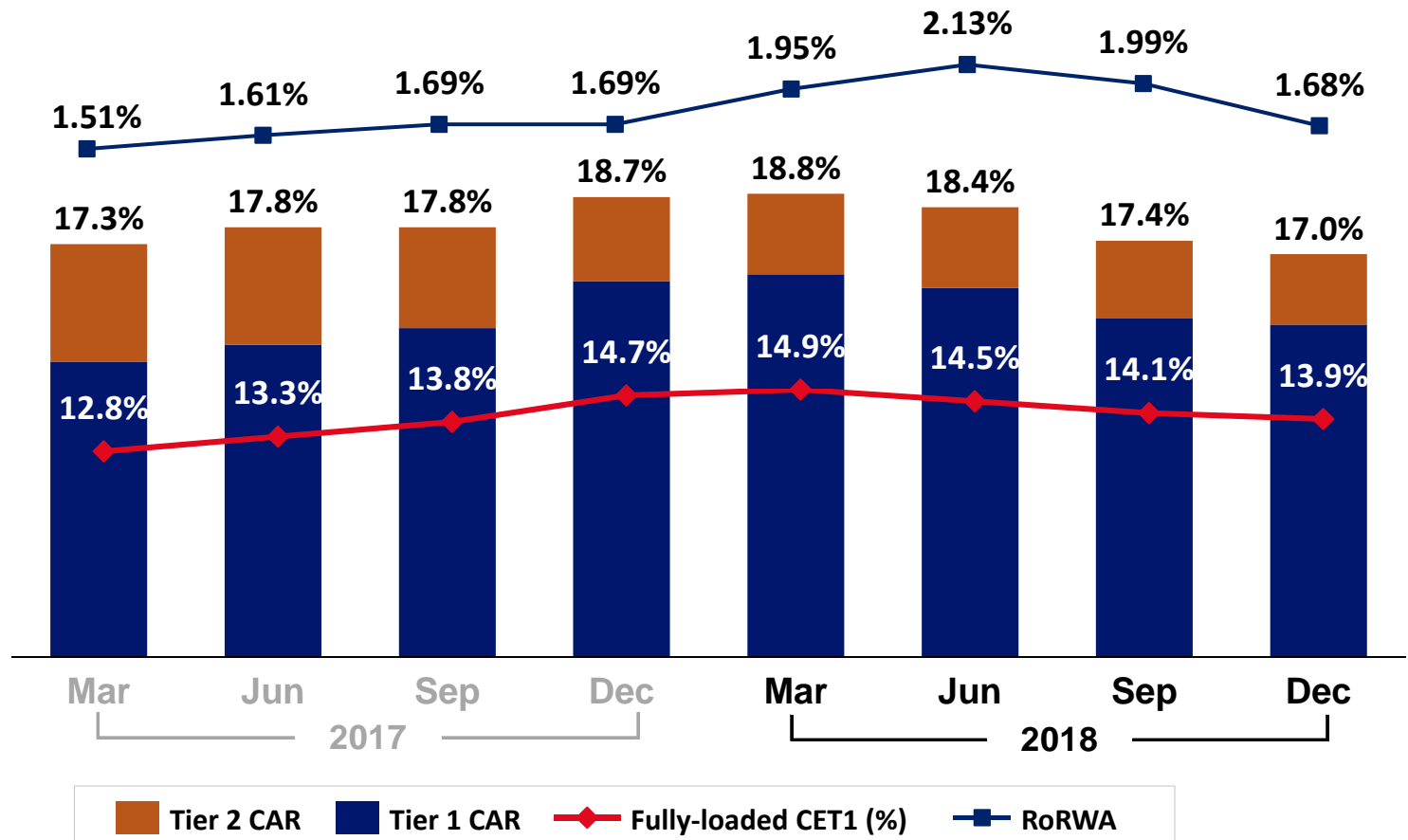


■ Net Customer Loans (\$b) 
 ■ Customer Deposits (\$b) 
 ◆ All-currency LCR (%) 
 ▲ Loan/Deposit Ratio (LDR) (%)

NSFR (%)	111	110	110	107
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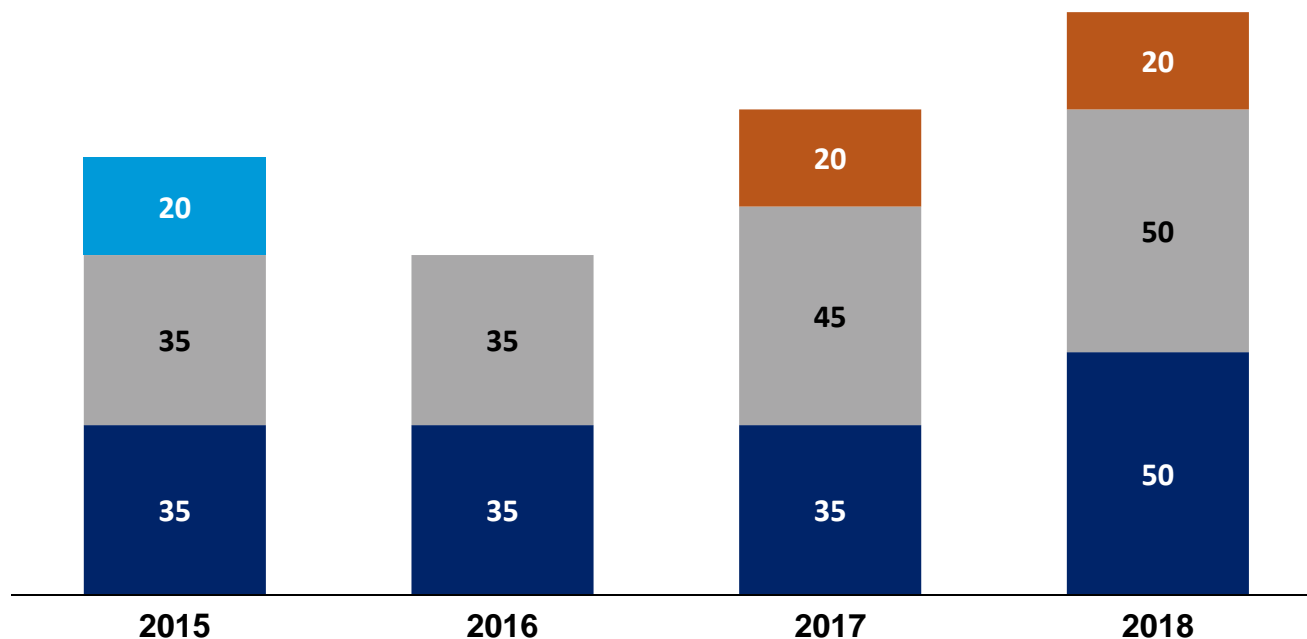
# Strong capital and leverage ratio

## Capital Adequacy Ratios (CAR) and RoRWA



RWA (\$b)	211	209	206	199	202	206	213	221
Leverage ratio (%)	7.6	7.8	7.7	8.0	8.2	7.7	7.4	7.6

# Dividends increased to \$1.20 per ordinary share



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

■ Interim  
 ■ Final  
 ■ Special  
 ■ UOB 80th anniversary

	2015	2016	2017	2018
<b>Payout amount (\$m)</b>	1,444	1,135	1,660	2,000
<b>Payout ratio (%)</b>	45	37	49	50
<b>Payout ratio (%) (excluding special/one-off dividends)</b>	35	37	39	42

## Appendix :

### Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

### China exposure

## Singapore – Key Financials

	2018	2017	+/(-)	4Q18	3Q18	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	3,552	3,065	16	921	912	1
Net fee income	1,174	1,142	3	267	289	(8)
Other non-interest income	396	707	(44)	24	114	(79)
<b>Total income</b>	<b>5,123</b>	<b>4,913</b>	<b>4</b>	<b>1,212</b>	<b>1,315</b>	<b>(8)</b>
Less: Expenses	2,189	2,079	5	478	572	(16)
<b>Operating profit</b>	<b>2,934</b>	<b>2,834</b>	<b>4</b>	<b>733</b>	<b>743</b>	<b>(1)</b>
Less: Total allowances	83	392	(79)	13	24	(46)
Add: Assoc & JV	66	49	34	14	15	(8)
<b>Profit before tax</b>	<b>2,917</b>	<b>2,491</b>	<b>17</b>	<b>734</b>	<b>734</b>	<b>0</b>

### Financial indicators (%)

Net interest margin	1.49	1.38		1.49	1.49	
Cost/Income ratio	42.7	42.3		39.5	43.5	
Customer loans (net) - \$b	154.2	141.8	9%	154.2	148.9	4%
Loan/Deposit ratio	79.3	76.6		79.3	75.5	
NPL ratio ^	1.7	2.1		1.7	1.9	

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

## Malaysia – Key Financials

	2018	2017	+/(–)	4Q18	3Q18	+/(–)
	RM'm	RM'm	%	RM'm	RM'm	%
Net interest income	2,210	2,125	4	575	566	2
Net fee income	655	634	3	205	136	51
Other non-interest income	333	306	9	68	83	(18)
<b>Total income</b>	<b>3,198</b>	<b>3,065</b>	<b>4</b>	<b>848</b>	<b>785</b>	<b>8</b>
Less: Expenses	1,218	1,132	8	338	298	13
<b>Operating profit</b>	<b>1,980</b>	<b>1,933</b>	<b>2</b>	<b>510</b>	<b>487</b>	<b>5</b>
Less: Total allowances	182	121	50	45	55	(18)
<b>Profit before tax</b>	<b>1,798</b>	<b>1,812</b>	<b>(1)</b>	<b>465</b>	<b>432</b>	<b>8</b>
<b>Profit before tax (S\$m)</b>	<b>600</b>	<b>581</b>	<b>3</b>	<b>153</b>	<b>144</b>	<b>6</b>
<i>Average Exchange rate</i>	2.99	3.12		3.04	3.01	
<u>Financial indicators (%)</u>						
Net interest margin	2.07	2.14		2.01	2.04	
Cost/Income ratio	38.1	36.9		39.9	38.0	
Customer loans (net) - RM'b	91.1	81.8	11%	91.1	88.7	3%
Loan/Deposit ratio	100.8	95.7		100.8	97.9	
NPL ratio ^	1.6	1.7		1.6	1.8	

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

## Thailand – Key Financials

	2018	2017	+ / (-)	4Q18	3Q18	+ / (-)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	16,944	15,587	9	4,376	4,310	2
Net fee income	4,991	4,812	4	1,336	1,263	6
Other non-interest income	1,134	982	16	332	264	26
<b>Total income</b>	<b>23,069</b>	<b>21,380</b>	<b>8</b>	<b>6,044</b>	<b>5,836</b>	<b>4</b>
Less: Expenses	13,661	12,778	7	3,754	3,404	10
<b>Operating profit</b>	<b>9,408</b>	<b>8,601</b>	<b>9</b>	<b>2,290</b>	<b>2,432</b>	<b>(6)</b>
Less: Total allowances	2,672	3,244	(18)	729	546	34
<b>Profit before tax</b>	<b>6,736</b>	<b>5,357</b>	<b>26</b>	<b>1,561</b>	<b>1,886</b>	<b>(17)</b>
<b>Profit before tax (S\$m)</b>	<b>282</b>	<b>218</b>	<b>29</b>	<b>65</b>	<b>79</b>	<b>(18)</b>
<i>Average Exchange rate</i>	23.92	24.56		23.95	23.86	
<u>Financial indicators (%)</u>						
Net interest margin	3.40	3.45		3.48	3.41	
Cost/Income ratio	59.2	59.8		62.1	58.3	
Customer loans (net) - THB'b	376.0	342.6	10%	376.0	363.7	3%
Loan/Deposit ratio	90.7	90.1		90.7	87.5	
NPL ratio ^	2.8	3.0		2.8	2.6	

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



## Indonesia – Key Financials

	2018	2017	+/(–)	4Q18	3Q18	+/(–)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	3,364	3,298	2	877	823	7
Net fee income	799	747	7	223	210	6
Other non-interest income	529	441	20	136	162	(16)
<b>Total income</b>	<b>4,692</b>	<b>4,486</b>	<b>5</b>	<b>1,236</b>	<b>1,195</b>	<b>3</b>
Less: Expenses	3,298	2,965	11	949	822	15
<b>Operating profit</b>	<b>1,394</b>	<b>1,519</b>	<b>(8)</b>	<b>287</b>	<b>373</b>	<b>(23)</b>
Less: Total allowances	587	1,249	(53)	69	318	(78)
<b>Profit/(loss) before tax</b>	<b>807</b>	<b>270</b>	<b>&gt;100</b>	<b>218</b>	<b>55</b>	<b>&gt;100</b>
<b>Profit/(loss) before tax (S\$m)</b>	<b>77</b>	<b>29</b>	<b>&gt;100</b>	<b>21</b>	<b>5</b>	<b>&gt;100</b>
<i>Average Exchange rate</i>	10,502	9,237		10,602	11,312	
<u>Financial indicators (%)</u>						
Net interest margin	3.89	3.96		3.78	3.53	
Cost/Income ratio	70.3	66.1		76.8	68.8	
Customer loans (net) - IDR't	70.6	62.6	13%	70.6	67.9	4%
Loan/Deposit ratio	91.3	83.5		91.3	84.6	
NPL ratio ^	1.4	1.1		1.4	2.2	

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

## Greater China – Key Financials

	2018 \$m	2017 \$m	+/(-) %	4Q18 \$m	3Q18 \$m	+/(-) %
Net interest income	421	397	6	101	113	(10)
Net fee income	159	122	31	36	37	(3)
Other non-interest income	283	232	22	67	67	(1)
<b>Total income</b>	<b>864</b>	<b>751</b>	<b>15</b>	<b>204</b>	<b>217</b>	<b>(6)</b>
Less: Expenses	381	342	11	108	88	22
<b>Operating profit</b>	<b>483</b>	<b>408</b>	<b>18</b>	<b>96</b>	<b>129</b>	<b>(25)</b>
Less: Total allowances	68	28	>100	40	(8)	>100
Add: Assoc & JV	29	38	(24)	(0)	8	(>100)
<b>Profit before tax</b>	<b>443</b>	<b>419</b>	<b>6</b>	<b>57</b>	<b>145</b>	<b>(61)</b>
<u>Financial indicators (%)</u>						
Net interest margin	0.85	1.02		0.75	0.86	
Cost/Income ratio	44.1	45.6		52.9	40.6	
Customer loans (net) - \$b	32.7	26.6	23%	32.7	32.3	1%
Loan/Deposit ratio	152.0	151.1		152.0	163.2	
NPL ratio ^	0.3	0.3		0.3	0.2	

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

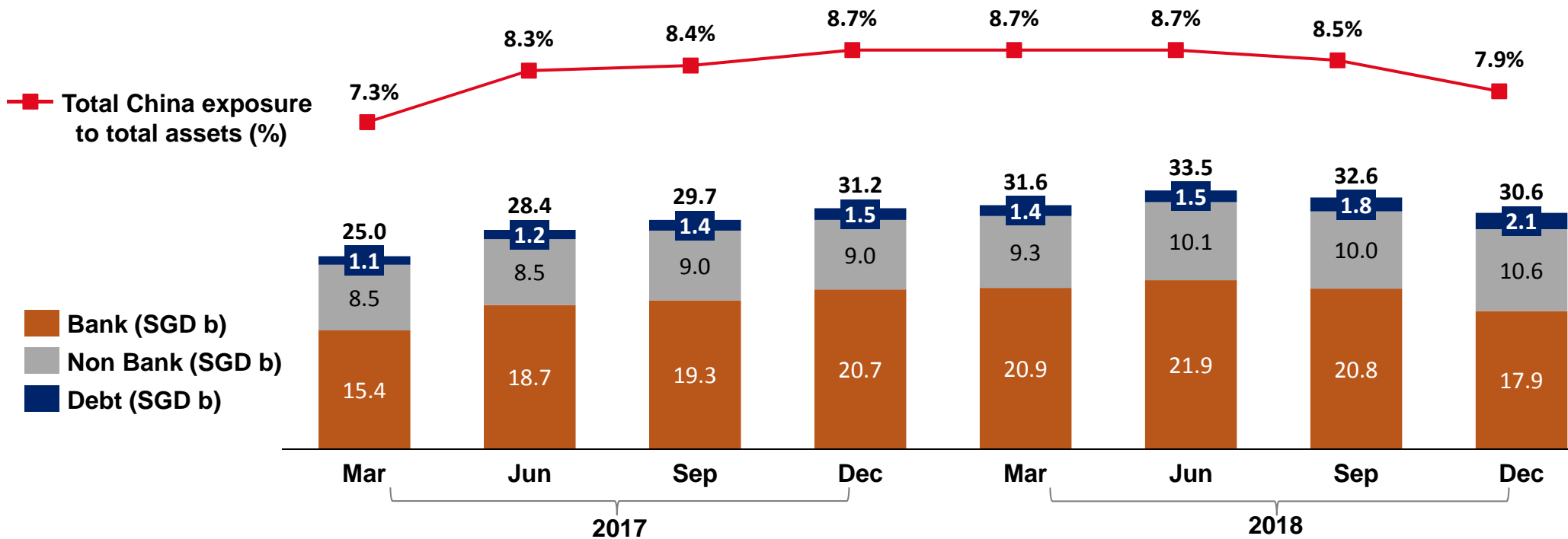
# Exposure to China

## Bank exposure as of 31 December 2018

- Bank exposure accounted for 60% 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 31 December 2018

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio at 0.6%
- 50% denominated in RMB
- 50% with <1 year tenor



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).