# UOB Group

## Steady Performance and Resilient Balance Sheet amidst Volatile Markets

**August 2016**



*Singapore Company Reg No. 193500026Z*

# Agenda

1. Overview of UOB Group
2. Macroeconomic Outlook
3. Strong UOB Fundamentals
4. Our Growth Drivers
5. Latest Financials

# Overview of UOB Group

# UOB Overview

## Founding

Founded in August 1935 by a group of Chinese businessmen and Datuk Wee Kheng Chiang, grandfather of the present UOB Group CEO, Mr. Wee Ee Cheong

## Expansion

UOB has grown over the decades through organic means and a series of acquisitions. It is today a leading bank in Asia with an established presence in the ASEAN region. The Group has an international network of around 500 offices in 19 countries and territories.

## Key Statistics for 1H16

- Total assets : SGD321.6b (USD238.3b[1])
- Shareholder's equity : SGD31.3b (USD23.2b[1])
- Gross loans : SGD212.3b (USD157.3b[1])
- Customer deposits : SGD248.2b (USD183.9b[1])
- Common Equity Tier 1 CAR : 13.1%
- Fully-loaded Common Equity Tier 1 CAR [2] : 12.2%
- Leverage ratio [3] : 7.4%
- ROA : 0.97% [5]
- ROE [4] : 10.5% [5]
- NIM : 1.73% [5]
- Non-interest/Total income : 37.8%
- NPL ratio : 1.4%
- Loans/Deposits ratio : 84.0%
- Average all-currency liquidity coverage ratio : 167% [6]
- Cost / Income : 45.6%
- Credit Ratings :

| | Moody's | S&P | Fitch |
|---|---|---|---|
| Issuer Rating (Senior Unsecured) | Aa1 | AA– | AA– |
| Outlook | Negative | Stable | Stable |
| Short Term Debt | P-1 | A-1+ | F1+ |

Note: Financial statistics as at 30 June 2016.

1. FX rate used: USD 1 = SGD 1.34985 as at 30 June 2016.
2. Based on final rules effective 1 January 2018.
3. Leverage ratio is calculated based on the revised MAS Notice 637 which took effect from 1 January 2015.
4. Calculated based on profit attributable to equity holders of the Bank net of preference share dividend and capital securities distributions.
5. Computed on an annualised basis.
6. Average for 2Q16.

# A Leading Singapore Bank with Established Franchise in Core Market Segments

UOB

### Group Retail

- Best Retail Bank in Singapore[1]
- Strong player in credit cards and private residential home loan business

### Group Wholesale Banking

- Best SME Banking[1]
- Seamless access to regional network for our corporate clients

### Global Markets and Investment Management

- Strong player in Singapore dollar treasury instruments
- UOB Asset Management is one of Singapore's most awarded fund managers[2]

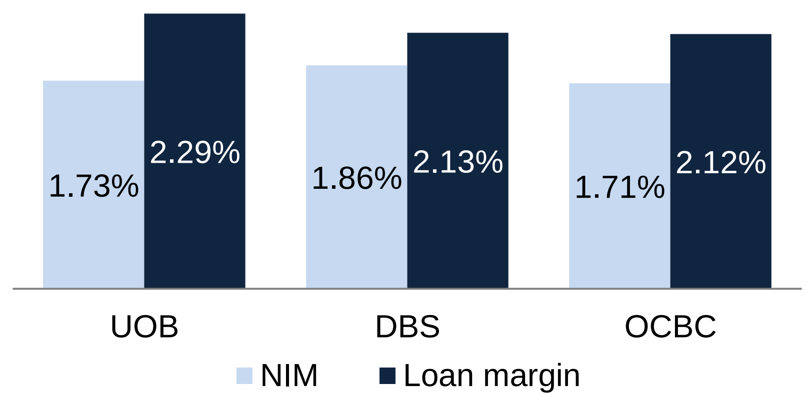
### UOB Group's recognition in the industry

| The Banker – Awards 2013 | Global Finance – Best Developed Market Banks • 2011 | The Asian Banker – Excellence in Retail Financial Services International Awards |
|---|---|---|
| **Bank of the Year, Singapore** | **Best Bank in Singapore** | **Best Retail Bank in Singapore**<br>**Best SME Banking** |

Source: Company reports.

1. The Asian Banker Excellence in Retail Financial Services International Awards 2011 (Retail and SME Banking), 2012 & 2014 (Retail Banking).
2. The Edge Lipper – Singapore Fund Awards, 2014.

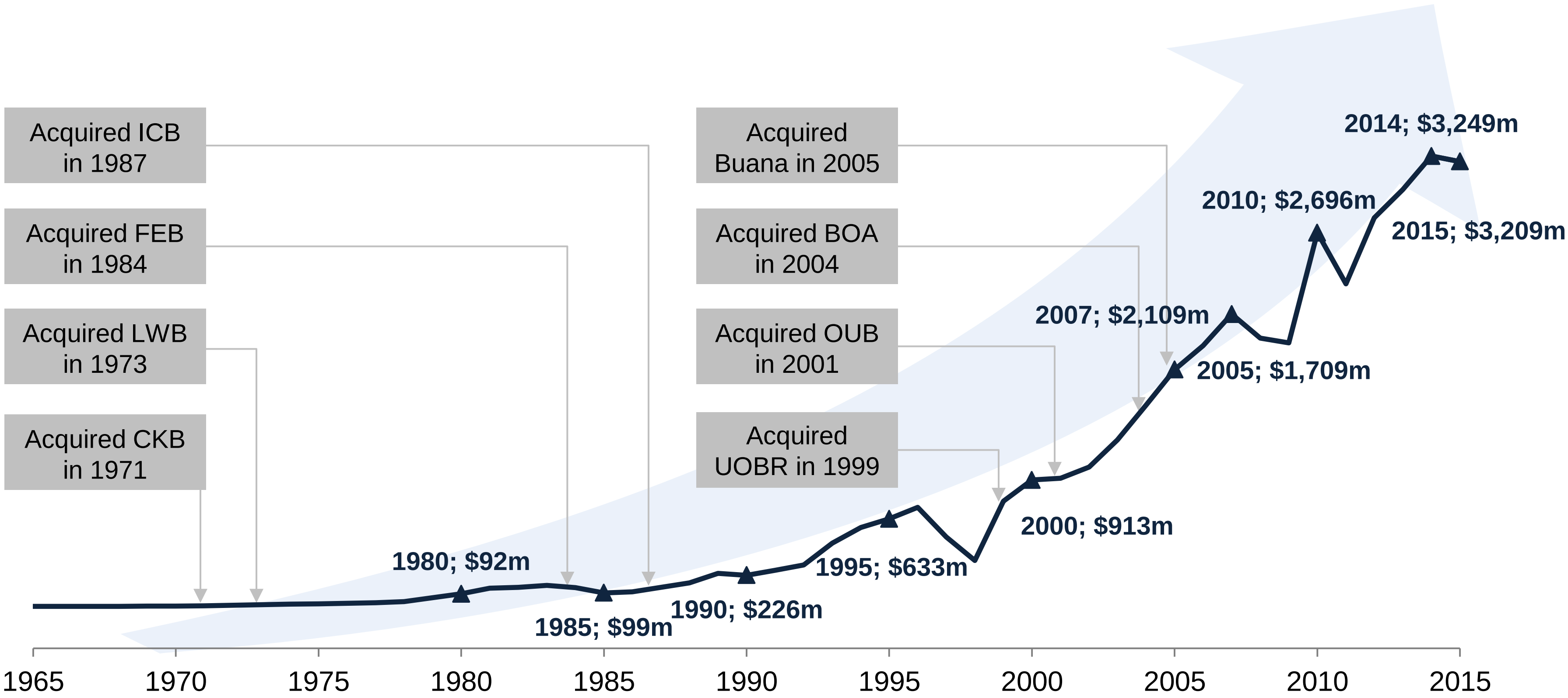
### Higher 1H16 loan margin than local peers




Loan margin is the difference between the rate of return from customer loans and costs of deposits.
Source: Company reports.

# Proven Track Record of Execution

- UOB Group's management has a proven track record in steering the Group through various global events and crises.
- Stability of management team ensures consistent execution of strategies
- Disciplined management style which underpins the Group's overall resilience and sustained performance




Note: Bank of Asia Public Company Limited ("BOA"), Chung Khiaw Bank Limited ("CKB"), Far Eastern Bank Limited ("FEB"), Industrial & Commercial Bank Limited ICB ("ICB"), Lee Wah Bank Limited ("LWB"), Overseas Union Bank Limited ("OUB"), Radanasin Bank Thailand "UOBR".

# Expanding Regional Banking Franchise

## Extensive Regional Footprint with c.500 Offices

MYANMAR
2 offices

THAILAND
157 offices

MALAYSIA
47 offices

SINGAPORE
73 offices

GREATER CHINA
28 offices[1]

VIETNAM
1 office

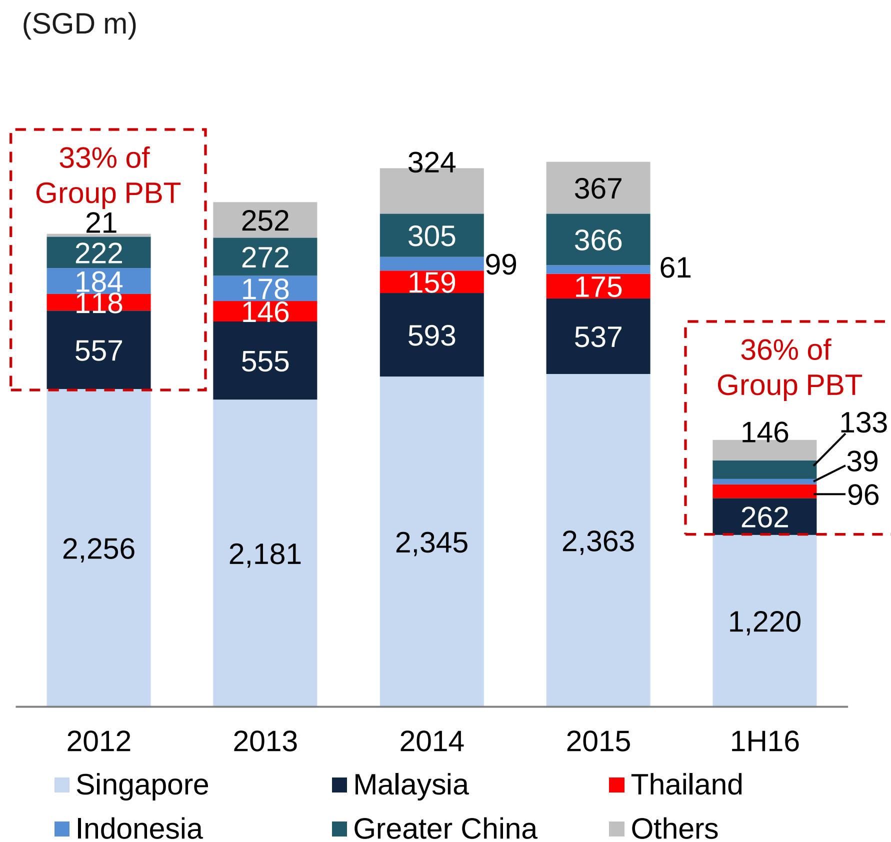
PHILIPPINES
1 office

INDONESIA
190 offices

AUSTRALIA
4 offices

- Most diverse regional franchise among Singapore banks; effectively full control of regional subsidiaries
- Integrated regional platform improves operational efficiencies, enhances risk management and provides faster time-to-market and seamless customer service
- Simultaneous organic and inorganic growth strategies in emerging/new markets of China and Vietnam
- Aim for region to contribute 40% of Group's PBT in medium term

## Profit Before Tax and Intangibles by Region




***Established regional network with key South East Asian pillars, supporting fast-growing trade, capital and wealth flows***

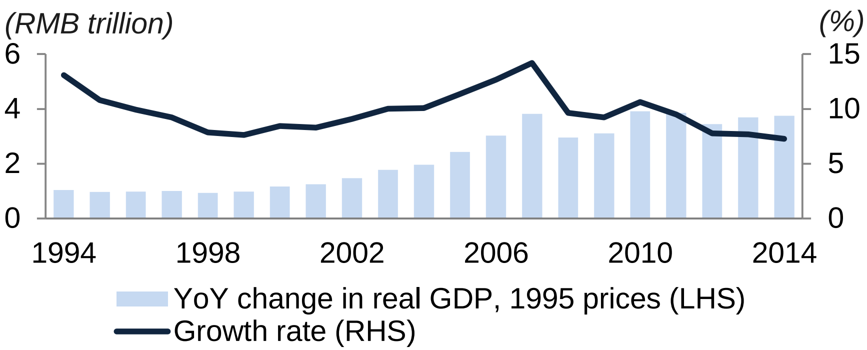
1. UOB owns c13% in Evergrowing Bank in China.

# Macroeconomic Outlook

# China's Growth Slower but Low Risk of Hard-Landing

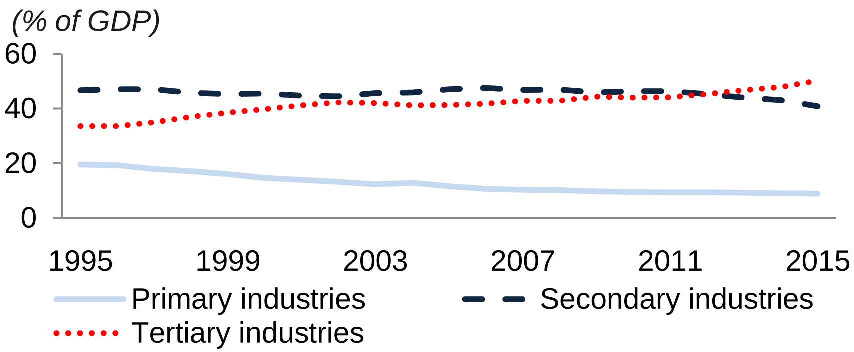
- While China's GDP growth rate is slowing, the annual increase in absolute GDP has been stable.
- The Chinese economy has its underlying momentum, supported by rebalancing reforms and steady job market.
- Low government debt underpins China's fiscal capacity, which could help mitigate "black swan" events
- Base case scenario for China: slow and unexciting growth, RMB sideways, global economy muddling along dragged down by Europe and Japan in deflationary and low yield environment.

## China "New Normal": Quality Versus Quantity



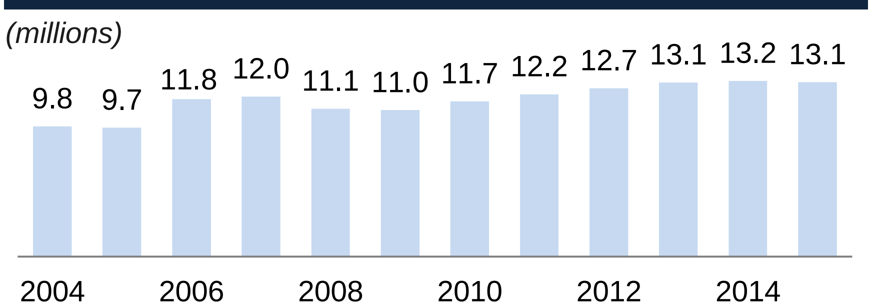

Source: IMF, UOB Global Economics & Markets Research est

## Structural Shift of China's Economy



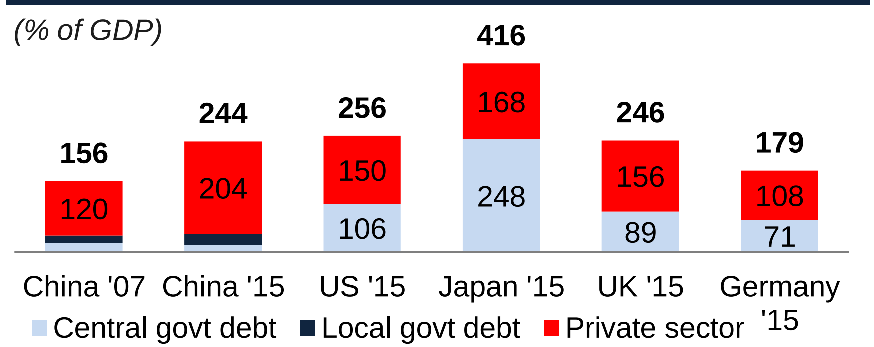

Source: CEIC, UOB Global Economics & Markets Research est

## Annual Employment Changes




Source: CEIC, UOB Global Economics & Markets Research est

## Source of China Debt Risk

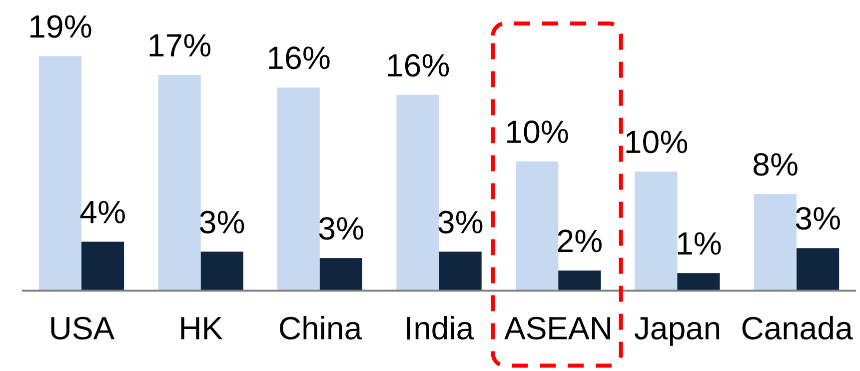



Source: China NAO, CEIC, IMF, OECD, UOB Global Economics & Markets Research est

# Brexit Impact On Asian Markets via Trade and Investment Channels

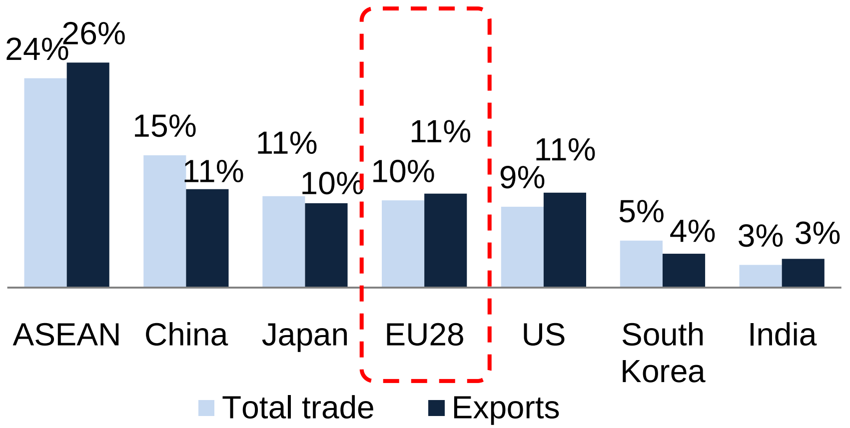
- It is a challenge to quantify Brexit effects with certainty at this stage.
- The immediate impact on Asian economies is likely to be limited and shallow, considering the low export reliance.
- If adverse impact of Brexit spreads to the broader European Union, however, this could have a more significant impact on Asia given the trade and investment links. As a bloc, EU represented 10.3% of ASEAN's total exports and 16% of FDIs in 2015.

## EU & UK Export Mix of Selected Partners (2015)



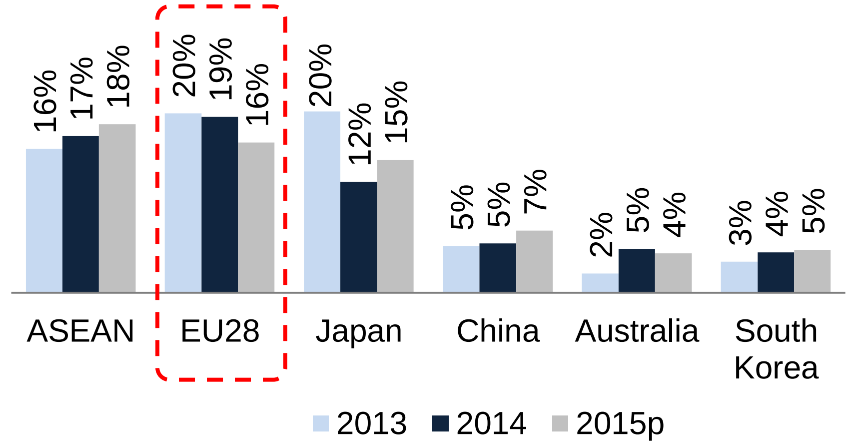

Source: Bloomberg

## ASEAN's Trade/Export Mix by Key Partners (2015)




Source: ASEAN Secretariat

## ASEAN's Net FDI Flows by Key Partners (2015)




Source: ASEAN Secretariat

# Implication on Regional Policy Rates

| | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16f | 4Q16f | 1Q17f | 2Q17f | 3Q17f | 4Q17f |
|---|---|---|---|---|---|---|---|---|---|---|
| US Fed Funds | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 |
| SG 3M SOR | 1.24 | 1.70 | 0.81 | 0.81 | 0.90 | 1.10 | 1.35 | 1.50 | 1.55 | 1.70 |
| MY Overnight Policy Rate | 3.25 | 3.25 | 3.25 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| TH 1-Day Repo | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| ID 7-Day Reverse Repo | 6.25 | 6.25 | 5.50 | 5.25 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| CH 1-Year Deposit Rate | 1.75 | 1.50 | 1.50 | 1.50 | 1.25 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

- Regional monetary policies have either diverged or maintained status quo against the first Fed Reserve hike and we still expect this trend to continue.

- Market-based instruments have persistently under priced US rate hikes. Yellen has been dovish, giving rise to the possibility of downward bias in official projections.

- Stabilisation of and appreciation in regional currencies have enabled greater flexibility for regional central banks to ease policy.

Sources: UOB Global Economics & Markets Research forecasts

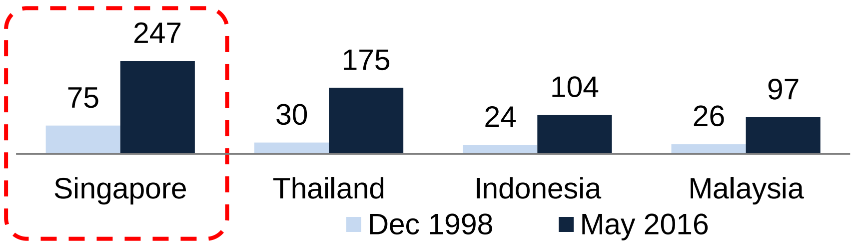
# Southeast Asia: Resilient Key Markets

Long-term fundamentals and prospects of key Southeast Asia have greatly improved since the 1997 Asian Financial Crisis. Compared with 1997, they have:

- Significantly higher levels of foreign reserves
- Healthier current account and balance of payment positions
- Lower levels of corporate leverage
- Lower levels of foreign currency debts

## Asian Foreign Reserves

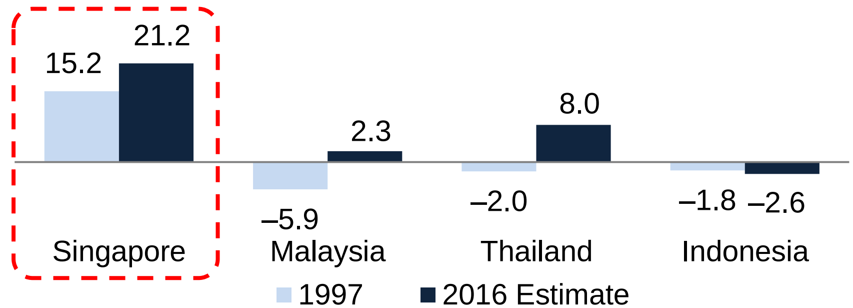
*(USD billion)*




2015 foreign reserves include foreign currency reserves (in convertible foreign currencies)
Source: IMF

## Current Account as % of GDP

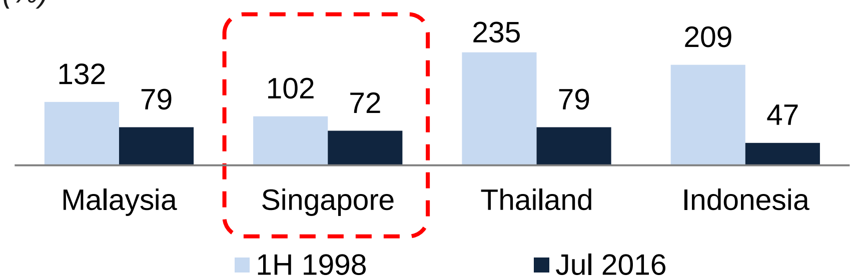
*(%)*




Source: IMF

## Asian Corporates: Total Debt to Equity Ratio

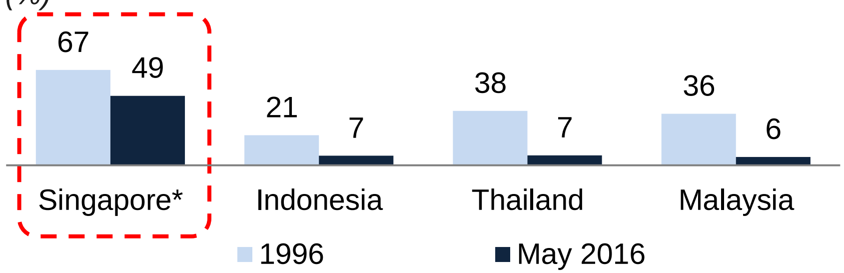
*(%)*




Total debt to equity ratio = total ST and LT borrowings divided by total equity, multiplied by 100
Sources: MSCI data from Bloomberg

## Foreign Currency Loans as % of Total Loans

*(%)*



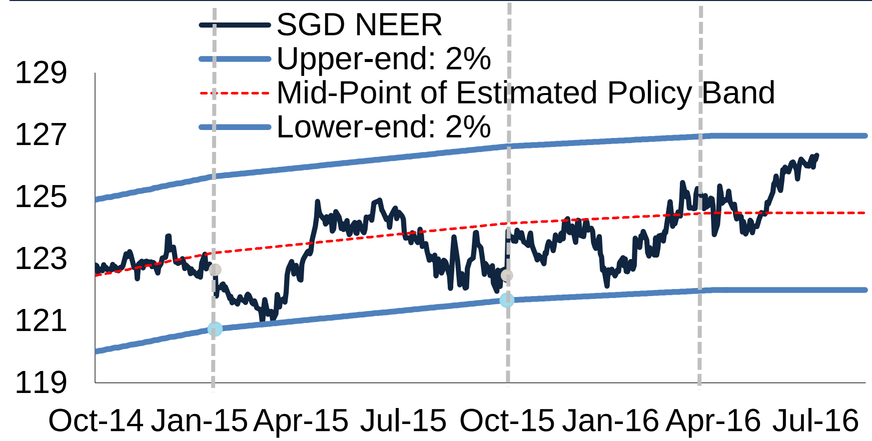

* Foreign currency loans in 1996 approximated by using total loans of Asia Currency Units
Sources: Central banks

# We Expect Singapore GDP Growth Slightly Stronger at 2.2% in 2016

- Singapore's GDP grew 2.2% y/y in 2Q16, as the manufacturing sector finally registered a 1.1% y/y growth, after contracting for the past six consecutive quarters. However, the services sector growth of 1.7% y/y was the slowest on record since the 2008 global financial crisis.
- We forecast 2016 GDP to grow 2.2% on the back of the low base in 2015, as well as the continued improvement in the US economy.
- We expect core inflation to edge higher to average 1.0% this year, from 0.5% in 2015 as the base effects of lower commodity prices and government subsidies from last year wear off.

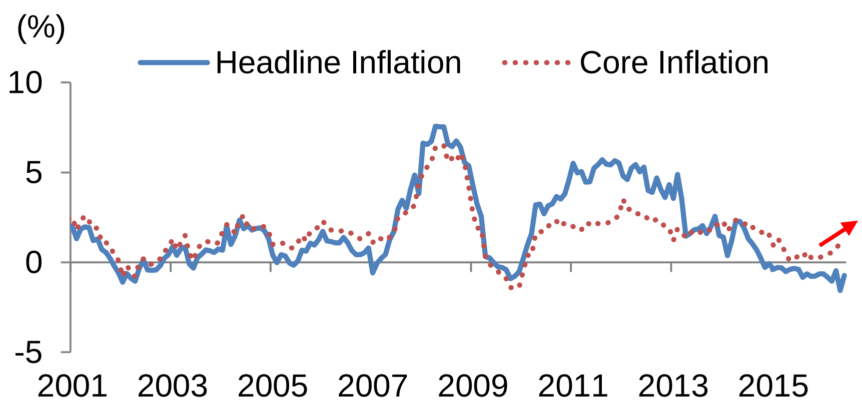
Source: UOB Global Economics & Markets Research

## Neutral Stance Adopted In April 2016



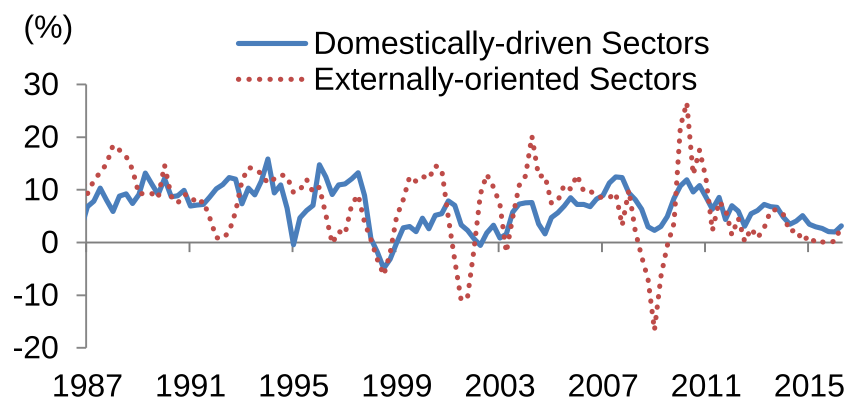

Source: CEIC, UOB Global Economics & Markets Research

## 2016 Core Inflation To Average 1.0%




Source: Singapore Department of Statistics

## External Sectors Slowed Considerably




Source: Singapore Department of Statistics

# ASEAN Banking Sector: Strong Fundamentals Remain Intact

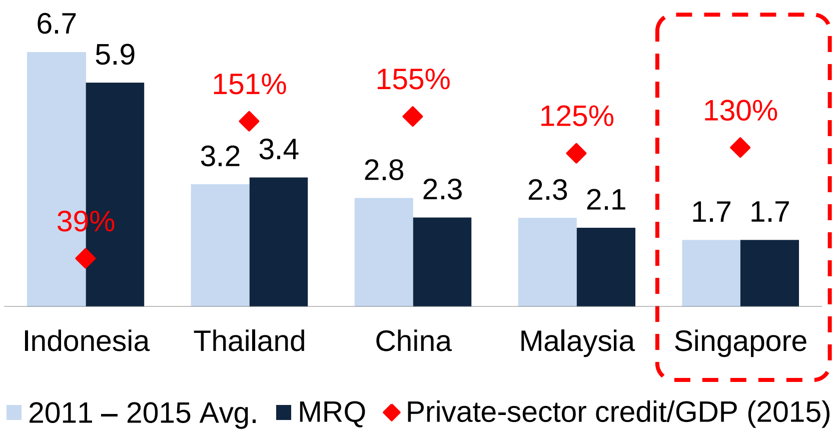
## Key Banking Trends

- ASEAN banks have healthy capital and funding levels
  - Singapore banks have among the highest capital ratios in the region
  - As solvency is not generally an issue in ASEAN, focus would be on putting the excess capital to productive uses
- Policy changes in regulation, liquidity, rates and sector consolidation are shaping the ASEAN banking business models going forward

Source: Research estimates, Monetary Authority of Singapore

## Higher NIM in Lightly Penetrated Markets

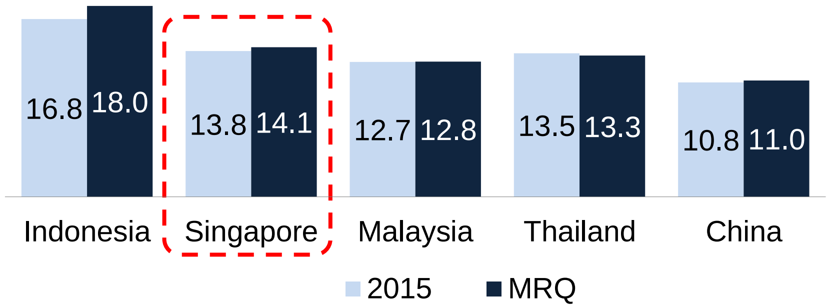
*(Net interest margin and private-sector credit / GDP, in %)*




Source: SNL, Research estimates, World Bank

## Robust Capital Positions

*(Tier 1 CAR, in %)*

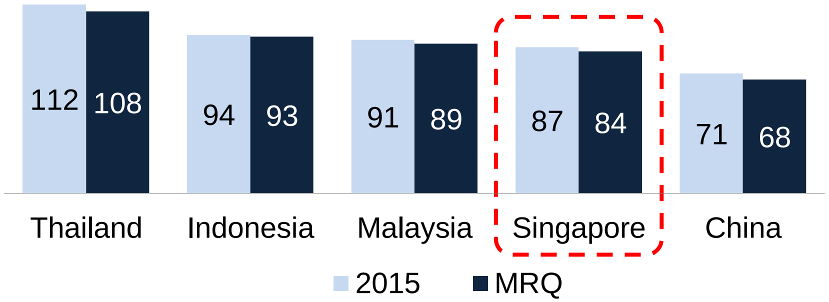



Source: SNL, Research estimates

Note: MRQ refers to the most recent quarter financials available for each bank

## Stable Funding; Adequate Loan/Deposit Ratios

*(Loan-to-deposit ratio, in %)*

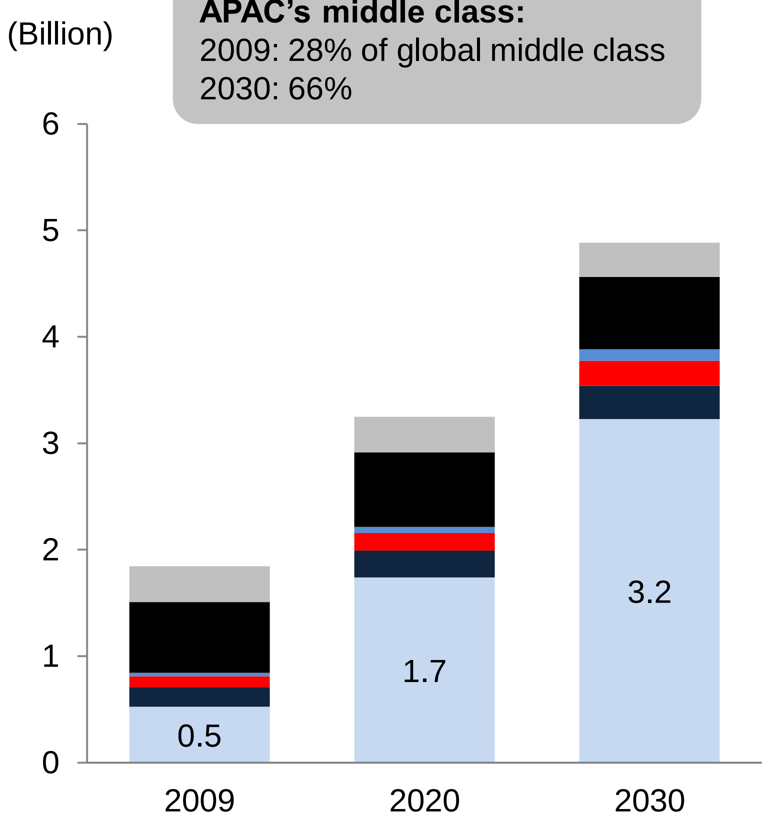



Source: SNL, Research estimates

# Prospects for Asia Optimistic with Growing Population and Consumer Affluence

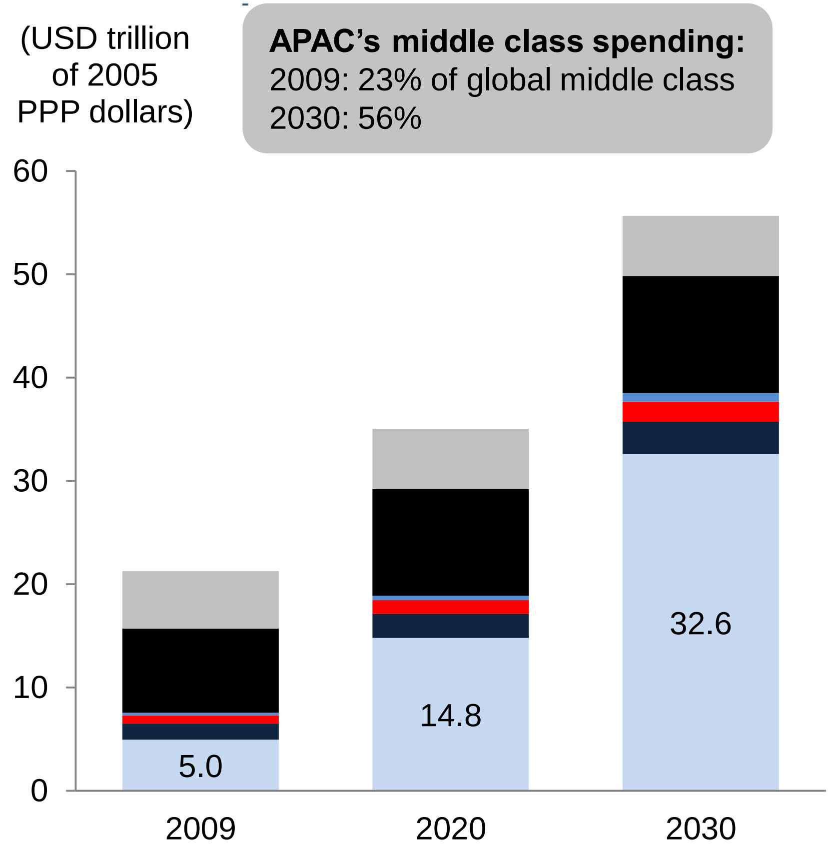
## Growing Global Middle Class

**APAC's middle class:**
2009: 28% of global middle class
2030: 66%




## Spending by Global Middle Class

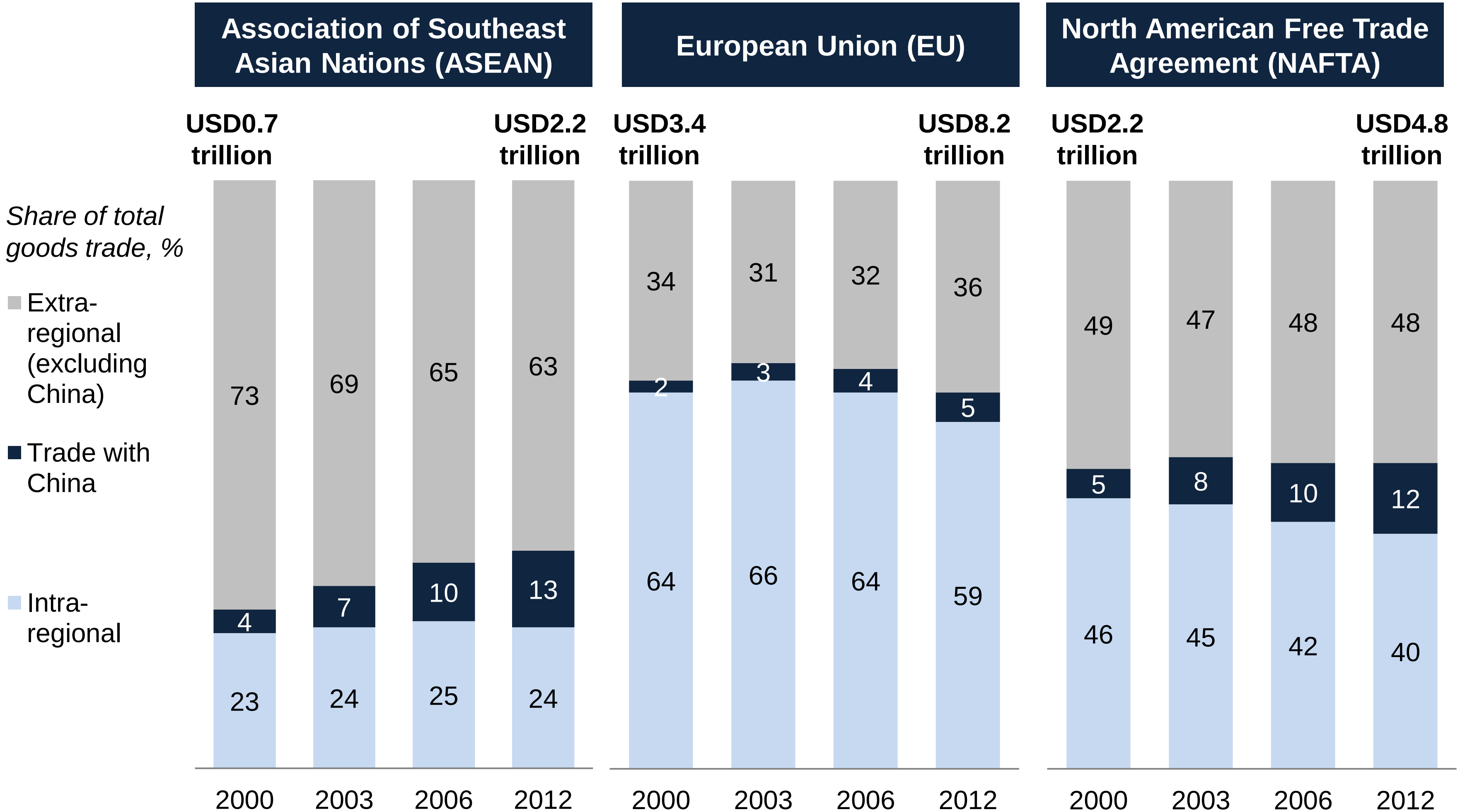
**APAC's middle class spending:**
2009: 23% of global middle class
2030: 56%




Asia Pacific ■ LatAm ■ Middle East & North Africa ■ Sub Saharan Africa ■ Europe ■ North America

Source: UN, OECD, The Brookings Institution, UOB Economic-Treasury Research

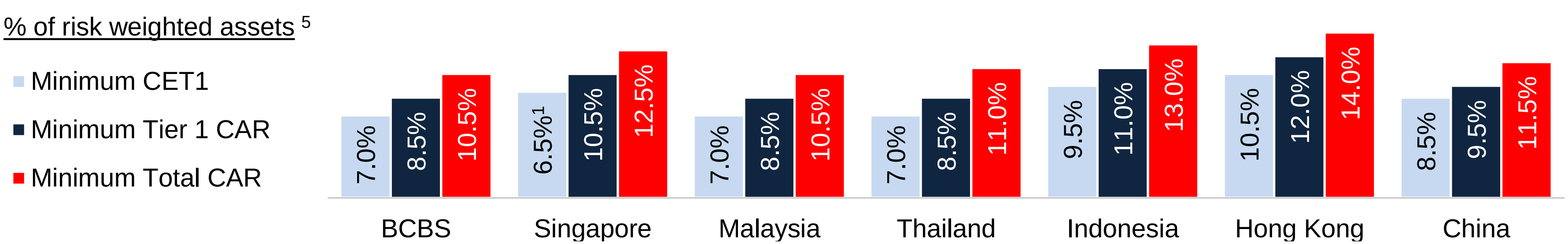
# Room for More Optimism on Intra-Regional Trade in the ASEAN region




Source: Comtrade; McKinsey Global Institute analysis

# Basel III across the Region

| | BCBS | Singapore | Malaysia | Thailand | Indonesia | Hong Kong | China |
|---|---|---|---|---|---|---|---|
| Minimum CET1 CAR | 4.5% | 6.5%[1] | 4.5% | 4.5% | 4.5% | 4.5% | 5.0% |
| Minimum Tier 1 CAR | 6.0% | 8.0%[1] | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Minimum Total CAR | 8.0% | 10.0%[1] | 8.0% | 8.5% | 8.0% | 8.0% | 8.0% |
| Full Compliance | Jan-15 | Jan-15 | Jan-15 | Jan-13 | Jan-14 | Jan-15 | Jan-13 |
| Capital Conservation Buffer | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Full Compliance | Jan-19 | Jan-19 | Jan-19 | Jan-19 | Jan-19 | Jan-19 | Jan-19 |
| Countercyclical Capital Buffer[2] | Up to 2.5% | Up to 2.5% | Up to 2.5% | Up to 2.5% | Up to 2.5% | Up to 2.5%[3] | Up to 2.5% |
| Full Compliance | Jan-19 | Jan-19 | Pending | Jan-19 | Jan-19 | Jan-19 | Jan-19 |
| D-SIB | – | 2.0% | Pending | Pending | 1.0% – 2.5% | 1.0% – 3.5% | 1.0%[4] |
| G-SIB | 1.0% – 3.5% | n/a | n/a | n/a | n/a | n/a | 1.0%[4] |
| Minimum Leverage Ratio | 3.0% | Pending | 3.0% | 3.0% | 3.0% | 3.0% | 4.0% |
| Full Compliance | 2018 | Pending | 2018 | 2018 | 2018 | 2018 | 2013 |




Source: Regulatory notifications and rating reports.

1. Includes 2% for D-SIB buffer for the three Singapore banks.
2. Each local regulator determines its own level of countercyclical capital buffer to accumulate capital in periods of economic expansion.
3. HKMA has set a CCyB of 2.5% to be phased in over a period of 3 years. In 2016, the CCyB requirement is 0.625% of RWA.
4. In China, G-SIBs are only subject to the higher of G-SIB and D-SIB buffer
5. Minimum ratios on a fully-loaded basis, including capital conservation buffer and D-SIB capital surcharge, but excluding countercyclical capital buffer and G-SIB

# Resolution Regime Overview

## Resolution Regime in Asia

| Country | Public discussion | Existing resolution powers | Factors influencing views on bail-in [1] | How past resolution been handled |
|---|---|---|---|---|
| **Singapore** | Yes | Statutory bail-in proposed to apply to only subordinated debt | **Role as an global financial hub**; *strength of system; good coordination between regulator and local banks* | Crisis prevention tools; no record of bank failures in the past |
| **Indonesia** | No | Transfer powers; no statutory bail-in | *History of public sector bailouts* | Liquidation; public funds |
| **Hong Kong** | Yes, ended | Transfer powers; statutory bail-in proposed | **Role as an international financial centre and presence of G-SIBs** | Liquidation; public funds; M&A |
| **China** | No | Transfer powers; no statutory bail-in | *Risk of contagion in debt market; role of government in banking sector* | Capital injections; NPL disposals; forbearance |

1. **Bold text** indicates factors in favor of implementing a bail-in regime; *italic text* indicates factors against

## Resolution Regime: Priorities for 2015 [2]

As per Financial Stability Board (FSB), any systemically significant financial institution that fails should be subject to a resolution regime as set out in *The Key Attributes of Effective Resolution Regimes for Financial Institutions*. In Nov 2015, the FSB released two finalised guidance papers on the Principles for Cross-border Effectiveness of Resolution Actions, and Guidance on Cooperation and Information Sharing with Host Authorities of Jurisdictions.

- Jurisdictions should have in place a transparent and efficient process for resolution measures by a foreign resolution authority to have cross-border effect, provided that domestic creditors are treated equitably.
- Authorities must have the confidence that resolution powers are legally enforceable, especially where instruments are governed by a foreign law.
- Jurisdictions should continue to develop statutory frameworks but in the interim use contractual approaches to aid the enforceability of resolution actions. Even after implementation of statutory frameworks, contractual approach can continue to complement such regimes.

2. Source: Financial Stability Board's *The Key Attributes of Effective Resolution Regimes for Financial Institutions*

Note: Malaysia and Thailand have yet to implement a framework for resolution regime.

# Strong UOB Fundamentals

# Strong UOB Fundamentals

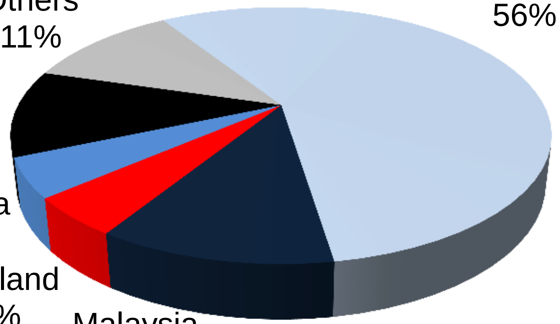
| | |
|---|---|
| **Strong Management with Proven Track Record** | ▪ Proven track record in steering the bank through various global events and crises<br>▪ Stability of management team ensures consistent execution of strategies |
| **Consistent and Focused Financial Management** | ▪ Total income grew 2.8% yoy in 1H16, despite market volatilities<br>▪ Continue to invest in building long-term capabilities in a discipline manner<br>▪ Stable credit costs at 32bp |
| **Disciplined Management of Capital, Liquidity and Balance Sheet** | ▪ Strong capital base; fully-loaded Common Equity Tier 1 capital adequacy ratio of 12.2% as at 30 June 2016<br>▪ Liquid and well diversified funding mix with loan/deposits ratio at 84.0%<br>▪ Stable asset quality, with a diversified loan portfolio, and high reserves buffer |
| **Delivering on Regional Strategy** | ▪ Holistic regional bank with effective full control of subsidiaries in key markets<br>▪ Focus on profitable niche segments and intra-regional needs of customers<br>▪ Entrenched local presence: ground resources and integrated regional network to better address the needs of our targeted segments |

***UOB is focused on the basics of banking;***
***Stable management team with proven execution capabilities***

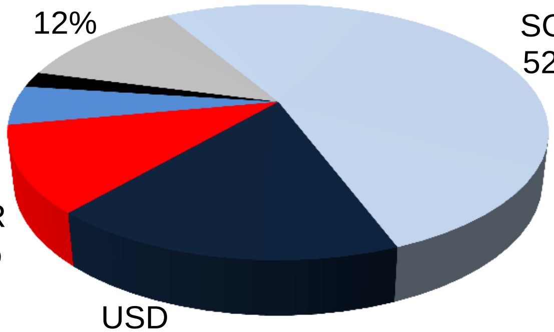
Source: Company's reports.

# Diversified Loan Portfolio

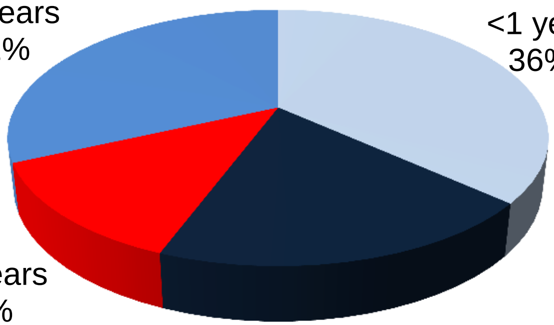
## Gross Customer Loans by Geography [1]



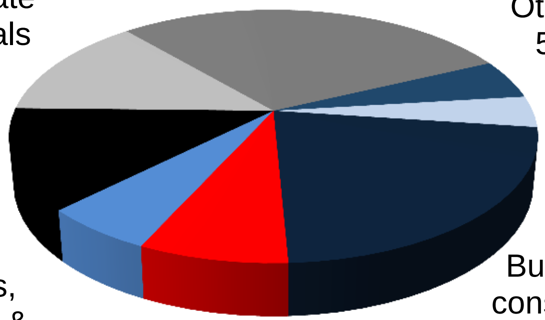

## Gross Customer Loans by Currency




## Gross Customer Loans by Maturity




## Gross Customer Loans by Industry




Note: Financial statistics as at 30 June 2016.

1. 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).

# Competitive Against Peers

| Moody's | S&P | Fitch | | Standalone Strength<br>*Moody's baseline credit assessment* | Efficient Cost Management<br>*Costs/income ratio* | Competitive ROAA[1]<br>*Return on average assets* | Well-Maintained Liquidity<br>*Loan/deposit ratio* |
|---|---|---|---|---|---|---|---|
| Aa1 | AA– | AA– | UOB | aa3 | 45.6% | 0.97% | 84.0% |
| Aa1 | AA– | AA– | OCBC | aa3 | 45.2% | 1.05% | 82.2% |
| Aa1 | AA– | AA– | DBS | aa3 | 44.1% | 1.01% | 91.8% |
| A1 | A | AA– | HSBC | a3 | 63.2% | 0.57% | 68.8% |
| A1 | BBB+ | A+ | SCB | a2 | 66.5% | 0.12% | 71.5% |
| Baa1 | A– | n.r. | CIMB | baa2 | 57.4% | 0.70% | 90.6% |
| A3 | A– | A– | MBB | a3 | 48.4% | 0.83% | 94.7% |
| Baa1 | BBB+ | BBB+ | BBL | baa2 | 49.4% | 1.07% | 88.5% |
| Baa3 | n.r. | BBB– | BCA | baa3 | 63.5% | 3.86% | 77.9% |
| Baa1 | BBB+ | A | BOA | baa2 | 70.9% | 0.64% | 74.3% |
| Baa1 | BBB+ | A | Citi | baa2 | 59.5% | 0.84% | 67.6% |
| Aa2 | AA– | AA– | CBA | a1 | 42.2% | 1.10% | 124.1% |
| Aa2 | AA– | AA– | NAB | a1 | 41.6% | 0.75% | 141.3% |

Source: Company reports, Credit rating agencies (updated as of 1 August 2016).
The financials of banks were as of 30 June 2016, except for those of CIMB, Malayan Banking Berhad (MBB), National Australia Bank (NAB) which were as of 31 Mar 2016; and Commonwealth Bank of Australia which were as of 31 Dec 2015.

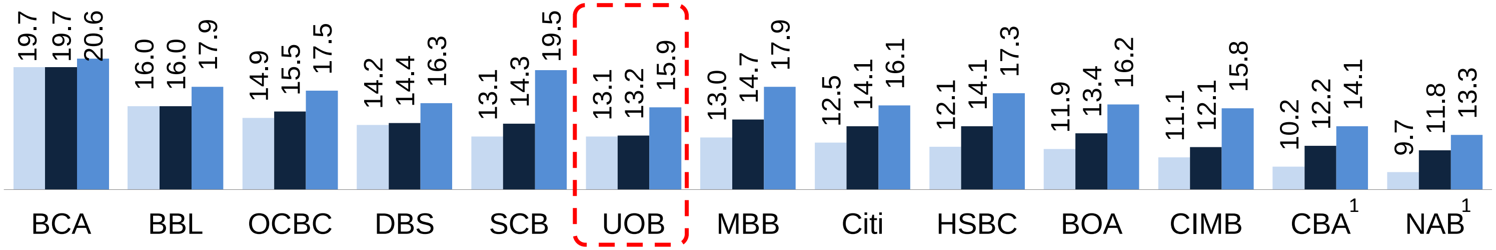
1. Computed on an annualised basis.

UOB

# Strong Capitalisation and Low Gearing Ratio

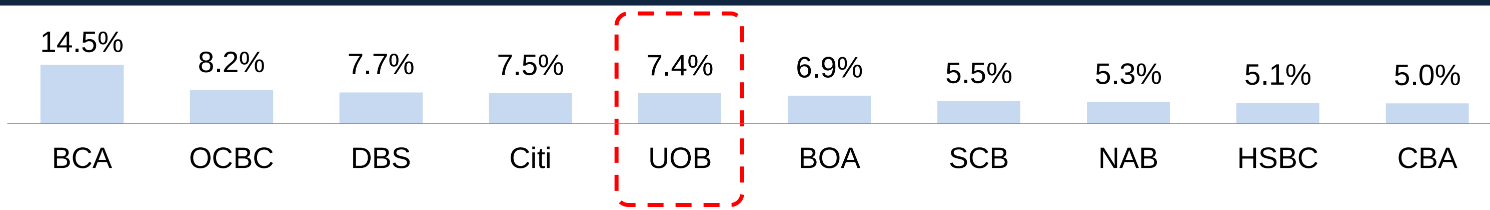
## Reported Common Equity Tier 1 CAR, Tier 1 CAR, Total CAR

(Common Equity Tier 1 CAR; Tier 1 CAR; and Total CAR in %)




| | BCA | BBL | OCBC | DBS | SCB | UOB | MBB | Citi | HSBC | BOA | CIMB | CBA[1] | NAB[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital raised from 2013 – 2016 YTD (USD bn)[2] | – | – | 2.3 | 0.6 | 7.0 | 1.6 | 2.3 | 20.0 | 15.0 | 26.4 | 1.3 | 7.5 | 10.1 |
| Return on Average Equity [3] | 20.5% | 8.5% | 10.3% | 11.0% | 2.1% | 10.5% | 9.1% | 6.7% | 7.4% | 5.1% | 7.9% | 17.2% | 14.1% |

## Reported Leverage Ratio[4]




***UOB is among the most well-capitalised banks, with capital ratios comfortably above regulatory requirements and high compared with some of the most renowned banks globally***

Source: Company reports, Dealogic.
The financials of banks were as of 30 June 2016, except for those of CIMB, Malayan Banking Berhad (MBB), National Australia Bank (NAB) which were as of 31 Mar 2016; and Commonwealth Bank of Australia which were as of 31 Dec 2015.

1. NAB's and CBA's CET1 ratios are computed based on APRA's standards
2. From 1 Jan 2013 till 1 Aug 2016 and includes Tier 1 capital.
3. Computed on an annualised basis.
4. Bangkok Bank PCL (BBL), Malayan Banking Berhad (MBB) and CIMB do not disclose their leverage ratio.

# Strong Investment Grade Credit Ratings

## Ratings

**Moody's Investors Service** — ***Aa1/Stable/P-1***

- 'Very strong buffers in terms of capital, loan loss provisions and pre-provision income'
- 'Funding and liquidity profiles are robust.'
- 'Diversified Singaporean and Malaysian consumer banking and services to small-and medium-sized enterprises (SMEs)'

**Standard & Poor's Ratings Services** (McGraw Hill Financial) — ***AA– /Stable/A-1+***

- 'Prudent management team… expect the bank to continue its emphasis on funding and capitalisation to buffer against global volatility'
- 'UOB will maintain its earnings, asset quality and capitalization while pursuing regional growth.'
- 'Above average funding and strong liquidity position'

**Fitch Ratings** — ***AA– /Stable/F1+***

- 'Ratings reflect its strong domestic franchise, prudent management, robust balance sheet… '
- 'Stable funding profile and liquid balance sheet…'
- 'Notable credit strengths …core capitalisation, domestic funding franchises and close regulatory oversight.'

## Debt Issuance History / Debt Maturity Profile

| Issue Date | Type | Structure | Call | Coupon | Amount | Issue Rating (M / S&P / F) | 2016 SGDm | 2017 SGDm | 2018 SGDm | 2019 SGDm | 2020 SGDm | 2021 SGDm |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tier 1** | | | | | | | | | | | | |
| May-16 | B3 AT1 | Perpetual | 2021 | 4.00% | SGD750m | A3 / – / BBB | - | - | - | - | - | 750 |
| Nov-13 | B3 AT1 | Perpetual | 2019 | 4.75% | SGD500m | A3 / BB+ / BBB | - | - | - | 500 | - | - |
| Jul-13 | B3 AT1 | Perpetual | 2018 | 4.90% | SGD850m | A3 / BB+ / BBB | - | - | 850 | - | - | - |
| **Tier 2** | | | | | | | | | | | | |
| Mar-16 | B3 T2 | 10½NC5½ | 2021 | 3.50% | USD700m | A2 / – / A+ | - | - | - | - | - | 945 |
| May-14 | B3 T2 | 12NC6 | 2020 | 3.50% | SGD500m | A2 / BBB / A+ | - | - | - | - | 500 | - |
| Mar-14 | B3 T2 | 10½NC5½ | 2019 | 3.75% | USD800m | A2 / BBB / A+ | - | - | - | 1,080 | - | - |
| Oct-12 | B2 LT2 | 10NC5 | 2017 | 2.88% | USD500m | Aa3 / A+ / A+ | - | 675 | - | - | - | - |
| Jul-12 | B2 LT2 | 10NC5 | 2017 | 3.15% | SGD1.2b | Aa3 / A+ / A+ | - | 1,200 | - | - | - | - |
| **Senior Unsecured** | | | | | | | | | | | | |
| Sep-14 | - | 5½yr FXN | - | 2.50% | USD500m | Aa1 / AA– / AA– | - | - | - | 675 | - | - |
| Sep-14 | - | 4yr FRN | - | BBSW 3m +0.640% | AUD300m | Aa1 / AA– / AA– | - | - | 301 | - | - | - |
| Nov-13 | - | 3yr FRN | - | BBSW 3m +0.650% | AUD300m | Aa1 / AA– / AA– | 301 | - | - | - | - | - |
| Jun-13 | - | 3yr FXN | - | 2.50% | CNY500m | Aa1 / AA– / AA– | 102 | - | - | - | - | - |
| Mar-12 | - | 5yr FXN | - | 2.25% | USD750m | Aa1 / AA– / AA– | - | 1,012 | - | - | - | - |
| **Covered** | | | | | | | | | | | | |
| Mar-16 | Covered | 5yr FXN | - | 0.25% | EUR500m | Aaa / AAA / – | - | - | - | - | - | 750 |
| | | | | | | Total | **402** | **2,887** | **1,151** | **2,255** | **500** | **2,445** |

B2: Basel II, B3: Basel III, AT1: Additional Tier 1, T2: Tier 2, LT2: Lower Tier 2; FXN: Fixed Rate Notes; FRN: Floating Rate Notes; the table comprises public rated issues of UOB; updated as of 30 July 2016.

Note: Maturities shown at first call date for Capital Securities
FX rates as at 30 June 2016: USD 1 = SGD 1.35; SGD 1 = MYR 2.99; SGD 1 = HKD 5.75; SGD 1.00 = AUD 1; SGD 1 = CNY 4.92; 1 GBP = SGD 1.82; EUR 1 = SGD 1.50.

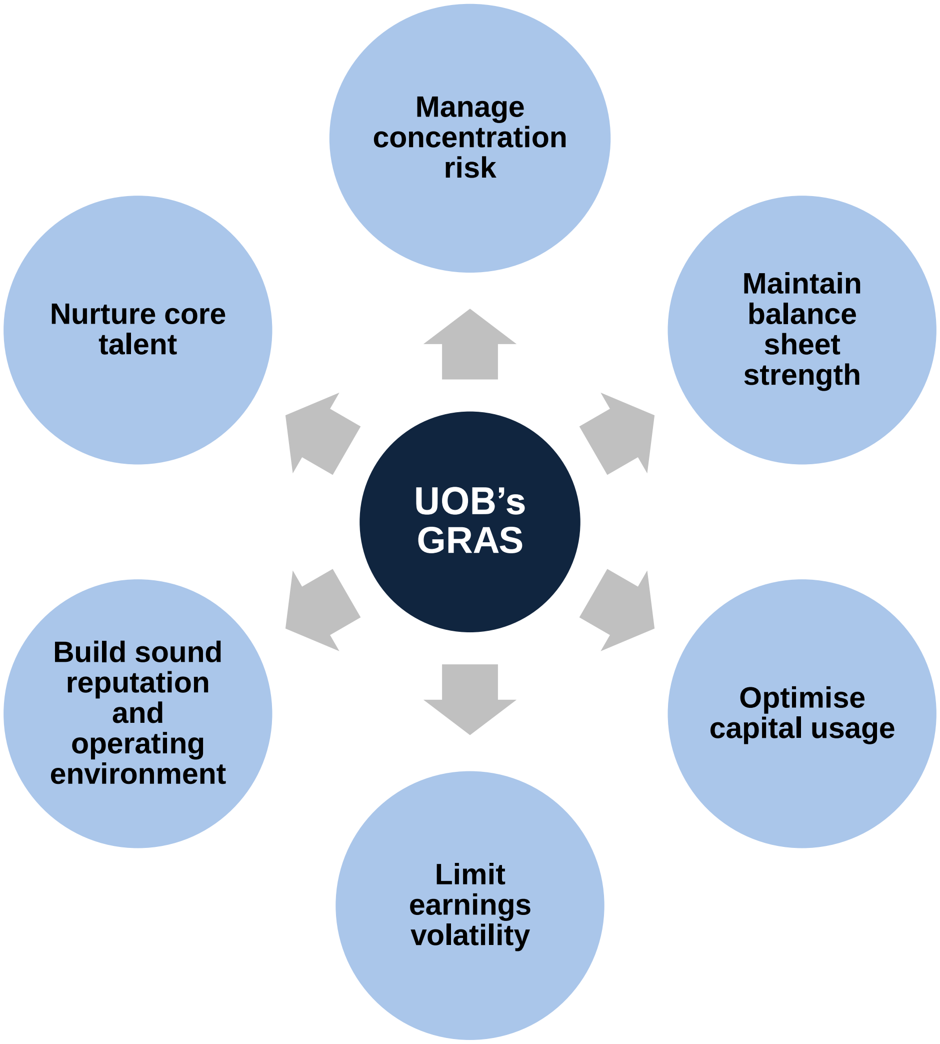
# Robust Risk Management Framework

| | |
|---|---|
| **Robust Risk Management Framework** | ▪ Operate under strict regulatory regime; prudential rules in line with global best practices<br>▪ Strong risk culture; focus beyond long-term sustainability, beyond gains in short-term<br>▪ Focused on businesses which we understand and are well-equipped to manage<br>▪ Active board and senior management oversight<br>▪ Comprehensive risk management policies, procedures and limits governing credit risks, funding risks, interest rate risks, market risks and operational risks<br>▪ Regular stress tests<br>▪ Strong internal controls and internal audit process |
| **Common Operating Framework across Region** | ▪ Standardised and centralised core banking systems completed at end-2013<br>▪ Common operating framework integrates regional technology, operations and risk infrastructure, ensuring consistent risk management practices across core markets<br>▪ Framework anchored to Singapore head office's high corporate governance standards |
| **Key Risks to Monitor** | ▪ Property-related risks:<br>— Healthy portfolio: low NPL ratio and provisions<br>— Majority of housing loans are for owner-occupied properties; comfortable average LTV ratio; delinquency and NPL trends regularly analysed<br>— c.50% of property-related corporate loans are short-term development loans with diversified risks; progress, sales and cashflow forecasts of projects closely monitored<br>▪ Modest oil and gas exposure, with c.60% to less vulnerable downstream and traders; some weakness at upstream loans, but potential losses partly mitigated by collateral<br>▪ Exposure to weakening regional currencies: Extend such loans only to borrowers with foreign currency revenues; otherwise, borrowers required to hedge open positions |

# Managing Risks for Stable Growth

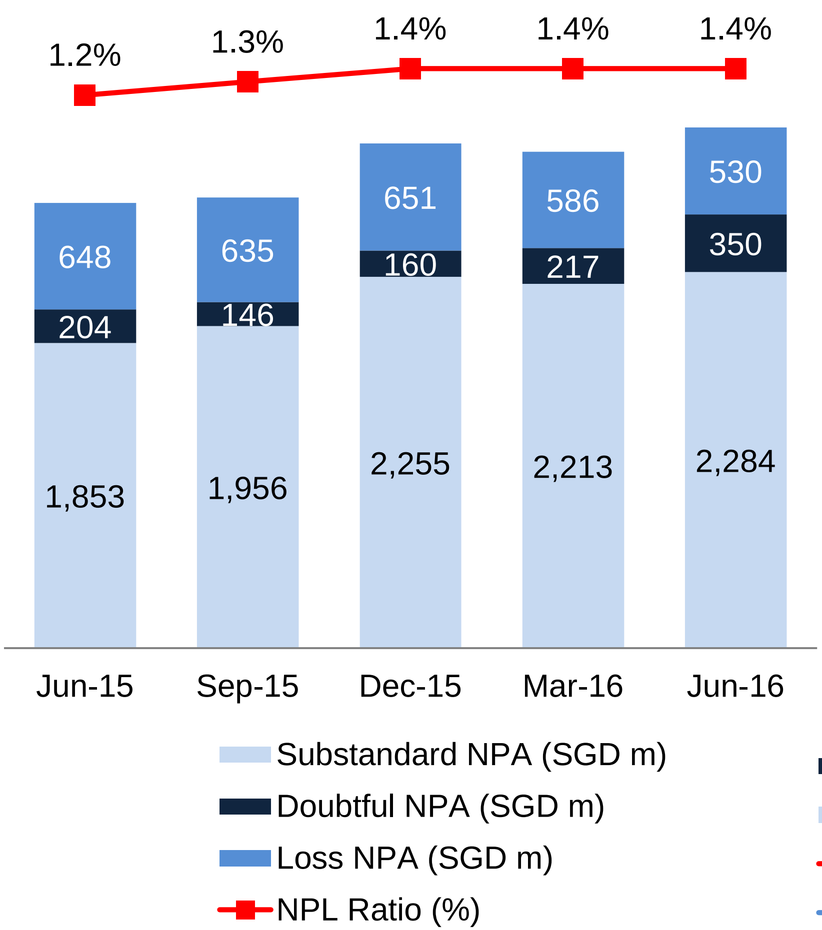
- **Prudent approach has been key to delivering sustainable returns over the years**

- **Institutionalised framework through Group Risk Appetite Statement (GRAS):**
  – Outlines risk and return objectives to guide strategic decision-making
  – Comprises 6 dimensions and 14 metrics
  – Entails instilling prudent culture as well as establishing policies and guidelines
  – Invests in capabilities, leverage integrated regional network to ensure effective implementation across key markets and businesses

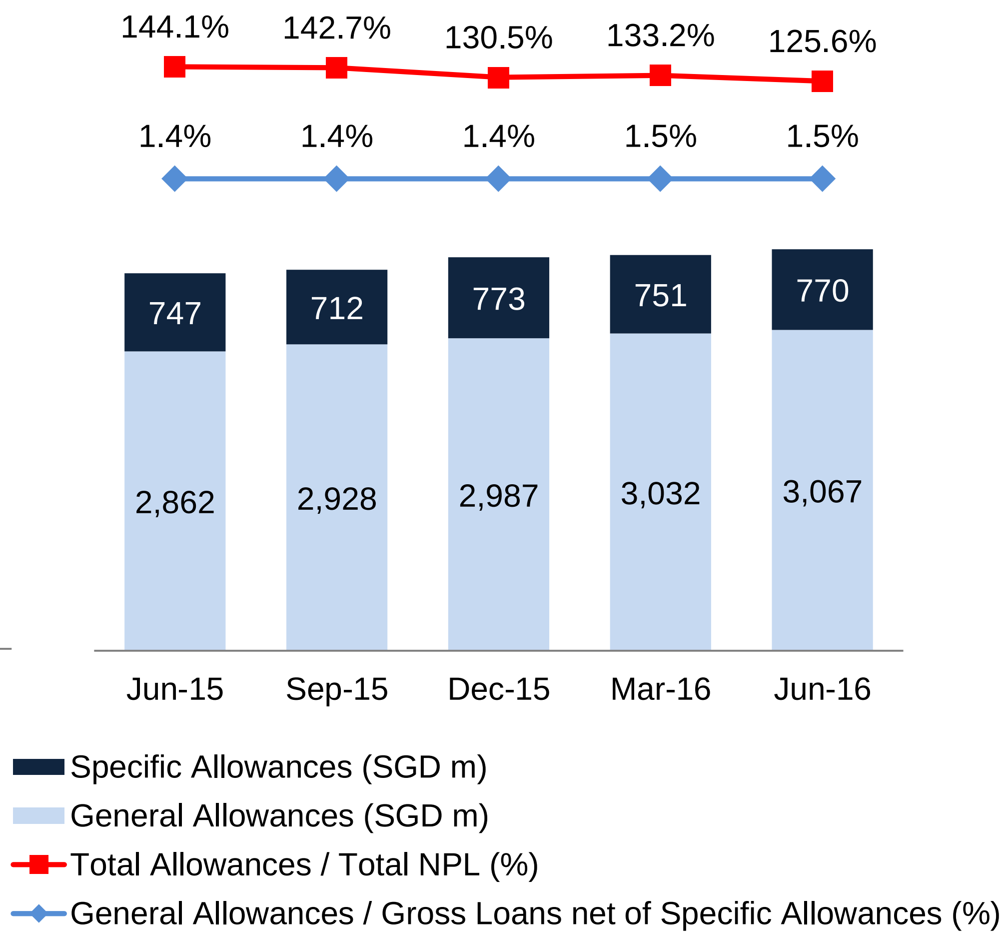


# Resilient Asset Quality; High Allowances Coverage

## Stable NPL Ratio




## Consistently High Allowances Coverage



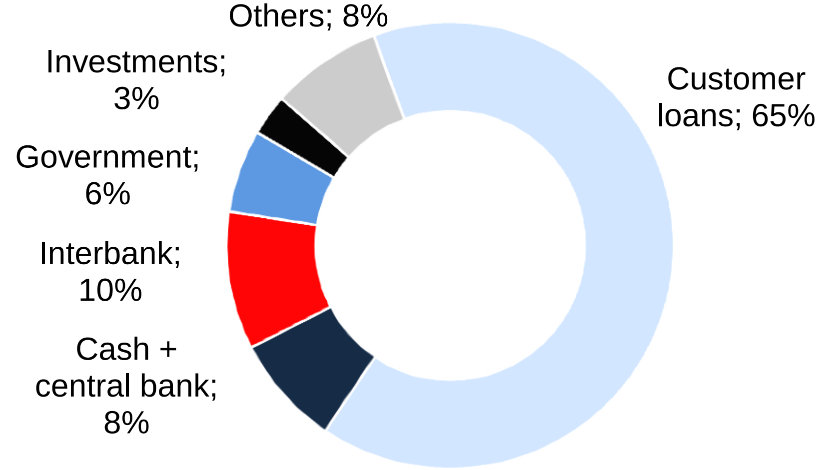
# Disciplined Balance Sheet Management

- **Resilient balance sheet**
  - Stable NPL ratio: 1.4%
  - High general allowances-to-loans ratio of 1.5%
  - Strong NPL coverage: 125.6%

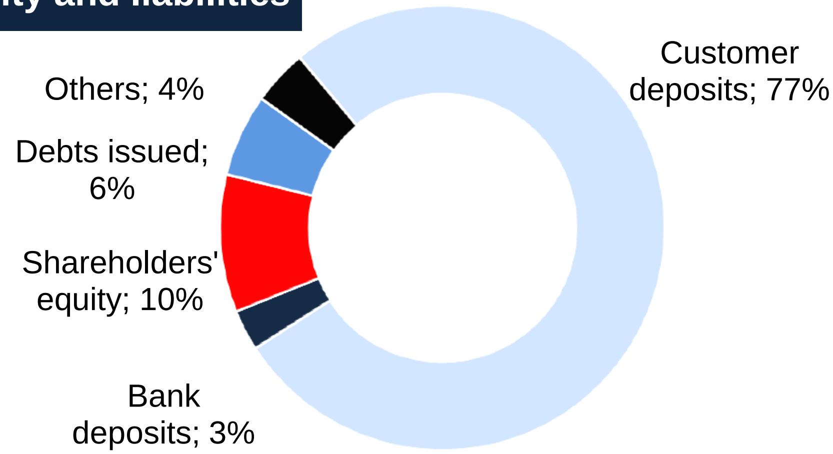
- **Strong funding and capital base**
  - Liquidity Coverage Ratios[1]: SGD (224%) and all-currency (167%)
  - Healthy fully-loaded CET1 ratio[2] of 12.2%

- **Positive affirmation from markets**
  - Issuance of Basel III perpetual capital securities (S$750m) in May: 3 times subscribed
  - Upgrade of UOB's standalone rating by Standard & Poor's

**Assets**




**Equity and liabilities**




1. Average for 2Q16.
2. Fully-loaded CET1 ratio (based on final rules effective 1 January 2018).

# Our Growth Drivers

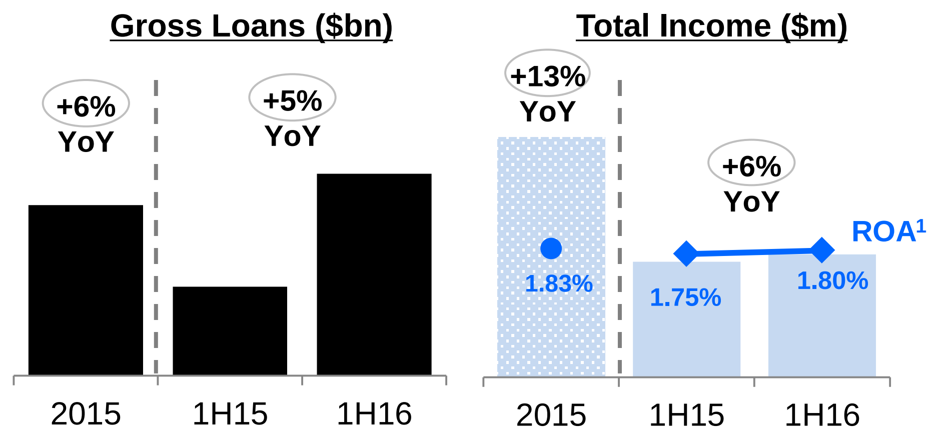
# Our Growth Drivers

| | |
|---|---|
| **Realise Full Potential of our Integrated Platform** | ▪ Provides us with ability to serve expanding regional needs of our customers<br>▪ Improves operational efficiency, enhances risk management, seamless customer experience and faster time to market |
| **Sharpen Regional Focus** | ▪ Global macro environment remains uncertain. The region's long-term fundamentals continue to remain strong<br>▪ Region is our future engine of growth |
| **Reinforce Fee Income Growth** | ▪ Grow fee income to offset competitive pressures on loans and improve return on capital<br>▪ Increase client wallet share size by intensifying cross-selling efforts, focusing on service quality and expanding range of products and services |
| **Long-term Growth Perspective** | ▪ Disciplined approach in executing growth strategy, balancing growth with stability<br>▪ Focus on risk adjusted returns; ensure balance sheet strength amidst global volatilities |

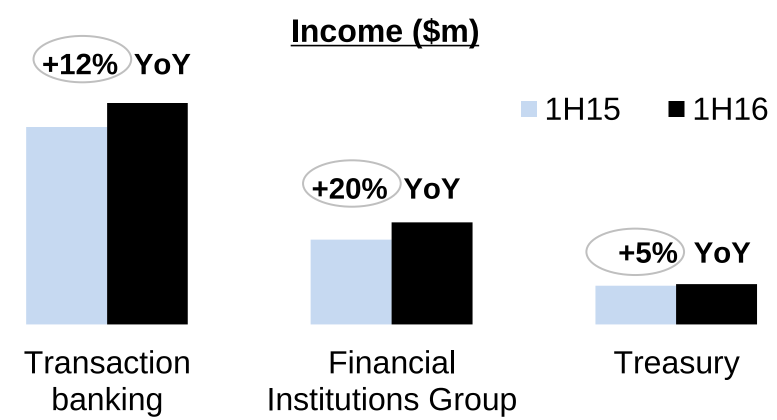
# Wholesale Banking: Steady Performance

- **Wholesale banking's loans and income up in 1H16 despite weaker macro environment**
- **Financial Institutions segment doing well**
  - Supporting property funds and sovereign funds in overseas asset acquisitions
  - Attracting quality deposits; enhancing liability profile
- **Capturing regional opportunities**
  - Cross-border income: 20%[2] of Group wholesale banking income

**Wholesale Banking Business**



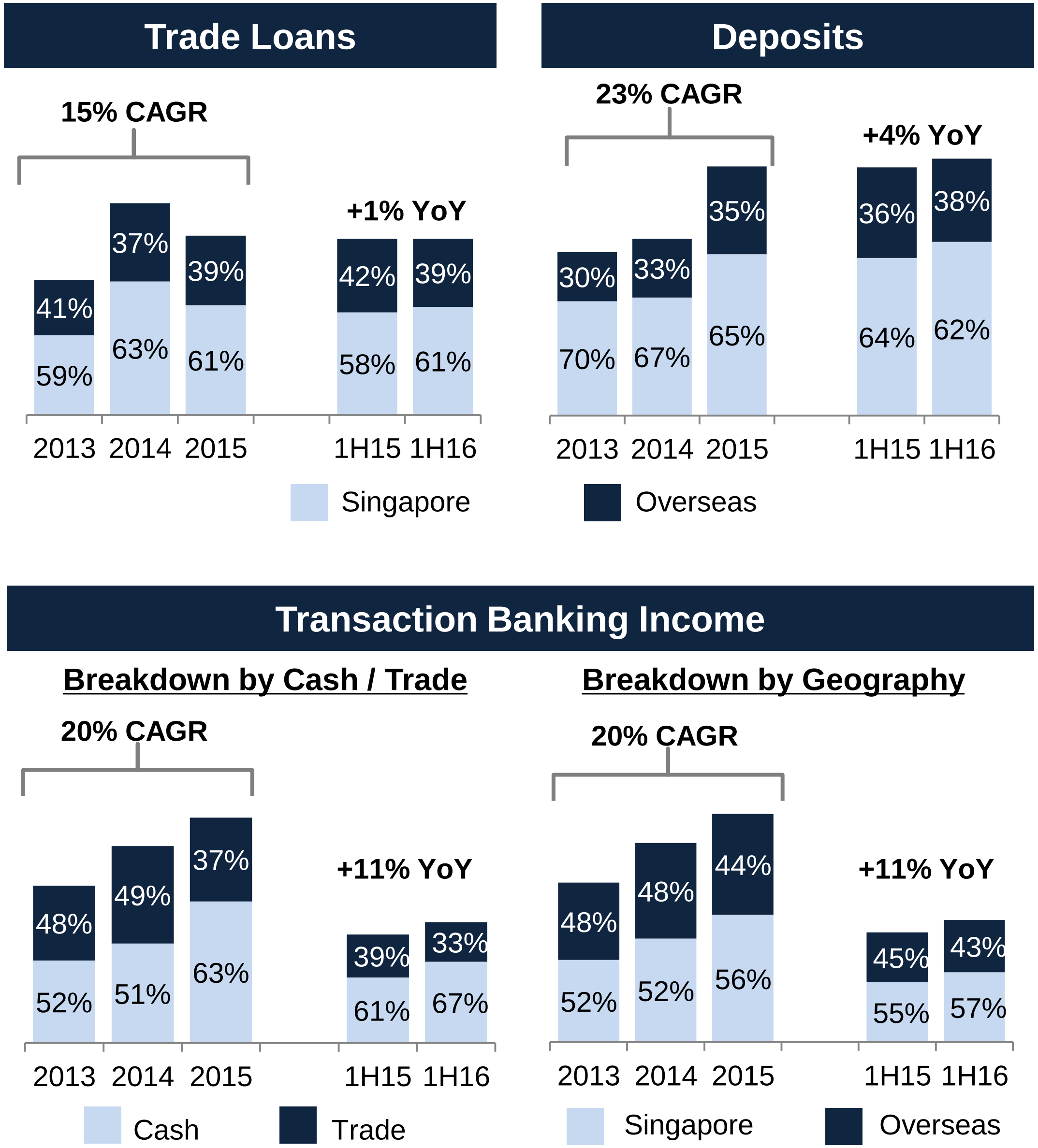

**Higher Income Supported by Strong Liability Management**




1. ROA: Ratio of "Profit before tax" to "Average Assets"
2. Data for year-to-date May 2016

# Group Transaction Banking Continues to Grow

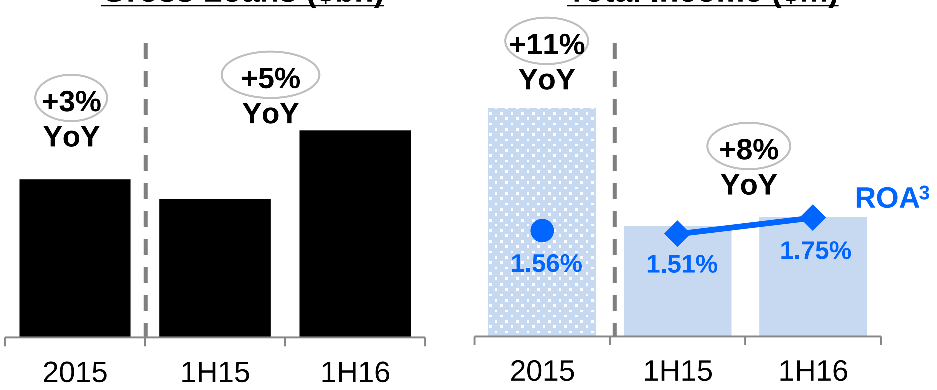
- One of main pillars for wholesale banking
- Cash management grows with significant mandates
- Good traction from trade due to focus on new clients and industries
- Made significant investments to provide innovative solutions
- Strong industry recognition for cash and trade achievements



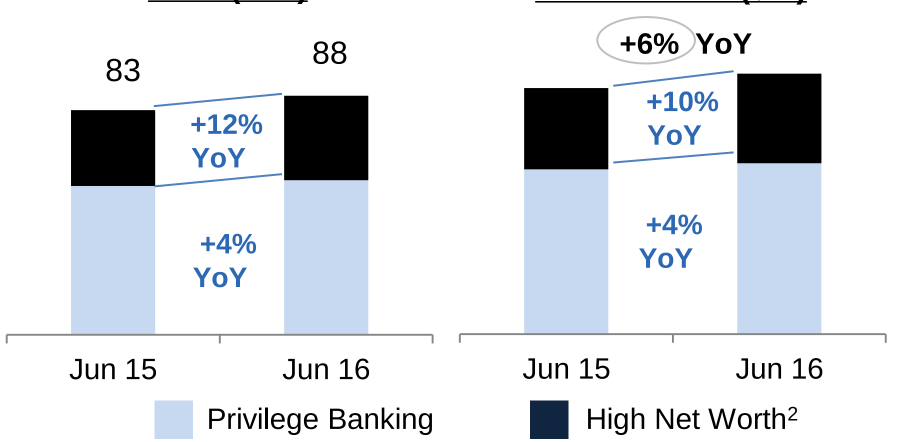
# Retail Banking: Growing Income with Stable Asset Quality

- **Growth in retail banking[1] income outpaced loan growth in 1H16**
- **Singapore housing loan portfolio's growth improved YoY in 1H16**
  - Overall asset quality remains stable
  - Lower credit costs yoy in 1H16
- **Wealth management income +6% YoY in 1H16 despite market volatilities**
  - $88bn AUM as at end-Jun 2016
  - High Net Worth[2] segment trending higher

## Group Retail Business




## Wealth Management[4] Business



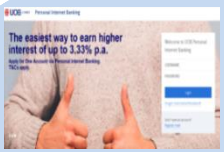

1. Retail Banking comprises Personal Financial Services, Private Banking and Business Banking.
2. High Net Worth segment comprises Privilege Reserve and Private Bank segments.
3. ROA: Ratio of "Profit before tax" to "Average Assets".
4. Wealth Management comprises Privilege Banking, Privilege Reserve and Private Bank segments.

# Digitalisation: Enriching Customer Experience

**1** **Seamless connectivity** across channels for superior customer experience & access

**2** **Analytics-driven customer insights** Increase & improve customer engagement

**3** **Innovation within** & collaboration with Eco-system partners & FinTechs to deliver customer-centric solutions



***PIB New look & feel***

***+30%*** *internet & mobile activity ytd*

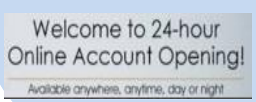
***+33.5%*** *Online funds transfers ytd*

***UOB Business App***

***>6,000*** *downloads fr May'16*

***Branch-Customer Activity Centres***
*~educate, engage seminars, networking*

*~**7.8 million LINE** social app "friends" in UOB Thailand*

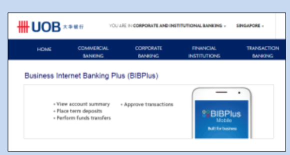



***>36k Cards** & **>5500 One Account bundle** online applications since Aug'15*

***1st in the market** with Bank, Dine & Pay on-the-go with UOB Mighty*

***1st in Asia** Contactless Pay*

***+21.5%** **visits** to revamped website from Q1'16*



*Close to **20,000** visits to revamped **Business Internet Banking site** since May'16*

***>550 sign-ups** for **BB** E-Payroll Service since launch*

*UOB & IIPL JV **>200 FinTech applicants***

*Since launch:*
***>257** NTB Customers*
***>$35m** Fresh Deposits*

***US$10m** Equity Crowdfunding investment*

*Commercial Banking Venture Debt UOB-Temasek JV to **finance Asian start-ups***

**Engaged customers → higher cross-sell & revenue lift**
**Higher online activity → lower cost-to-serve**

# Why UOB?

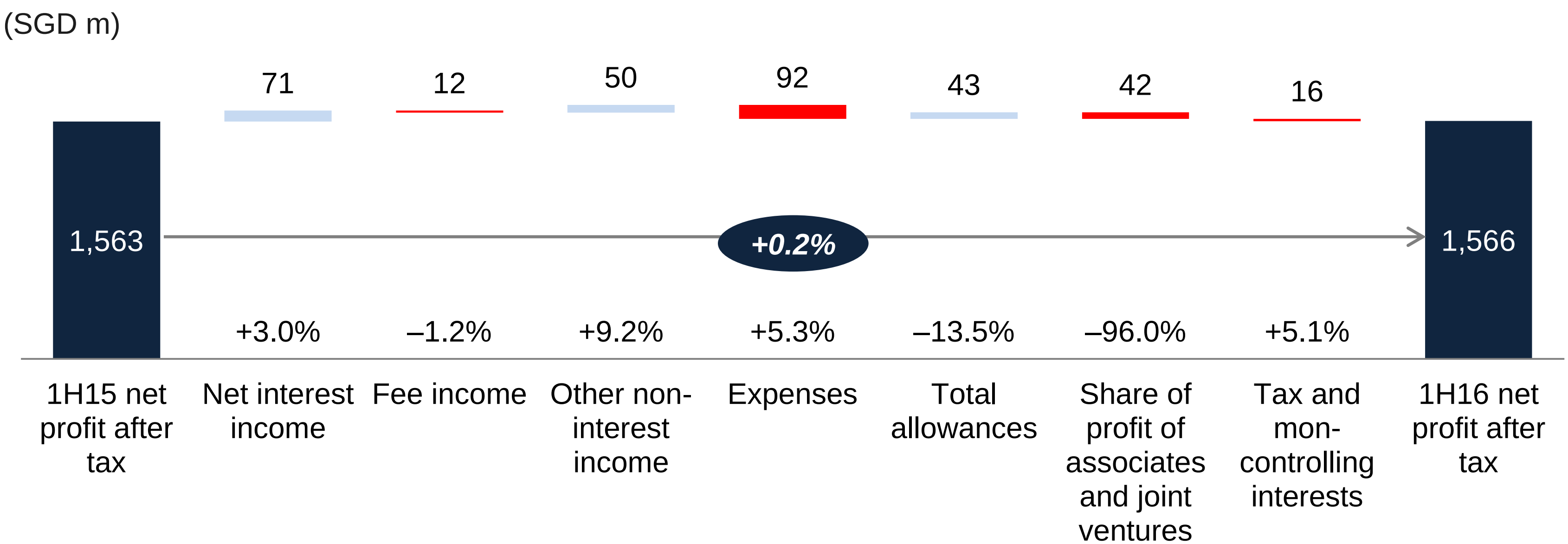
| | |
|---|---|
| **Stable Management** | ▪ Proven track record in steering the bank through various global events and crises<br>▪ Stability of management team ensures consistent execution of strategies |
| **Integrated Regional Platform** | ▪ Entrenched local presence. Ground resources and integrated regional network allow us to better address the needs of our targeted segments<br>▪ Truly regional bank with full ownership and control of regional subsidiaries |
| **Strong Fundamentals** | ▪ Sustainable revenue channels as a result of carefully-built core business<br>▪ Strong balance sheet, sound capital & liquidity position and resilient asset quality – testament of solid foundation built on the premise of basic banking |
| **Balance Growth with Stability** | ▪ Continue to diversify portfolio, strengthen balance sheet, manage risks and build core franchise for the future<br>▪ Maintain long-term perspective to growth for sustainable shareholder returns |

***Proven track record of financial conservatism and strong management committed to the long term***

# Latest Financials

# 1H16 Financial Overview

## Net Profit After Tax[1] (NPAT) Movement, 1H16 vs 1H15

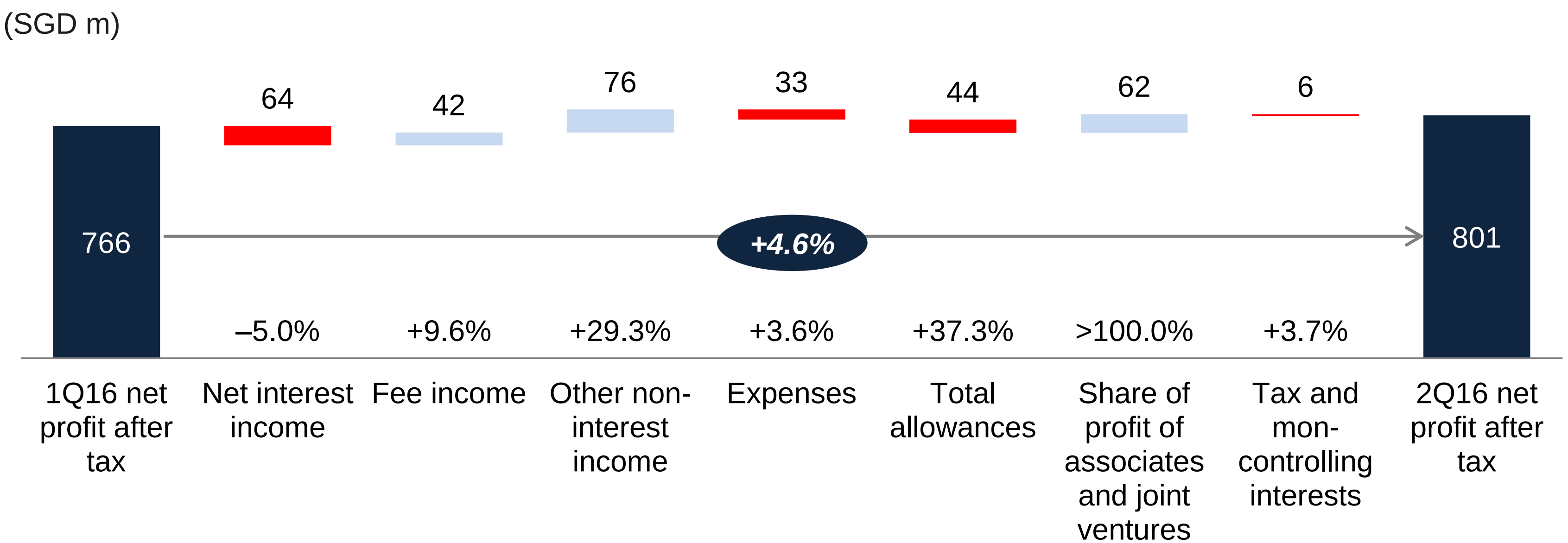



| Key Indicators | 1H16 | 1H15 | YoY Change |
|---|---|---|---|
| **NIM (%) [2]** | 1.73 | 1.76 | **(0.03)% pt** |
| **Non-NII / Income (%)** | 37.8 | 37.8 | **--** |
| **Expense / Income ratio (%)** | 45.6 | 44.5 | **+1.1% pt** |
| **ROE (%) [2, 3]** | 10.5 | 10.8 | **(0.3)% pt** |

1. Relate to amount attributable to equity holders of the Bank.
2. Computed on an annualised basis.
3. Calculated based on profit attributable to equity holders of the Bank net of preference share dividends and capital securities distributions.

# 2Q16 Financial Overview

## Net Profit After Tax[1] (NPAT) Movement, 2Q16 vs 1Q16

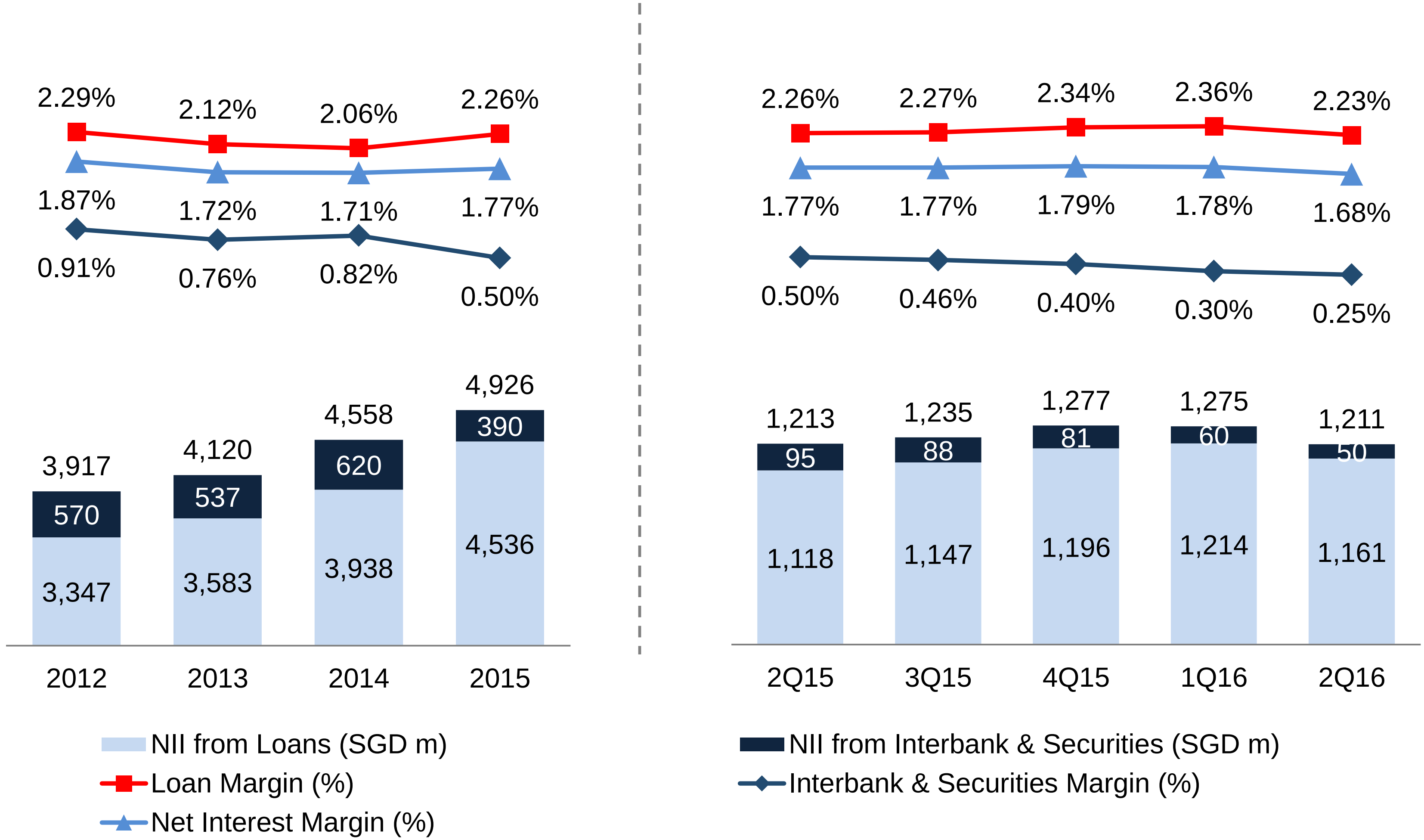



| Key Indicators | 2Q16 | 1Q16 | QoQ Change | 2Q15 | YoY Change |
|---|---|---|---|---|---|
| NIM (%) [2] | 1.68 | 1.78 | (0.10)% pt | 1.77 | (0.09)% pt |
| Non-NII / Income (%) | 40.2 | 35.3 | +4.9% pt | 37.0 | +3.2% pt |
| Expense / Income ratio (%) | 45.8 | 45.4 | +0.4% pt | 45.5 | +0.3% pt |
| ROE (%) [2,3] | 10.7 | 10.2 | +0.5% pt | 10.4 | +0.3% pt |

1. Relate to amount attributable to equity holders of the Bank.
2. Computed on an annualised basis.
3. Calculated based on profit attributable to equity holders of the Bank net of preference share dividends and capital securities distributions.

# Lower Net Interest Income on Tighter Margins but Partly Offset by Loan Growth

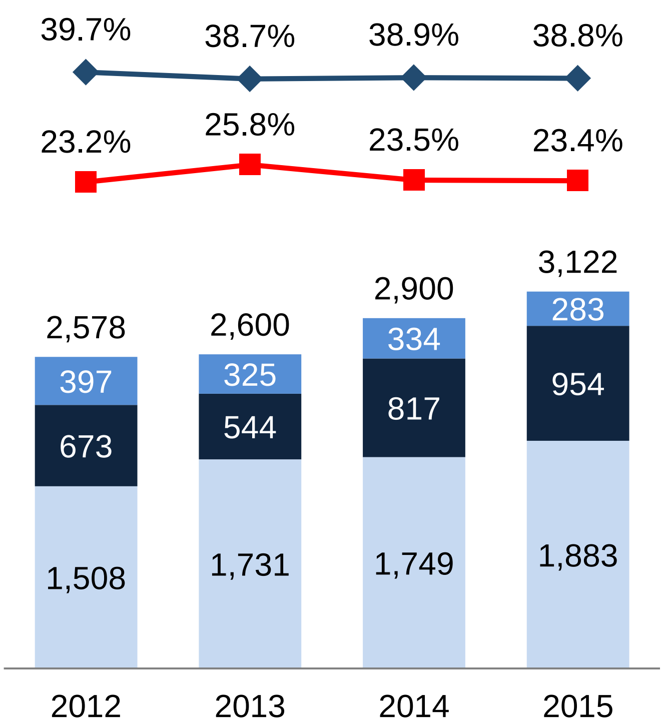
## Net Interest Income (NII) and Margin

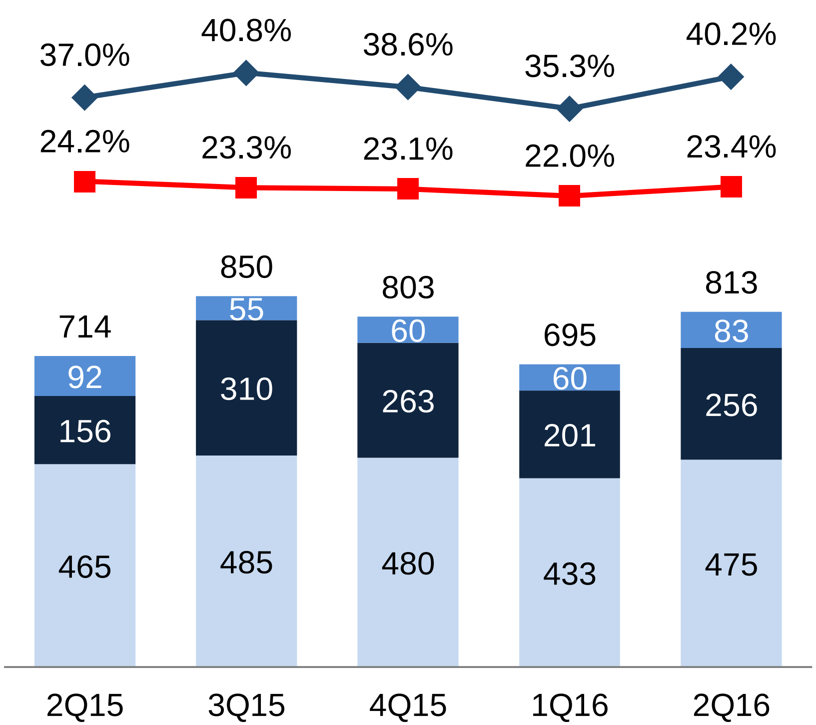



Note: The definition of 'Customer Deposits' was expanded to include deposits from financial institutions relating to fund management and operating accounts from 1Q14 onwards. The interest expenses relating to these deposits and the corresponding impact to loan margin and interbank/securities margin for FY2013 were restated accordingly.

# Steady Non-Interest Income Mix Underpins Diversity

## Non-Interest Income (Non-NII) and Non-NII Ratio

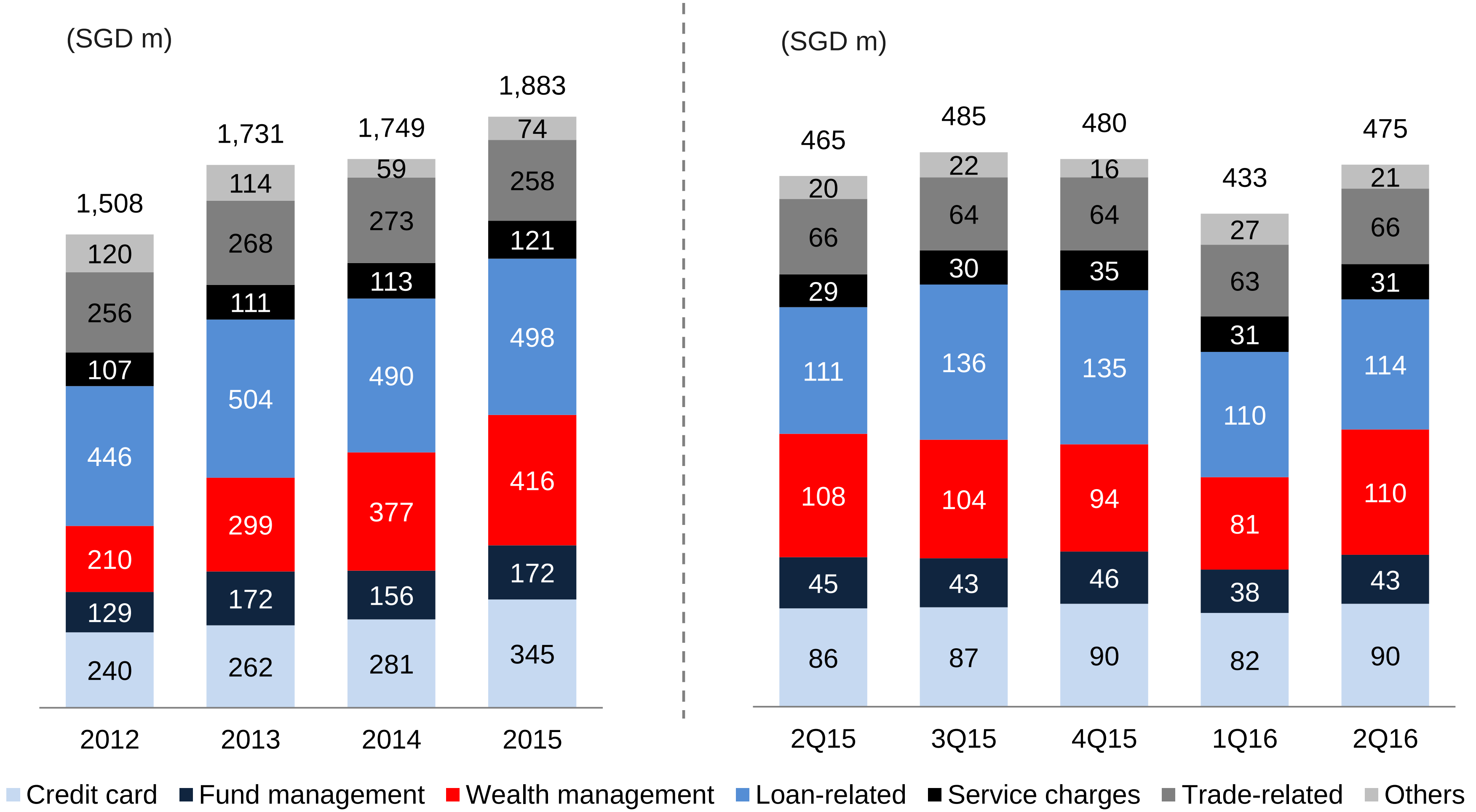



Fee Income (SGD m)
Other Non-Interest Income (SGD m)
Core Fee Income / Total Income (%)
Trading and Investment Income (SGD m)
Core Non-NII / Total Income (%)

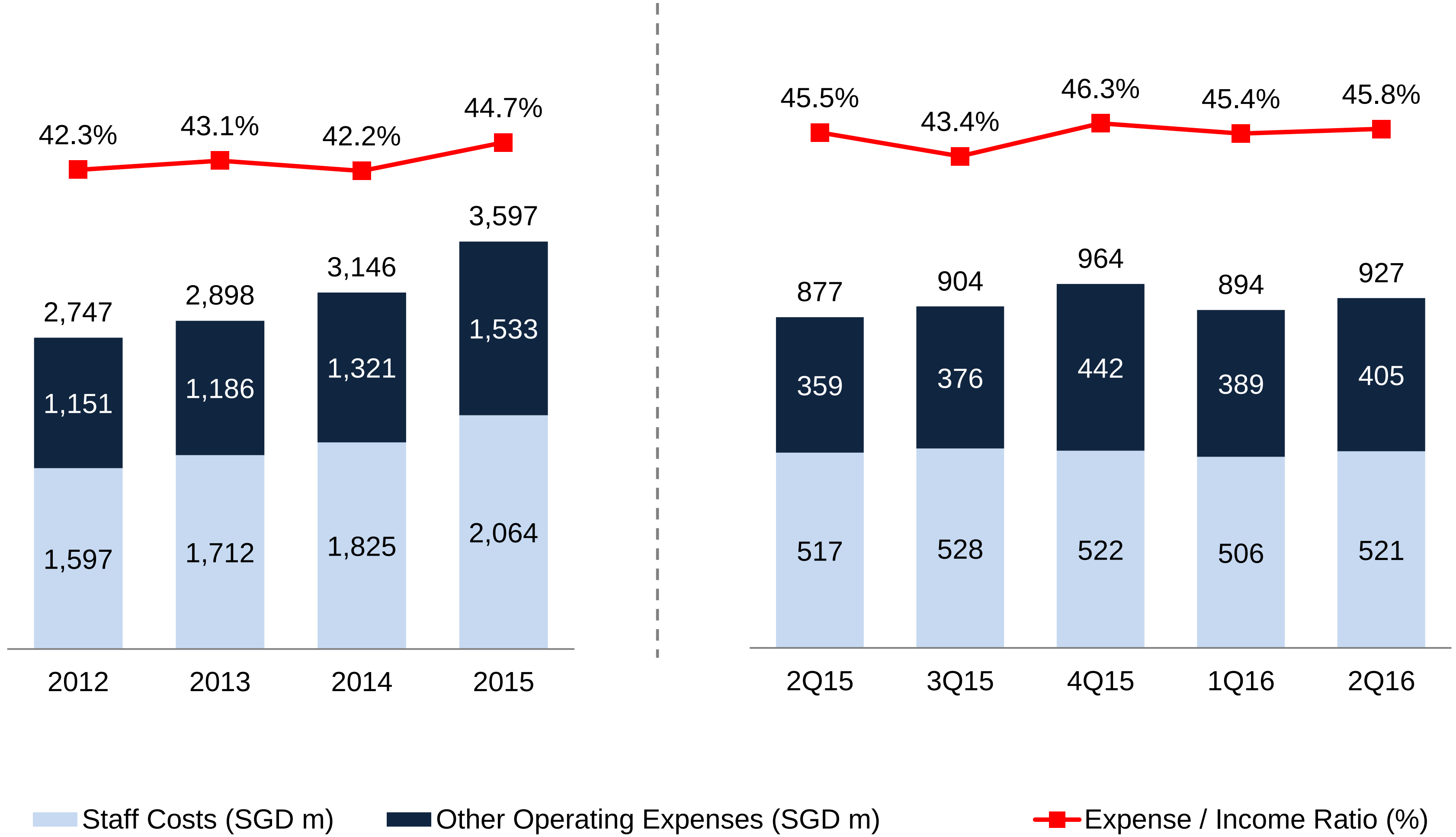
# Broad-based Focus in Fee Income

## Breakdown of Fee Income



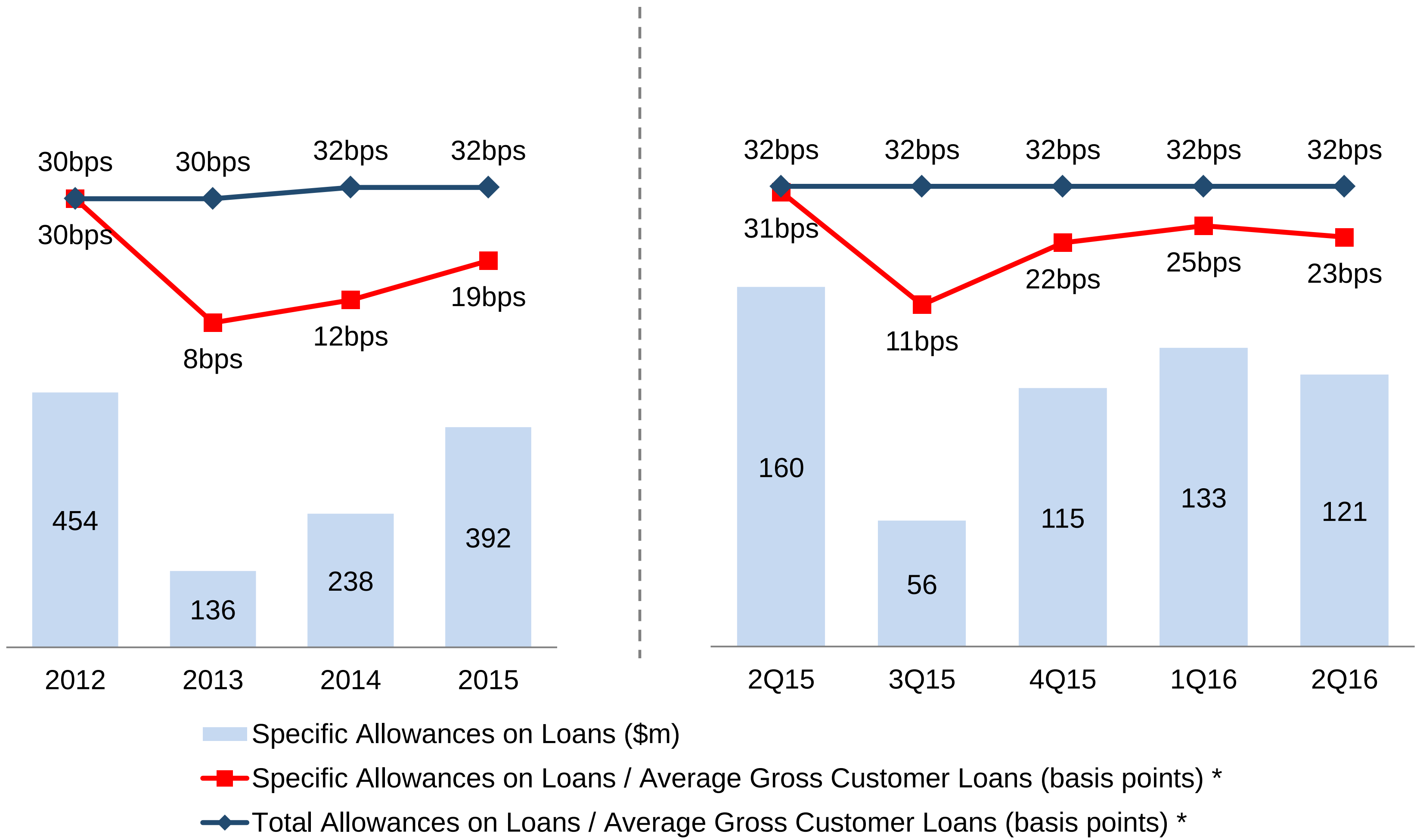
# Maintain Costs Discipline while Investing in Long-term Capabilities

## Operating Expenses and Expense / Income Ratio



# Stable Total Credit Costs

## Allowances on Loans

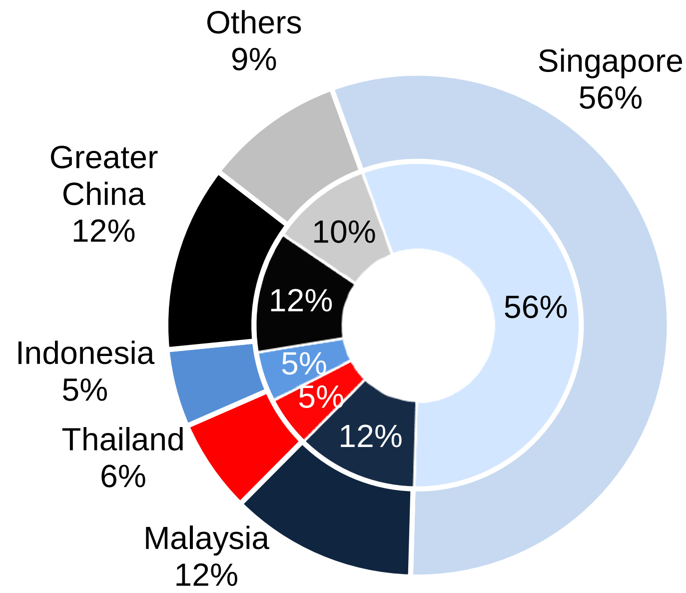



* Computed on an annualised basis.

# Loan Growth was 1.9% QoQ in Constant Currency Terms

| Gross Loans [1] | Jun-16 SGD b | Mar-16 SGD b | QoQ +/(–) % | Jun-15 SGD b | YoY +/(–) % |
|---|---|---|---|---|---|
| Singapore | 119.9 | 117.8 | +1.8 | 115.0 | +4.2 |
| Regional: | 72.8 | 72.4 | +0.6 | 71.1 | +2.4 |
| Malaysia | 25.4 | 25.5 | –0.4 | 25.3 | +0.3 |
| Thailand | 11.6 | 11.4 | +2.3 | 11.0 | +5.8 |
| Indonesia | 11.4 | 10.9 | +4.4 | 10.8 | +5.2 |
| Greater China | 24.4 | 24.6 | –0.7 | 23.9 | +1.9 |
| Others | 19.6 | 19.2 | +1.9 | 16.3 | +20.1 |
| **Total** | **212.3** | **209.4** | **+1.4** | **202.4** | **+4.9** |
| **USD Loans** | **37.6** | **35.2** | **+6.8** | **33.6** | **+12.0** |

**Gross loans breakdown:**
*Inner circle: Mar-16*
*Outer circle: Jun-16*

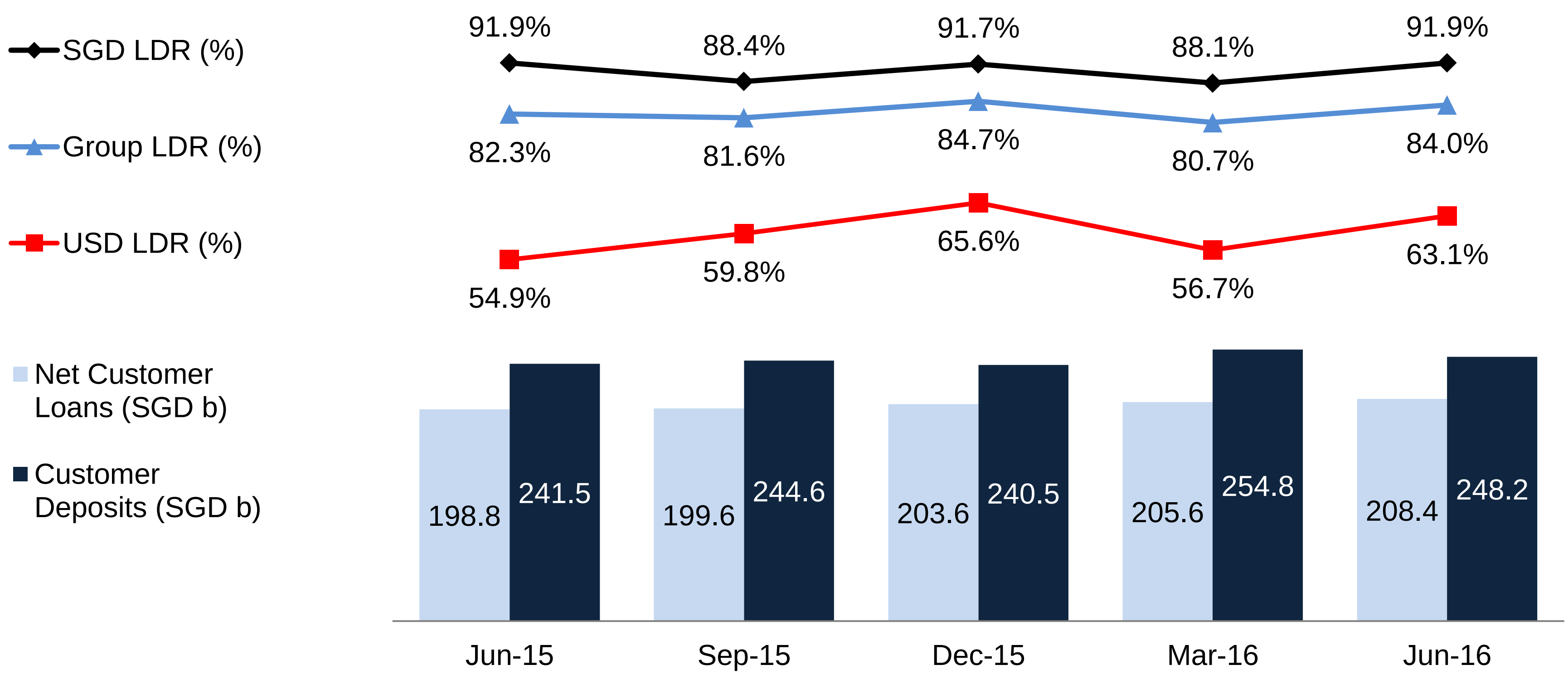



1. Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

# Stable Liquidity Position

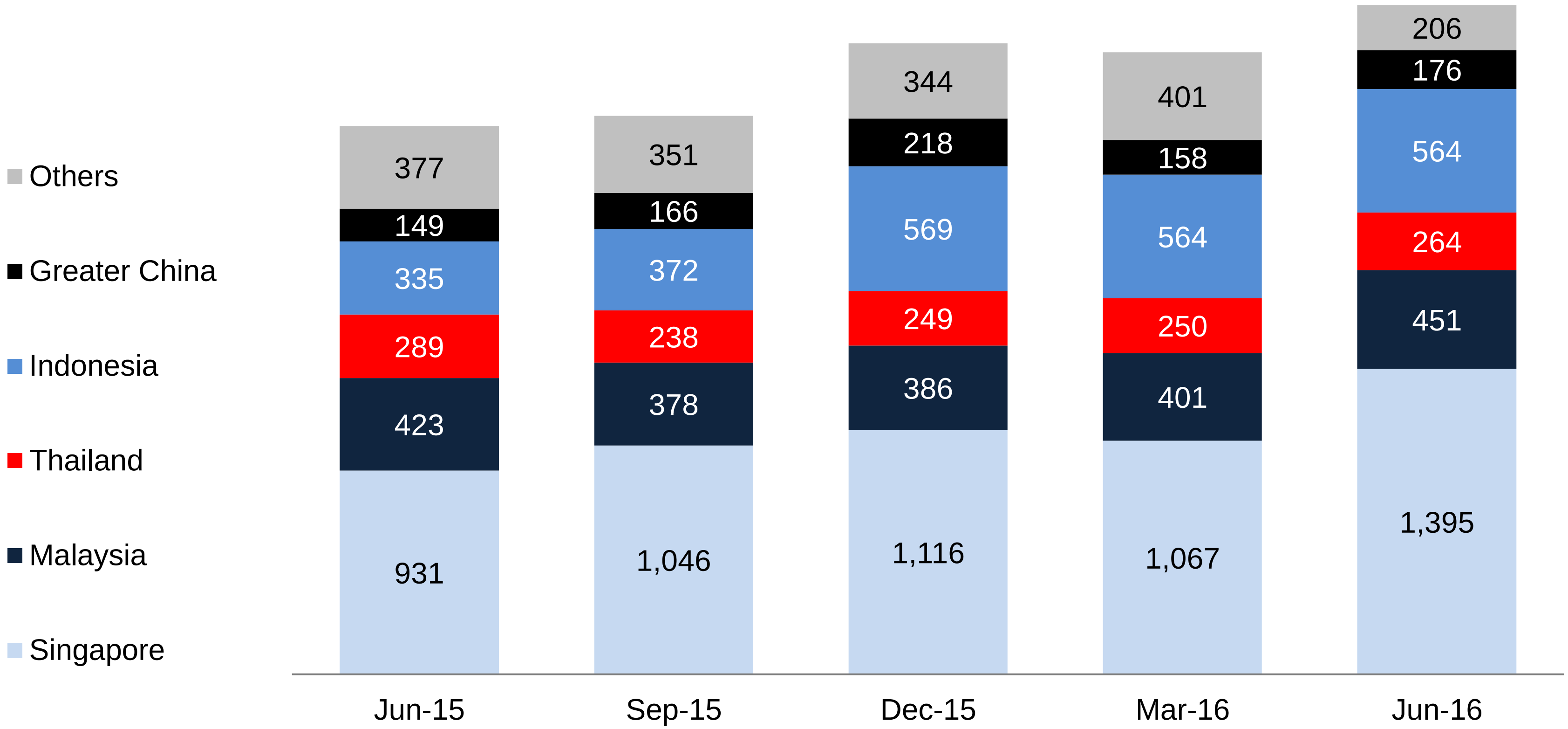
## Customer Loans and Deposits; Loan/Deposit Ratios (LDR); and Liquidity Coverage Ratios (LCR)

| | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 |
|---|---|---|---|---|---|
| All-currency LCR (%) | 152% | 138% | 142% | 139% | 167% |
| SGD LCR (%) | 165% | 179% | 217% | 169% | 224% |



# Robust Credit Quality; NPL Ratio Stable at 1.4%

| | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 |
|---|---|---|---|---|---|
| NPL ratio | 1.2% | 1.3% | 1.4% | 1.4% | 1.4% |
| NPLs[1] (SGD m) | 2,504 | 2,551 | 2,882 | 2,841 | 3,056 |

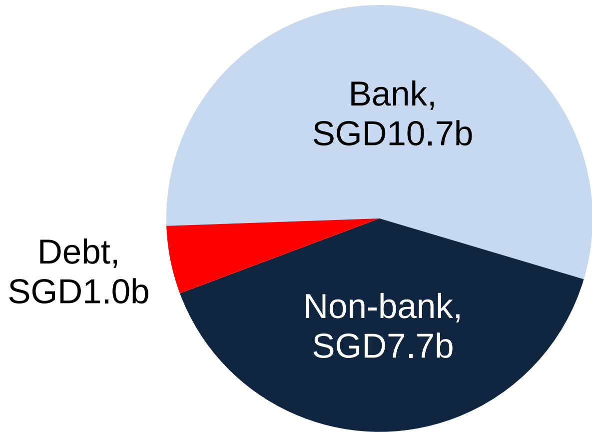



1. NPLs by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

# Exposure to China

**Total = SGD19.4b**

*or 6.0% of total assets*




**Bank exposure in China**

- 99% with <1 year tenor
- Around 75% accounted for by top 5 domestic banks and policy banks
- Trade exposures mostly with bank counterparties, representing around half of bank exposure

**Non-bank exposure in China**

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio around 1.0%
- Around half of loans denominated in RMB
- Around half has tenor within a year
- Minimal exposure to stockbroking companies linked to China's stock market
- No exposure to Qingdao fraud and local government financing vehicles

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).

# Exposure to Commodities

| As of 30 June 16 | Oil and gas | | Other commodity segments | Total |
|---|---|---|---|---|
| | Upstream industries | Traders/ downstream industries | | |
| Total exposure[1] | SGD4.9b | SGD9.1b | SGD8.8b | SGD22.8b |
| Outstanding loans | SGD4.0b | SGD5.3b | SGD6.6b | SGD15.9b |

*4% of total loans*

*7.5% of total loans*

- Total exposure, including off-balance sheet items, stood at SGD22.8b as of 30 June 2016
- Mainly to traders and downstream segments
- Proactive monitoring, limit management and collateral enhancement

1. Total exposure comprises outstanding loans and contingent liabilities

# Exposure to Europe

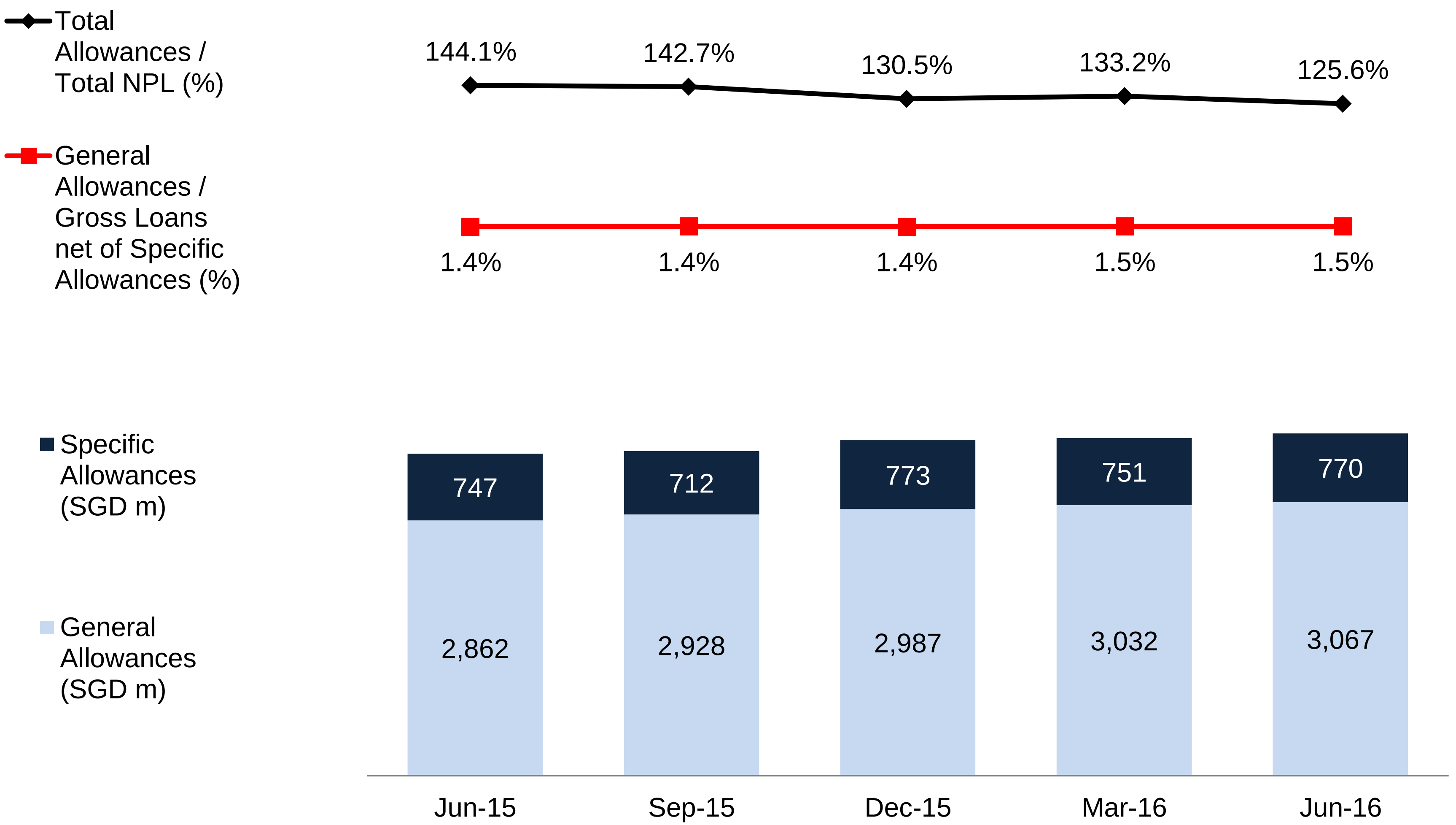
| As of 30 Jun 2016 | Non-bank | Bank | Debt securities | Total | As a % of total assets |
|---|---|---|---|---|---|
| Europe | SGD3.4b | SGD3.1b | SGD1.2b | SGD7.7b | 2.4% |
| of which UK | SGD2.6b | SGD0.8b | SGD0.2b | SGD3.6b | 1.1% |

Minimal direct impact from Brexit

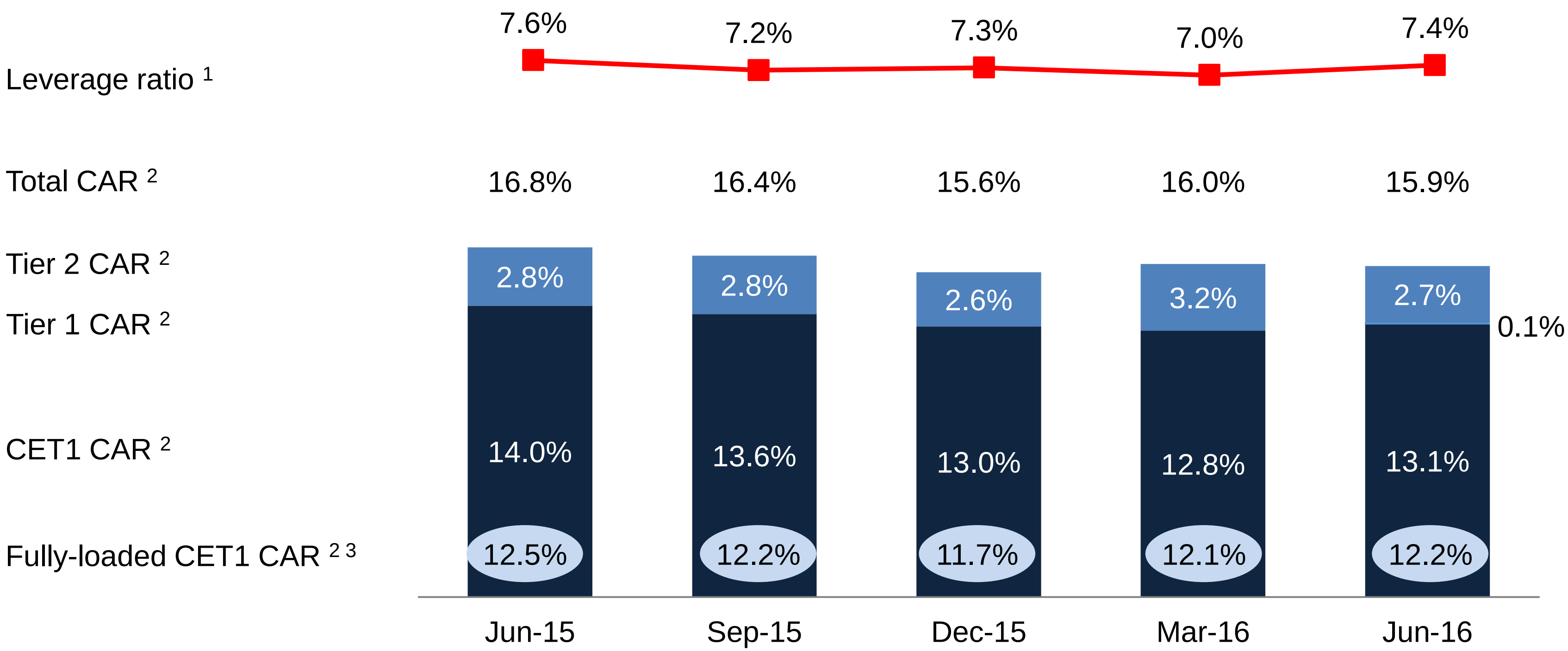
- Bulk of UK non-bank exposure is secured and denominated in GBP
- Consumer mortgage book small and healthy
- High rated bank counterparties in the UK

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).

# High Allowances Coverage



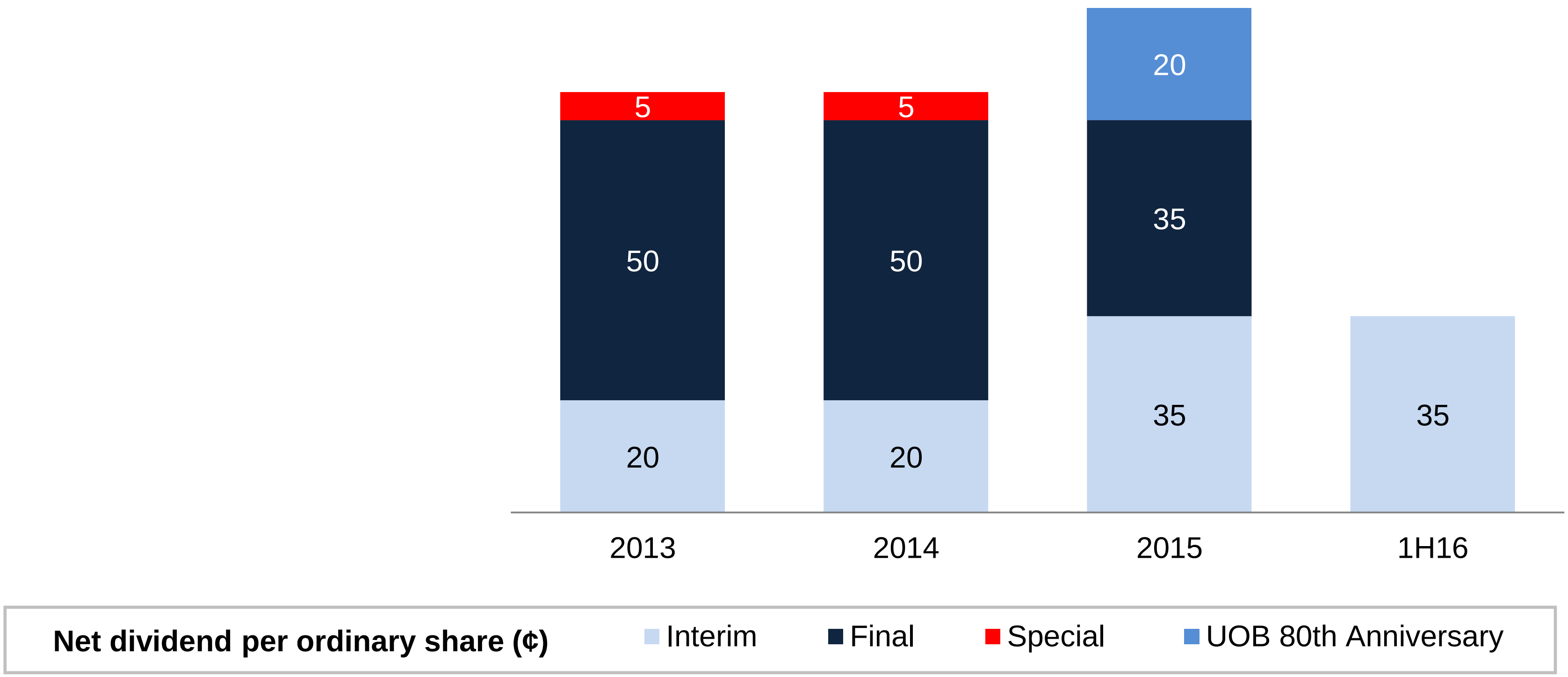
# Strong Capital and Leverage Ratios




| SGD b | | | | | |
|---|---|---|---|---|---|
| Common Equity Tier 1 Capital | 25 | 25 | 26 | 26 | 26 |
| Tier 1 Capital | 25 | 25 | 26 | 26 | 27 |
| Total Capital | 30 | 30 | 31 | 32 | 32 |
| Risk-Weighted Assets | 182 | 186 | 201 | 202 | 202 |

1. Leverage ratio is calculated based on the revised MAS Notice 637 which took effect from 1 January 2015.
2. CAR: Capital adequacy ratio
3. Based on final rules effective 1 January 2018.

# Stable Dividend Payout




| | 2013 | 2014 | 2015 | 1H16 |
|---|---|---|---|---|
| **Payout amount (SGD m)** | 1,182 | 1,201 | 1,442 | 563 |
| **Payout ratio (%)** | 39 | 37 | 45 | 36 |

Note: The Scrip Dividend Scheme was applied to the final and special dividends for the financial year 2013, UOB 80th Anniversary dividend for the financial year 2015 and interim dividend for the financial year 2016.

# Thank you