



# UOB Group Financial Updates

Lee Wai Fai

Group Chief Financial Officer

For the First Half / Second Quarter Ended 30 June 2022



銀行  
之  
藝術



Detail of  
*The Art of Banking* by Martin Ding  
UOB Art Collection

**Private and Confidential.** Disclaimer: This material that follows is a presentation of general background information about UOB's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. This material should be considered with professional advice when deciding if an investment is appropriate. UOB accepts no liability whatsoever with respect to the use of this document or its content.

Private and Confidential

# Financial Highlights

## — 2Q22 key financial indicators —

Operating profit

**\$1.5b**

+ 17% QoQ  
+ 12% YoY

Net profit after tax

**\$1.1b**

+ 23% QoQ  
+ 11% YoY

Cost/Income ratio

**43.8%**

- 1%pt QoQ  
+ 0.1%pt YoY

Credit costs

**22bps**

+ 3bps QoQ  
+ 2bps YoY

NPL ratio

**1.7%**

+ 0.1%pt QoQ  
+ 0.2%pt YoY

Customer loans

**\$322b**

+ 1% QoQ  
+ 8% YoY

NSFR ratio

**111%**

- 2%pt QoQ  
- 12%pt YoY

CET 1 ratio

**13.1%**

no change QoQ  
- 1.1%pt YoY



## First half earnings sustained above \$2bn supported by strong NII growth as NIM expanded and lower credit cost

- QoQ net interest income recorded double digit growth of 11% as NIM expanded 9 bps to 1.67% this quarter
- Record loan and trade-related and credit card fees were moderated by lower wealth fees amid cautious market sentiment
- Treasury and investment income rebounded from 1Q22 lows supported by 8% increase in customer-related treasury income with other treasury income normalizing
- Asset quality intact with NPL ratio inched up slightly to 1.7% due to one large new NPL. While total credit costs at 22bps this quarter is within expectations.
- Customer loan maintained steady growth of 1% QoQ and 8% YoY
- CET1 ratio healthy at 13.1%

## Performance by Segment

- Retail impacted by slower wealth activities from cautious investor appetite, partially offset by sustained deposit growth and higher margin
- Wholesale supported by broad-based growth engines of higher margin, record loan and investment banking fees and strong treasury customer flows
- Global Markets registered higher income from foreign exchange and commodity trading on the back of market volatility



### Operating Profit

Group Retail



Group Wholesale Banking



Global Markets

	1H22	1H21	YoY	2Q22	1Q22	QoQ
	\$m	\$m	+/(-) %	\$m	\$m	+/(-) %
Group Retail	820	909	(10)	444	376	18
Group Wholesale Banking	2,181	1,821	20	1,149	1,033	11
Global Markets	221	216	2	83	138	(40)

## Wholesale customers

- Growing regional franchise, capturing cross-border opportunities



### Strengthening Connectivity

Across our ASEAN footprint and global network



**+13%<sup>1</sup>**

Cross border income;  
Formed 29%<sup>2</sup> of GWB income



**+69%<sup>2</sup>**

Suppliers and distributors within  
Financial Supply Chain Management  
(FSCM) solution



### Sector Specialisation

Building capabilities for  
greater diversification  
and risk mitigation



**+8%<sup>3</sup>**

Loan-related fees



**+25%<sup>3</sup>**

Global Financial Institutions  
Group income



### Deepening Digitalisation

For secure and efficient  
transactions



**+56%<sup>3,4</sup>**

Cashless payments to  
businesses in the region



**+10%<sup>3,5</sup>**

Digital banking transactions by  
businesses across the Group

1. Year on year growth for YTD May '22. 2. As of YTD May '22. 3. Year on year growth in 1H22. 4. Refers to payments made on Corporate PayNow, DuitNow and PromptPay in Singapore, Malaysia and Thailand. 5. Refers to digital banking transactions via UOB Infinity/BIBPlus.

## Consumers

- Tapping on rising affluence and growing digitalisation in Southeast Asia



### Building Scale & Deepening Engagement

Scale UOB TMRW across ASEAN, reduce cost to serve and deepen engagement to drive customer lifetime value

**500k**

New customers to be digitally acquired across the region by UOB TMRW by end of 2022

**~S\$3b<sup>1</sup>**

Deposits from digitally-acquired customers in the region



### Growing Eco-system Partnerships

Embed partnerships and alternative data to digitally acquire at low cost, retain and reward customers

**>80**

Ecosystem partnerships in ASEAN to drive customer acquisition and loyalty

**27%<sup>2</sup>**

Digitally acquired customers from partnership referrals



### Strengthening Omni-channel Offerings

Digitalise customer experiences & processes; repurpose branches for more advisory needs

**S\$138b<sup>2,3</sup>**

Assets under management (AUM)<sup>4</sup>  
▲ 1% YoY

**>S\$9b<sup>2</sup>**

New mortgage sales in Singapore and across the region

1. In Singapore, Malaysia, Thailand and Indonesia. 2. As at 1H22. 3. Of which around 57% are from customers overseas. 4. Refers to Privilege Banking, Privilege Reserve and Private Bank.

## Performance by Geography

- Steady YoY and QoQ growth across Singapore and North Asia franchise
- Well connected overseas franchise continue to provide customers support on cross border activities; overseas contribution at 45% to Group operating profit

	1H22 \$m	1H21 \$m	YoY +/(-)%	2Q22 \$m	1Q22 \$m	QoQ +/(-)%
<b>Operating Profit</b>						
Singapore	1,542	1,422	9	845	697	21
<b>Rest of Southeast Asia</b>	638	678	(6)	318	320	(1)
Malaysia	333	355	(6)	162	171	(6)
Thailand	193	201	(4)	93	100	(7)
Indonesia	104	118	(11)	59	45	30
Vietnam	5	0	>100	3	3	8
Others	2	3	(17)	1	1	(15)
<b>North Asia</b>	320	298	7	173	147	18
Greater China	295	280	6	165	130	27
Others	24	19	30	8	16	(52)
<b>Rest of the world</b>	320	359	(11)	183	137	33
<b>Total</b>	<b>2,820</b>	<b>2,757</b>	<b>2</b>	<b>1,519</b>	<b>1,301</b>	<b>17</b>
<b>Overseas contribution (%)</b>	<b>45.3</b>	<b>48.4</b>	<b>(3.1)</b>	<b>44.3</b>	<b>46.4</b>	<b>(2.1)</b>

## Financial Highlights

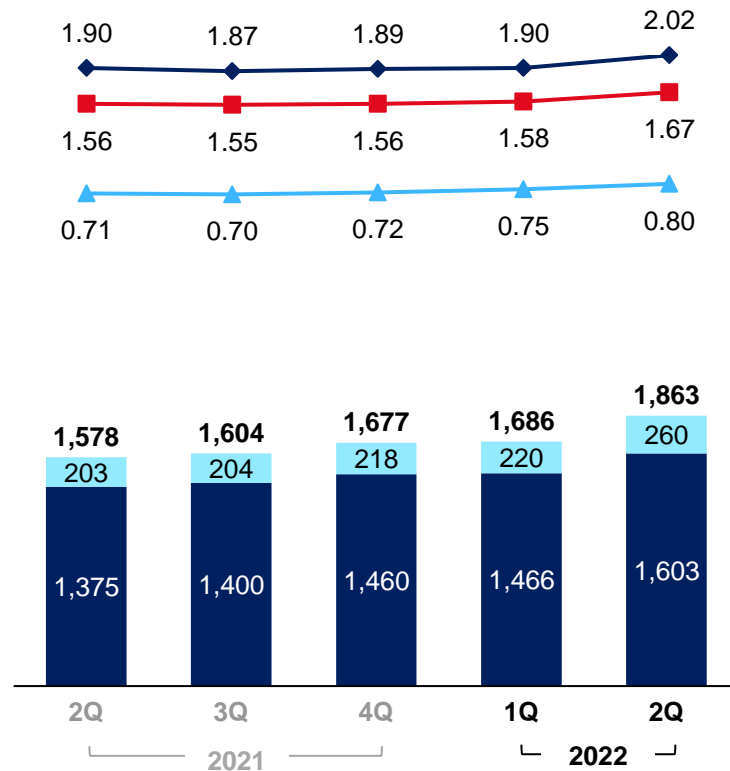
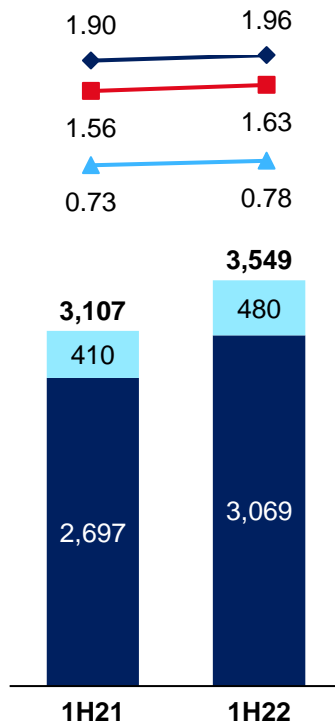
- 2Q22 profits rose 23% driven by NIM expansion with trading and investment income (T&I) normalising, offset by higher specific allowances
- YoY profits largely flat as higher NII was dampened by lower fees and T&I with market sentiments being more subdued amid economic uncertainties

	1H22	1H21	YoY	2Q22	1Q22	QoQ	2Q21	YoY
	\$m	\$m	+/(-)%	\$m	\$m	+/(-)%	\$m	+/(-)%
Net interest income	3,549	3,107	14	1,863	1,686	11	1,578	18
Net fee income	1,139	1,200	(5)	567	572	(1)	581	(3)
Others	374	596	(37)	273	101	>100	257	6
<b>Total income</b>	<b>5,061</b>	<b>4,903</b>	<b>3</b>	<b>2,702</b>	<b>2,359</b>	<b>15</b>	<b>2,417</b>	<b>12</b>
Less: Total expenses	2,241	2,146	4	1,184	1,058	12	1,057	12
<b>Operating profit</b>	<b>2,820</b>	<b>2,757</b>	<b>2</b>	<b>1,519</b>	<b>1,301</b>	<b>17</b>	<b>1,360</b>	<b>12</b>
Less: Impairment charge	315	383	(18)	137	178	(23)	182	(25)
Add: Assoc & JV	52	70	(27)	23	29	(22)	39	(42)
<b>Net profit</b>	<b>2,018</b>	<b>2,011</b>	<b>0</b>	<b>1,113</b>	<b>906</b>	<b>23</b>	<b>1,003</b>	<b>11</b>



## Net Interest Income and Margin

- NII improved by 11% QoQ as NIM expanded 9bps alongside rising interest rates with loan sustaining steady growth
- 14% YoY growth was similarly led by 7bps increase in NIM
- YoY NII uplift was also due to 8% loan growth where we support customers for mortgages, short-term working capital and business-related expansion or investments



■ NII from Loans (\$m)

■ NII from Interbank & Securities (\$m)

◆ Loan Margin (%)

▲ Interbank & Securities Margin (%)

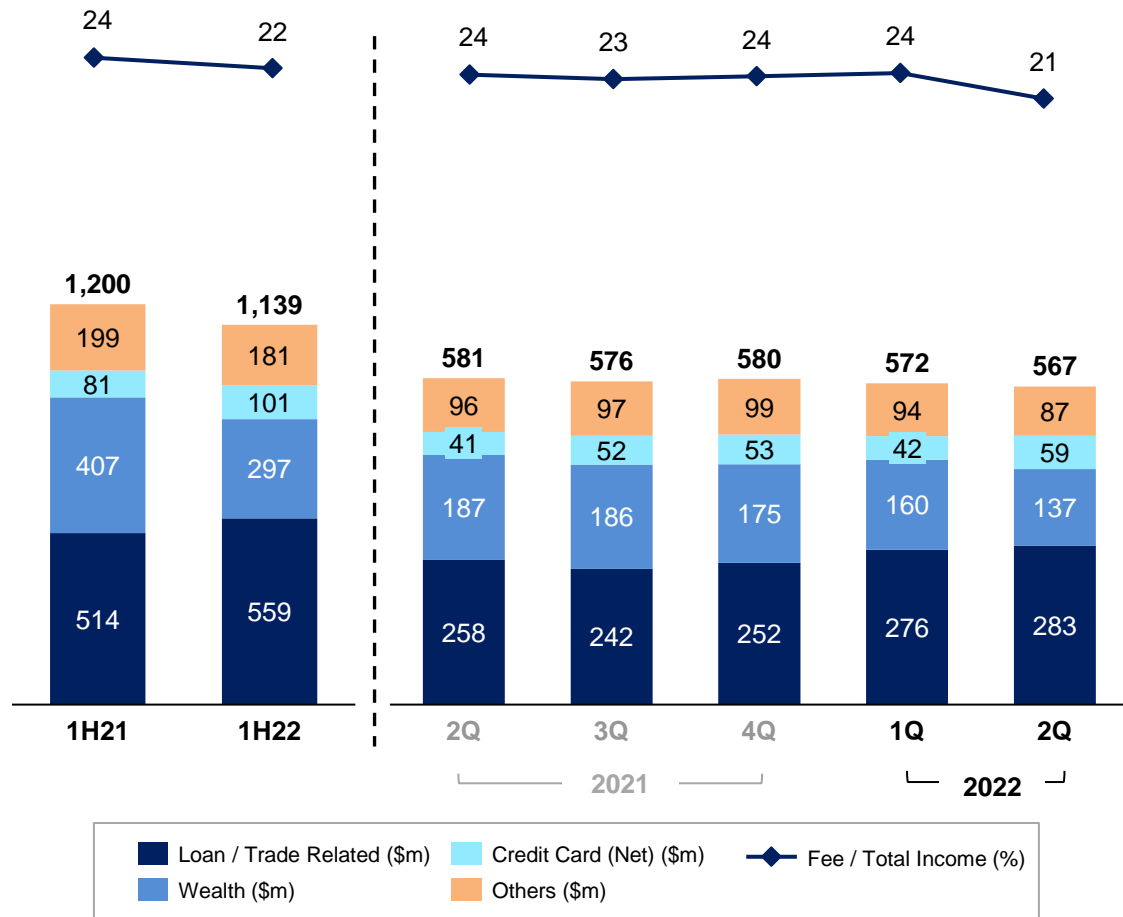
■ Net Interest Margin (%)





## Fee Income

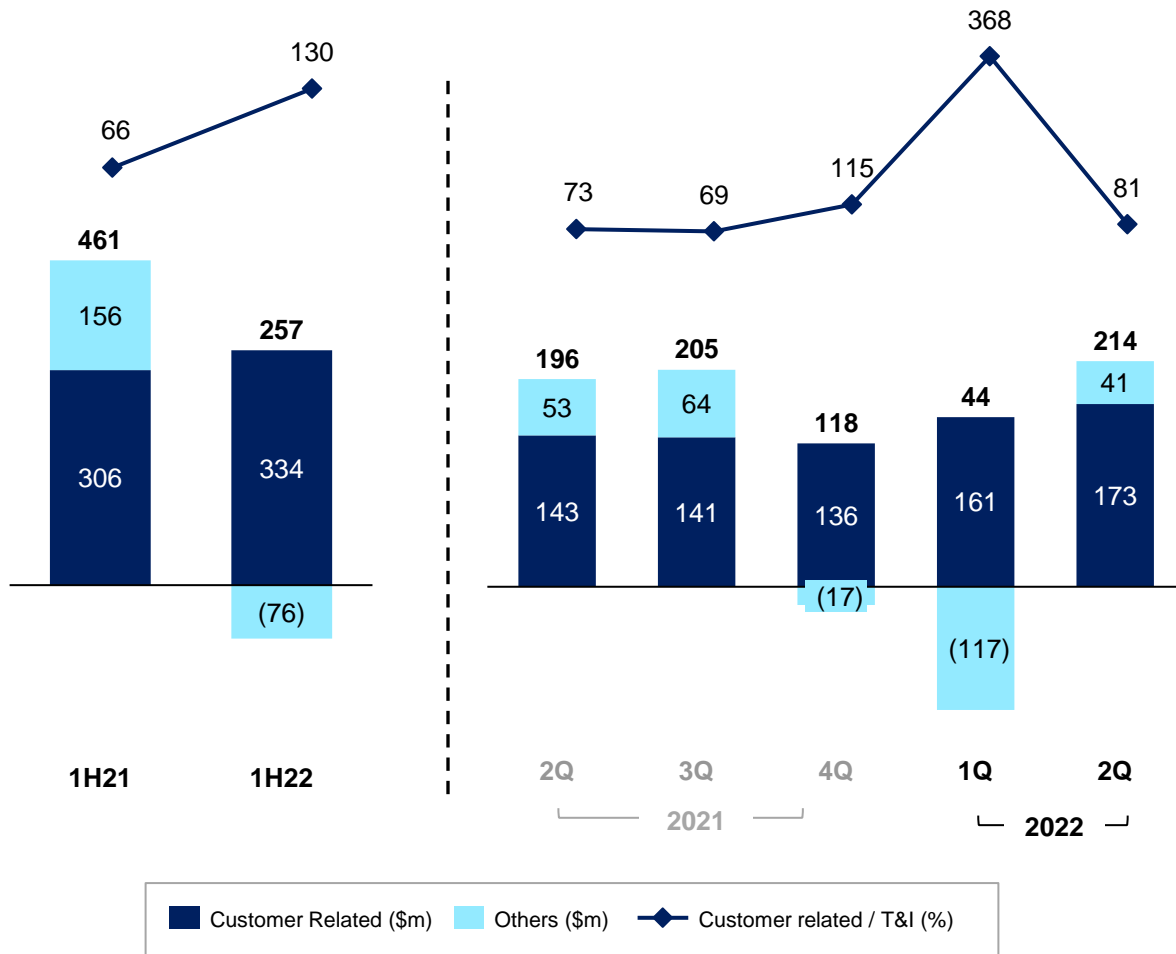
- Fee income largely flat in 2Q22
- Loan fees at record levels, as we continued to support and advise customers on financing and investment opportunities. Credit card fees were at new high as customer spending increased with borders reopening
- Wealth fees dipped as market sentiments were more subdued





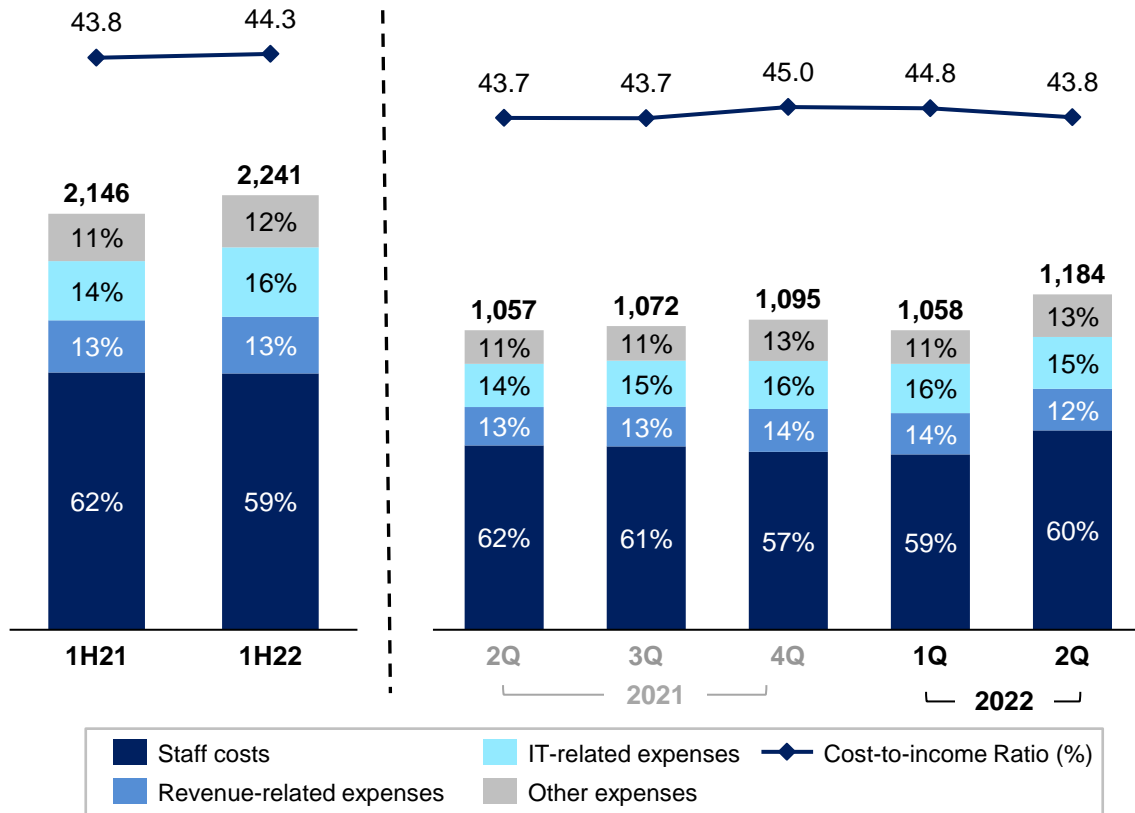
## Trading & Investment Income

- Strong momentum for customer-related income as hedging demand rose
- Others normalised from last quarter's short-term impact on hedges and unrealised mark-to-market on investments



## Expenses and Cost / Income Ratio

- 2Q22 CIR improved to 43.8% on the back of strong income growth
- Prioritisation of strategic investments helped strengthen franchise across countries with fees and customer flows showing good trajectory, while maintaining discipline on discretionary spend



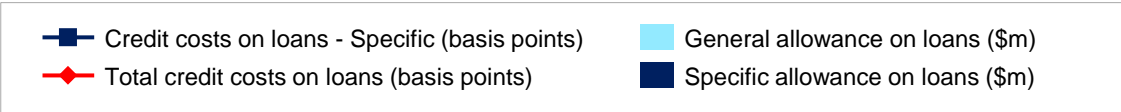
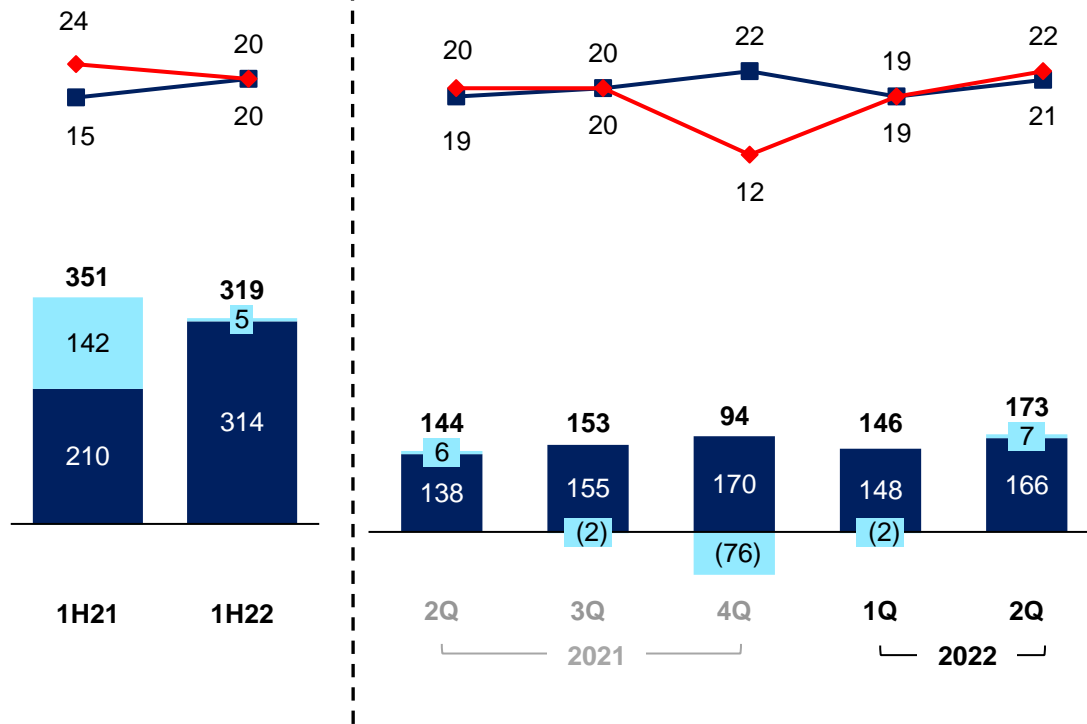
## Non-Performing Assets

- Higher NPA formation this quarter due to a major but non-systemic corporate account
- Asset quality remained resilient with SP/NPA stable at 30%

(\$m)	2021			2022	
	2Q	3Q	4Q	1Q	2Q
<b>NPAs at start of period</b>	4,544	4,547	4,772	5,077	5,289
<u>Non-individuals</u>					
New NPAs	360	251	670	462	661
Less:					
Upgrades and recoveries	158	73	172	207	363
Write-offs	202	42	205	36	123
	4,544	4,683	5,065	5,296	5,464
Individuals	3	89	12	(7)	(42)
<b>NPAs at end of period</b>	4,547	4,772	5,077	5,289	5,422
<b>NPL Ratio (%)</b>	1.5	1.5	1.6	1.6	1.7
<b>Specific allowance/NPA (%)</b>	35	34	31	31	30

# Total Allowance on Loans

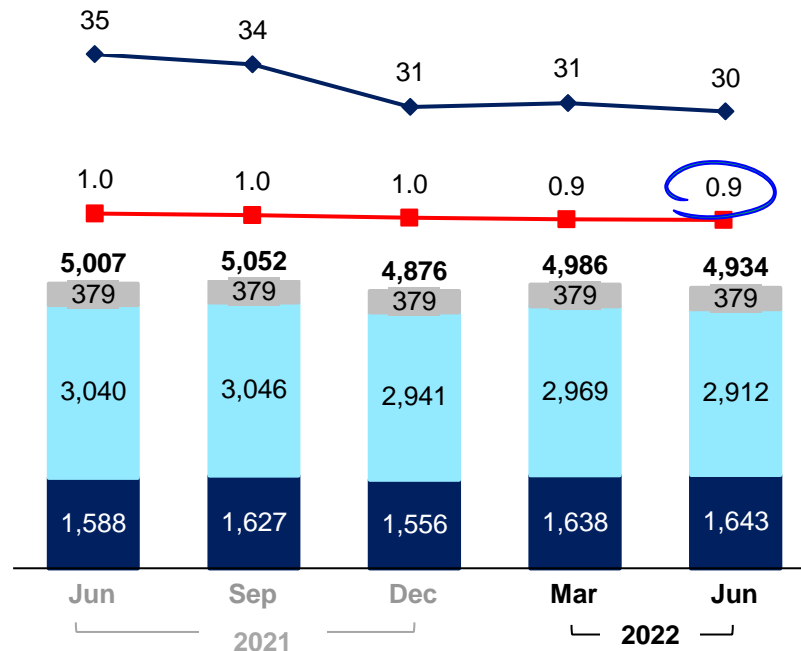
- 2Q22 credit cost was slightly higher at 22bps due mainly to higher specific allowance
- Full year credit cost outlook maintained at around 25bps



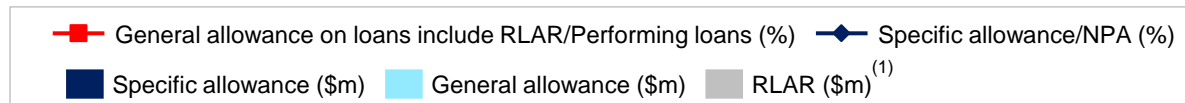


## Allowance Coverage

- Adequate reserve buffer with coverage for performing loans maintained prudently at 0.9%
- NPA coverage remained adequate at 91% or 185% taking collateral into account



NPA coverage (%) <sup>(2)</sup>	110	106	96	94	<b>91</b>
Unsecured NPA coverage (%) <sup>(2)</sup>	265	265	239	216	<b>185</b>



Notes:

- Regulatory loss allowance reserve (RLAR) is a non-distributable reserve appropriated through retained earnings to meet MAS Notice No. 612 Credit Files, Grading and Provisioning requirements.
- Includes RLAR as part of total allowance.

## Gross Loans

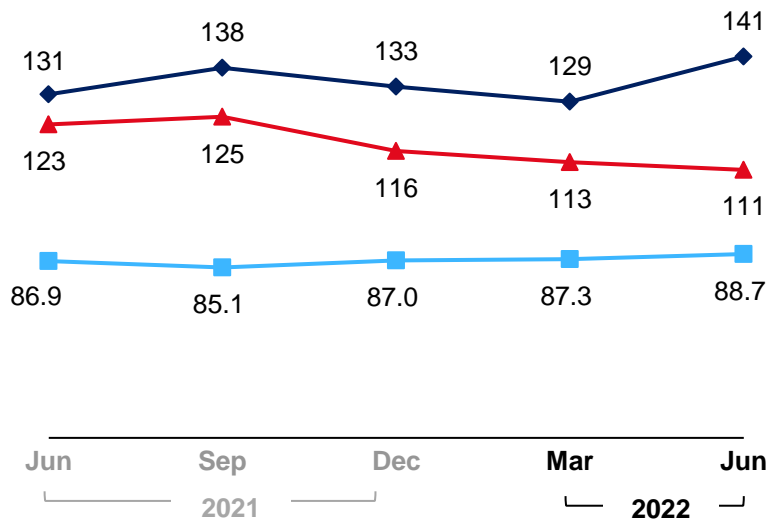
- Steady growth of 1% QoQ mainly from term and housing loans
- Broad based YoY growth of 8% across geographies as business regained momentum

	Jun-22 \$b	Mar-22 \$b	Jun-21 \$b	QoQ +/(-)%	YoY +/(-)%
Singapore	163	162	153	0	7
<b>Rest of Southeast Asia</b>	<b>64</b>	64	62	1	4
Malaysia	30	30	29	0	2
Thailand	21	21	20	(2)	5
Indonesia	11	10	11	8	6
Vietnam	2	2	2	(5)	1
Others	1	1	1	(3)	36
<b>North Asia</b>	<b>56</b>	56	51	0	9
Greater China	53	51	48	2	9
Others	4	5	3	(21)	14
<b>Rest of the world</b>	<b>38</b>	38	32	1	18
<b>Total</b>	<b>322</b>	320	299	1	8

Note: Loans are classified based on where credit risks reside, represented by country of incorporation/operation for non-individuals and residence for individuals.

## Liquidity Ratios

- LCR at 141% and NSFR at 111% remains well above regulatory requirements



USD LDR (%)

62.6

60.4

61.6

66.3

72.3

◆ All-currency LCR (%)

■ Loan/Deposit Ratio (LDR) (%)

▲ Net Stable Fund Ratio (NSFR) (%)<sup>(1)</sup>

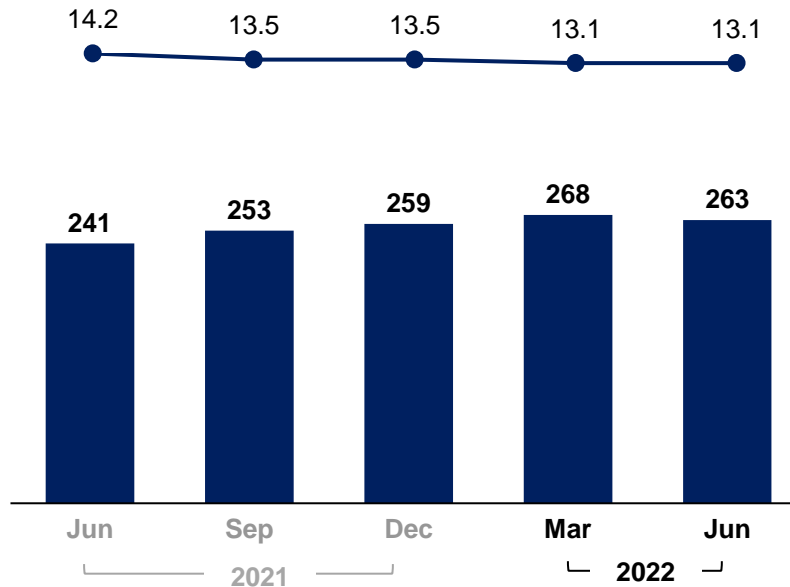
Note:

(1) MAS granted the banks relief on required stable funding (RSF) factors for the period from 8 April 2020 to 30 September 2021. The RSF factors will be gradually phase back by 1 April 2022.



# Capital

- CET1 ratio healthy at 13.1%



Leverage ratio (%)

7.4

7.1

7.2

6.9

6.6

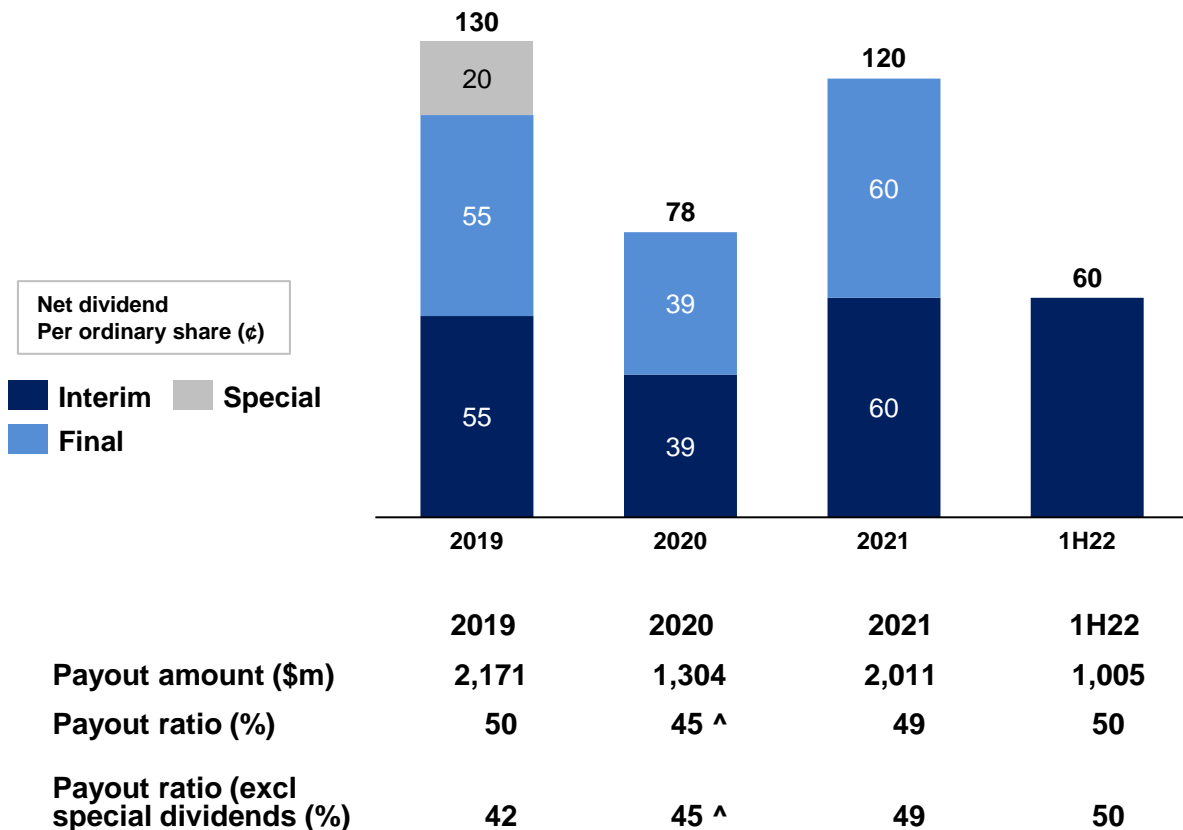
■ RWA (\$b)    ● CET1 ratio (%)<sup>(1)</sup>

Note:

(1) MAS required Banks to cap dividend payment from July 2020 to July 2021

## Dividends

- Committed to consistent and sustainable returns to shareholders
- Interim dividend of 60 cents per share



<sup>^</sup> Dividend for 2020 is in line with Monetary Authority of Singapore's call for banks to cap the total dividends per share (DPS) at 60% of 2019's DPS.

# Appendix

- **Total Funding**
- **Loan portfolio**
- **Exposure to Greater China**
- **Exposure to Oil & Gas sector**

## Total Funding

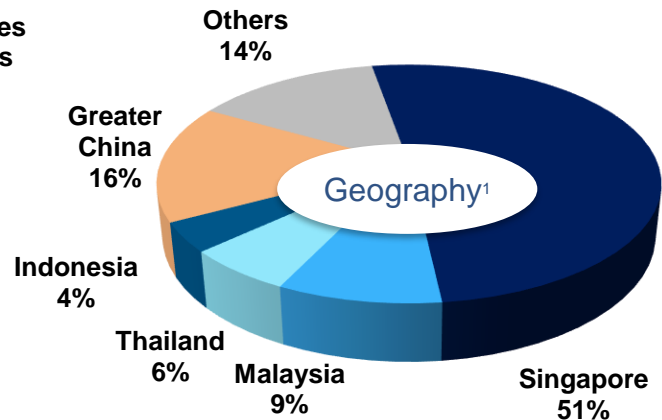
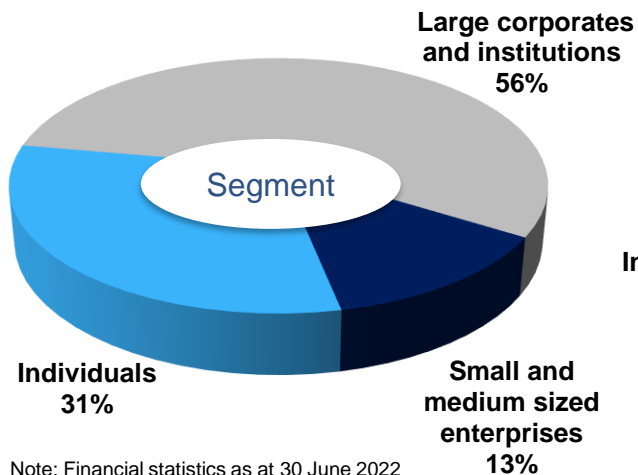
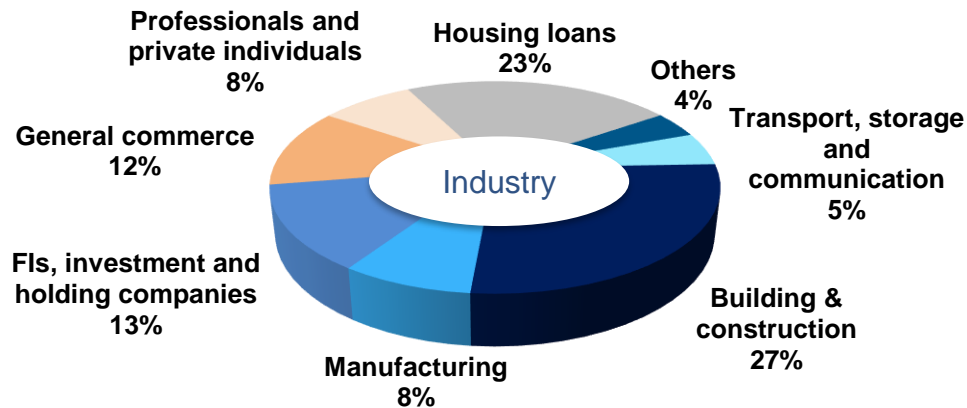
- Continue to focus on stable funding
- CASA ratio broadly stable at 54.7% in 2Q22

	Jun-22 \$b	Mar-22 \$b	Jun-21 \$b	QoQ +/(-)%	YoY +/(-)%
Singapore	245	248	230	(1)	7
<b>Rest of Southeast Asia</b>	<b>66</b>	<b>65</b>	<b>64</b>	<b>1</b>	<b>3</b>
Malaysia	31	32	31	(1)	(0)
Thailand	22	23	20	(0)	12
Indonesia	11	10	9	7	18
Vietnam	2	1	3	53	(53)
Others	0	0	0	10	(5)
<b>North Asia</b>	<b>22</b>	<b>24</b>	<b>20</b>	<b>(9)</b>	<b>10</b>
Greater China	22	24	20	(9)	10
Others	0	0	0	54	17
<b>Rest of the world</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>2</b>	<b>(1)</b>
Total Customer Deposits	358	362	339	(1)	6
Wholesale funding <sup>(1)</sup>	74	56	52	31	41
Total funding	432	418	391	3	10
<b>CASA/Deposit Ratio (%)</b>	<b>54.7</b>	<b>55.9</b>	<b>52.7</b>	<b>(1.2)</b>	<b>2.0</b>

Note:

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

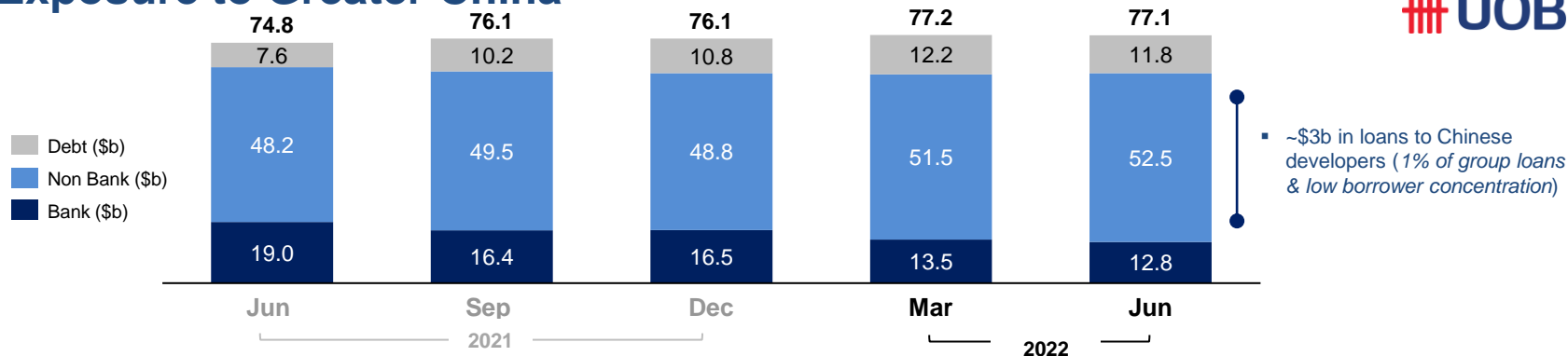
# Diversified Loan Portfolio



Note: Financial statistics as at 30 June 2022

1. Loans are classified based on where credit risks reside, represented by country of incorporation/operation for non-individuals and residence for individuals.

# Exposure to Greater China



## As at 30 Jun 2022:

### Mainland China exposure

(\$24.8b or 5% of total assets)

#### Bank exposure (\$8.2b)

- ~35% of total exposure to Mainland China, with top 5 domestic banks and 3 policy banks accounting for ~70% of total bank exposure
- 98% with <1 year tenor and mostly for trade, which accounts for ~50% of total bank exposure

#### Non-bank exposure (\$12.6b)

- Client base include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- ~60% denominated in RMB and ~55% with <1 year tenor
- NPL ratio at 0.5%

### Hong Kong SAR exposure

(\$42.4b or 9% of total assets)

#### Bank exposure (\$1.5b)

- ~60% are to foreign banks

#### Non-bank exposure (\$35.6b)

- Exposure mainly to corporate and institutional clients
- ~55% with <1 year tenor
- NPL ratio at 2.1%; QoQ increase attributable to a major real estate client downgraded in 2Q22

## Exposure to Commodities Segment

- As of 30 June 2022, outstanding loans to the commodities segment remain modest and represented 7% of total loans

Jun 22	Oil and Gas (O&G)		Other Commodity Segments <sup>2</sup>	Total
	Upstream industries <sup>1</sup>	Traders / downstream industries		
Outstanding loans	S\$2.5b	S\$9.0b	S\$10.3b	S\$21.8b
Percentage of total loans	4%		3%	7%

Outstanding O&G exposure is to downstream players and traders which are mainly national oil companies (NOCs) and global firms, while short-term structured loans account for a significant share of the remainder.

A considerable portion of upstream exposure is to NOCs and international oil companies, while vulnerable accounts were already classified and their collateral value marked down (by as much as 90%) by end 2017.

Note:

- O&G upstream industries include offshore service companies.
- Other commodity segments refer to agribusiness, metals and mining.

# Thank You

RIGHT BY YOU 

The logo for Bank of China is a red circular emblem containing the Chinese characters "大華銀行" (Bank of China) in a stylized font.