

# UOB Group 1<sup>st</sup> Half 2017 and 2<sup>nd</sup> Quarter 2017

## Financial Highlights

Lee Wai Fai  
Group Chief Financial Officer

28 July 2017

*Disclaimer: This material that follows is a presentation of general background information about the Bank'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 Bank accepts no liability whatsoever with respect to the use of this document or its content.*

# 1H17 and 2Q17 Highlights

## Sound operating performance and healthy balance sheet

**1H17 NPAT of \$1.65b ↑5.5% YoY**

**2Q17 NPAT of \$845m ↑4.6% QoQ**

### **Stable top lines growth**

- NIM pick up from active balance sheet management and stable funding costs
- Strong growth in fee income from wealth management, fund management and credit card products

### **Asset quality remains broadly stable**

- Proactive management of oil & gas exposures
- Broader portfolio of sound quality
- Sufficient buffers and coverage

### **Balance sheet remains strong**

- Continued growth in gross loans and customer deposits
- Strong capital and liquidity positions

# Healthy contribution from client franchise, driven by fees and balance sheet growth

	1H17	1H16	+/( -)
	\$m	\$m	%
Net interest income	2,659	2,485	7.0 ▲
Fee and commission income	1,026	907	13.1 ▲
Other non-interest income	621	600	3.5 ▲
<b>Total income</b>	<b>4,306</b>	<b>3,993</b>	<b>7.8 ▲</b>
Less: Total expenses	1,952	1,821	7.2 ▲
<b>Operating profit</b>	<b>2,355</b>	<b>2,172</b>	<b>8.4 ▲</b>
Less: Specific allowance	447	252	77.2 ▲
General allowance	(81)	26	(>100.0) ▼
Add: Associates & joint ventures	59	2	>100.0 ▲
<b>Net profit before tax</b>	<b>2,047</b>	<b>1,895</b>	<b>8.0 ▲</b>
Less: Tax & non-controlling interests	395	329	20.0 ▲
<b>Net profit after tax</b>	<b>1,652</b>	<b>1,566</b>	<b>5.5 ▲</b>



favourable variance to earnings



unfavourable variance to earnings

# Sound operating performance, with stable contribution from client franchise

	2Q17	2Q16	+ / (-)	1Q17	+ / (-)
	\$m	\$m	%	\$m	%
Net interest income	1,356	1,211	12.0 ▲	1,303	4.0 ▲
Fee and commission income	517	475	9.0 ▲	508	1.7 ▲
Other non-interest income	310	338	(8.3) ▼	311	(0.1) ▼
<b>Total income</b>	<b>2,183</b>	<b>2,024</b>	<b>7.9 ▲</b>	<b>2,123</b>	<b>2.9 ▲</b>
Less: Total expenses	995	927	7.3 ▲	957	4.0 ▲
<b>Operating profit</b>	<b>1,189</b>	<b>1,097</b>	<b>8.4 ▲</b>	<b>1,166</b>	<b>2.0 ▲</b>
Less: Specific allowance	168	112	49.0 ▲	279	(40.0) ▼
General allowance	12	49	(74.3) ▼	(93)	>100.0 ▲
Add: Associates & joint ventures	24	32	(24.3) ▼	34	(28.9) ▼
<b>Net profit before tax</b>	<b>1,033</b>	<b>968</b>	<b>6.7 ▲</b>	<b>1,014</b>	<b>1.9 ▲</b>
Less: Tax & non-controlling interests	188	167	12.6 ▲	206	(8.7) ▼
<b>Net profit after tax</b>	<b>845</b>	<b>801</b>	<b>5.5 ▲</b>	<b>807</b>	<b>4.6 ▲</b>



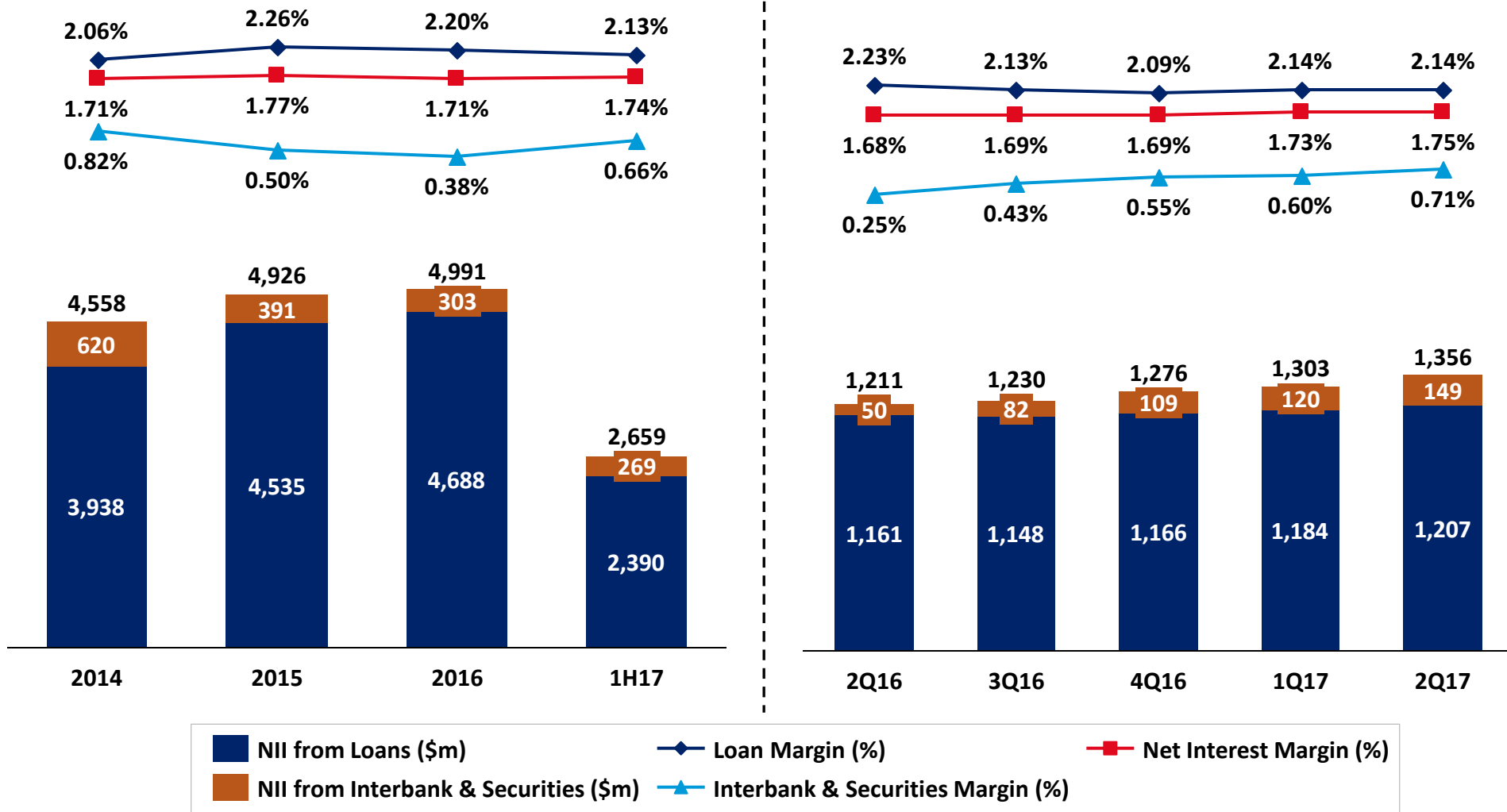
favourable variance to earnings



unfavourable variance to earnings

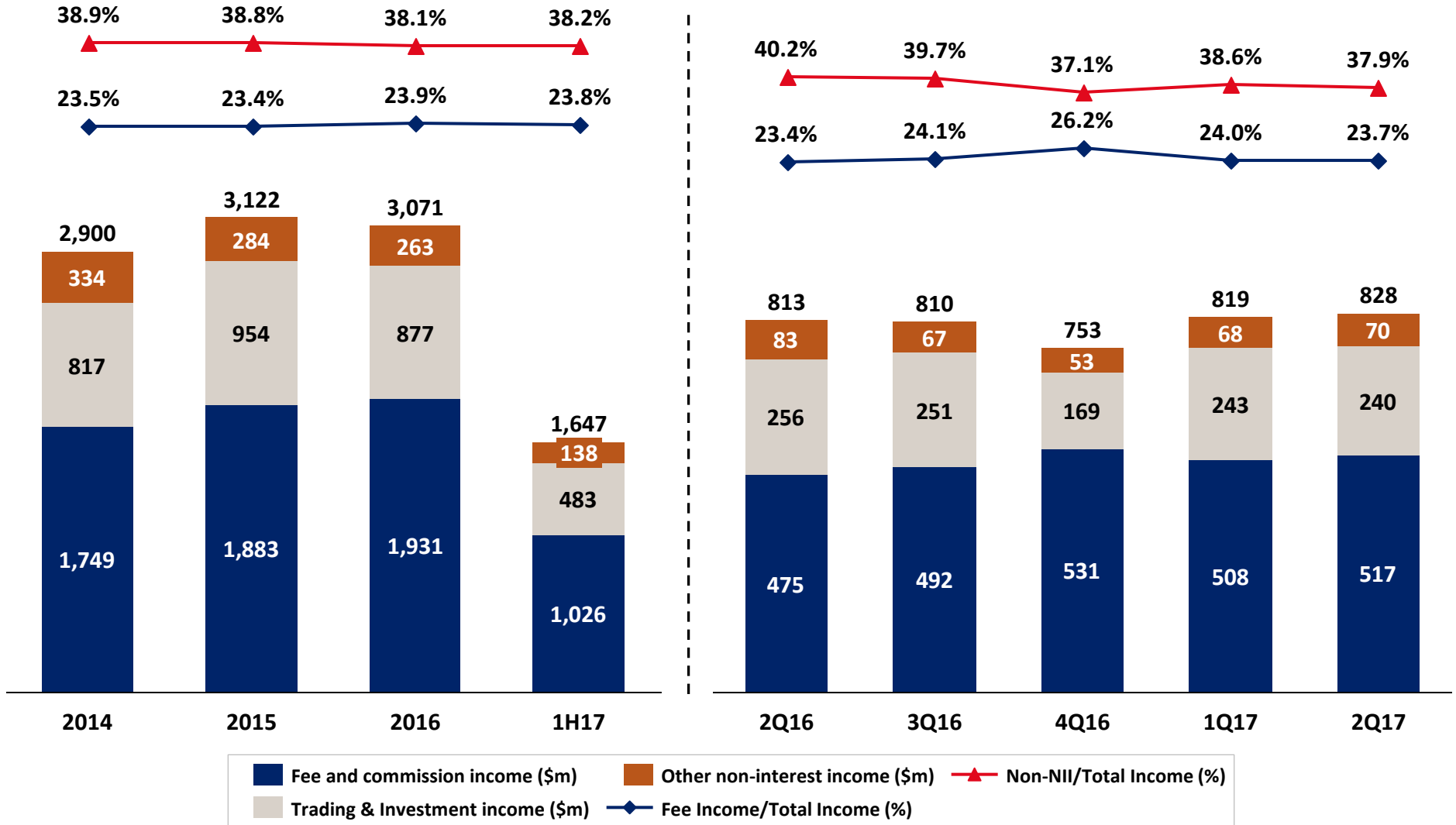
# NII rose 7% YoY supported by loan growth and improved margin

## Net Interest Income (NII) and Margin



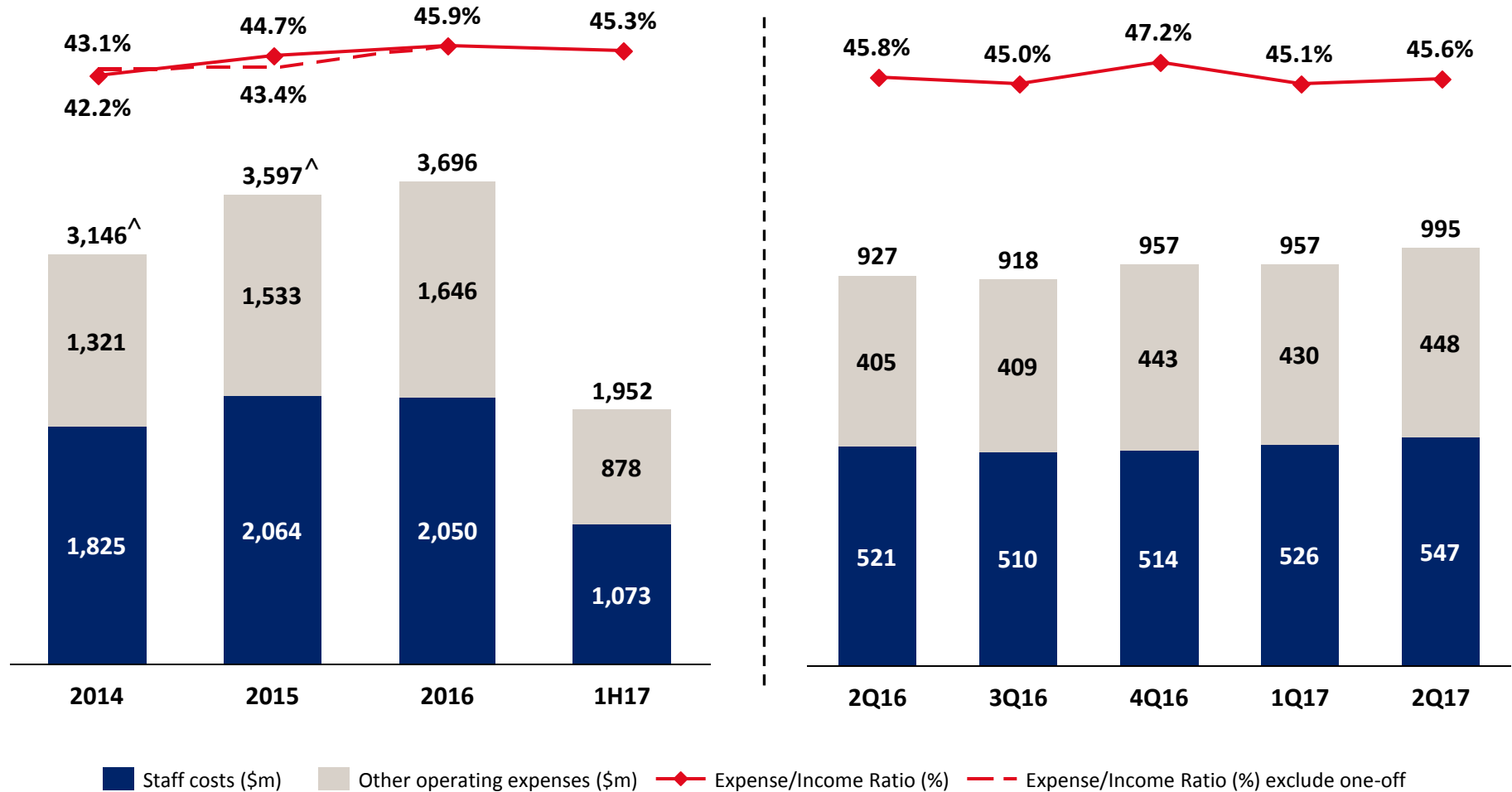
# Fee income up 13% YoY and 2% QoQ from credit card, fund management and wealth management products

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



# Disciplined cost management maintained expense/income ratio as investment in technology and infrastructure continues

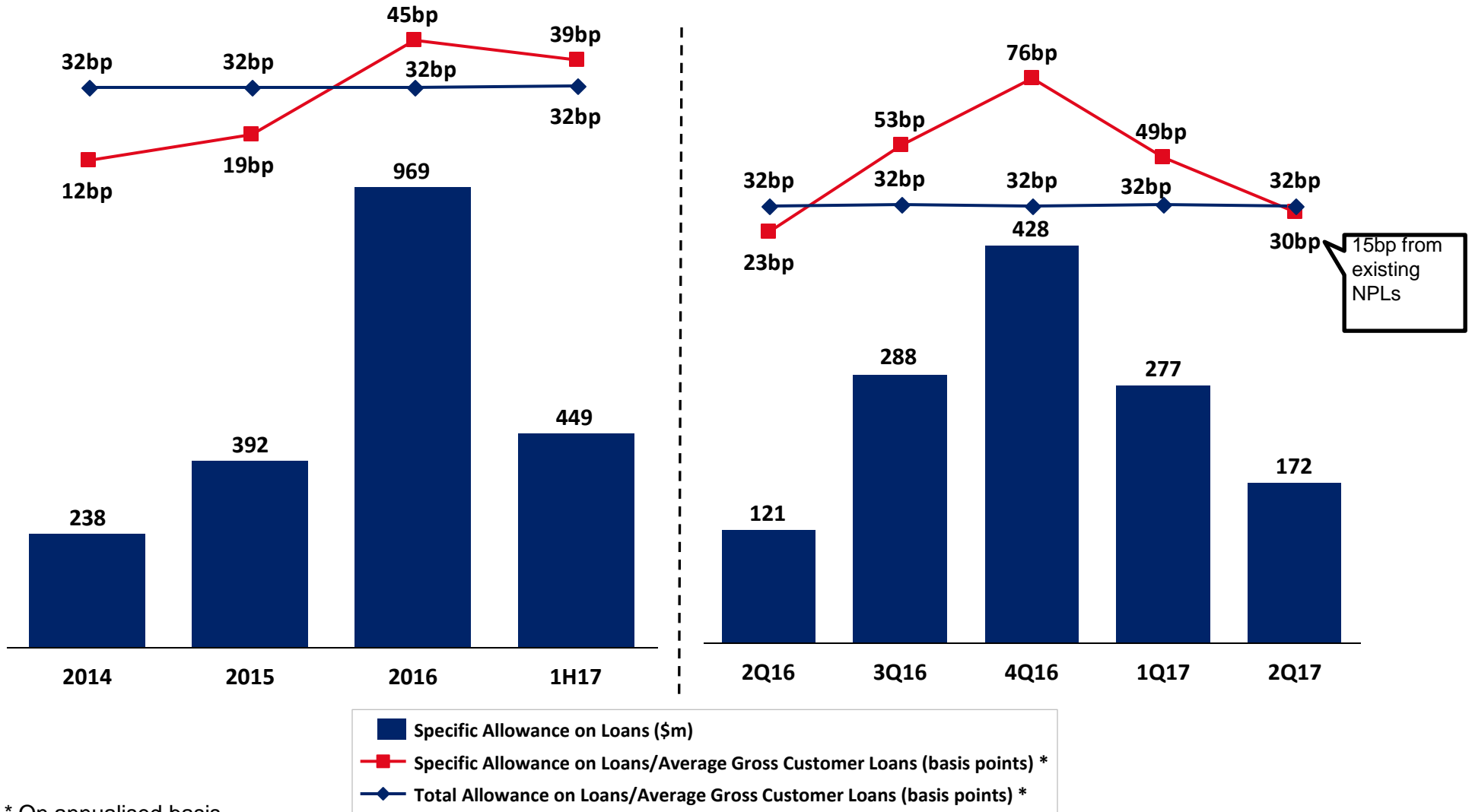
## Operating Expenses and Expense / Income Ratio



^ Included one-off expenses relating to SG50 and UOB80 commemorative events and brand campaign (2015: \$67m) and adjustment for prior year's bonus.

Lower specific allowance in 2Q17. General allowance increased to build up reserves while total credit costs on loans were kept at 32bps

## Allowance on Loans



\* On annualised basis

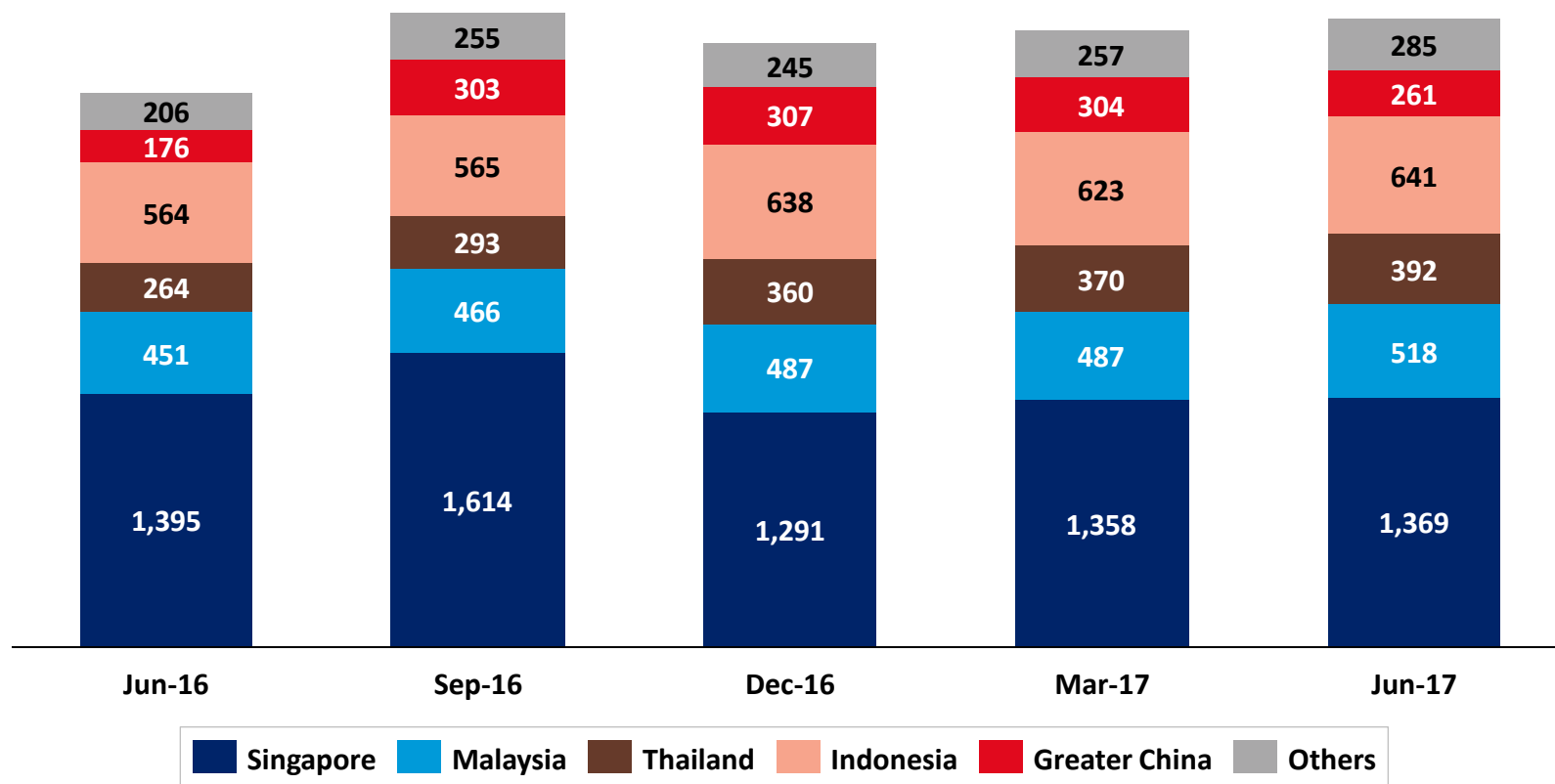


## Movements in non-performing assets

	2Q16	3Q16	4Q16	1Q17	2Q17
	\$m	\$m	\$m	\$m	\$m
<b>NPA at start of period</b>	3,016	3,164	3,632	3,480	3,543
New NPA	802	780	387	424	537
Upgrades, recoveries and translations	(548)	(201)	(320)	(293)	(255)
Write-offs	(106)	(111)	(219)	(68)	(238)
<b>NPA at end of period</b>	<b>3,164</b>	<b>3,632</b>	<b>3,480</b>	<b>3,543</b>	<b>3,587</b>

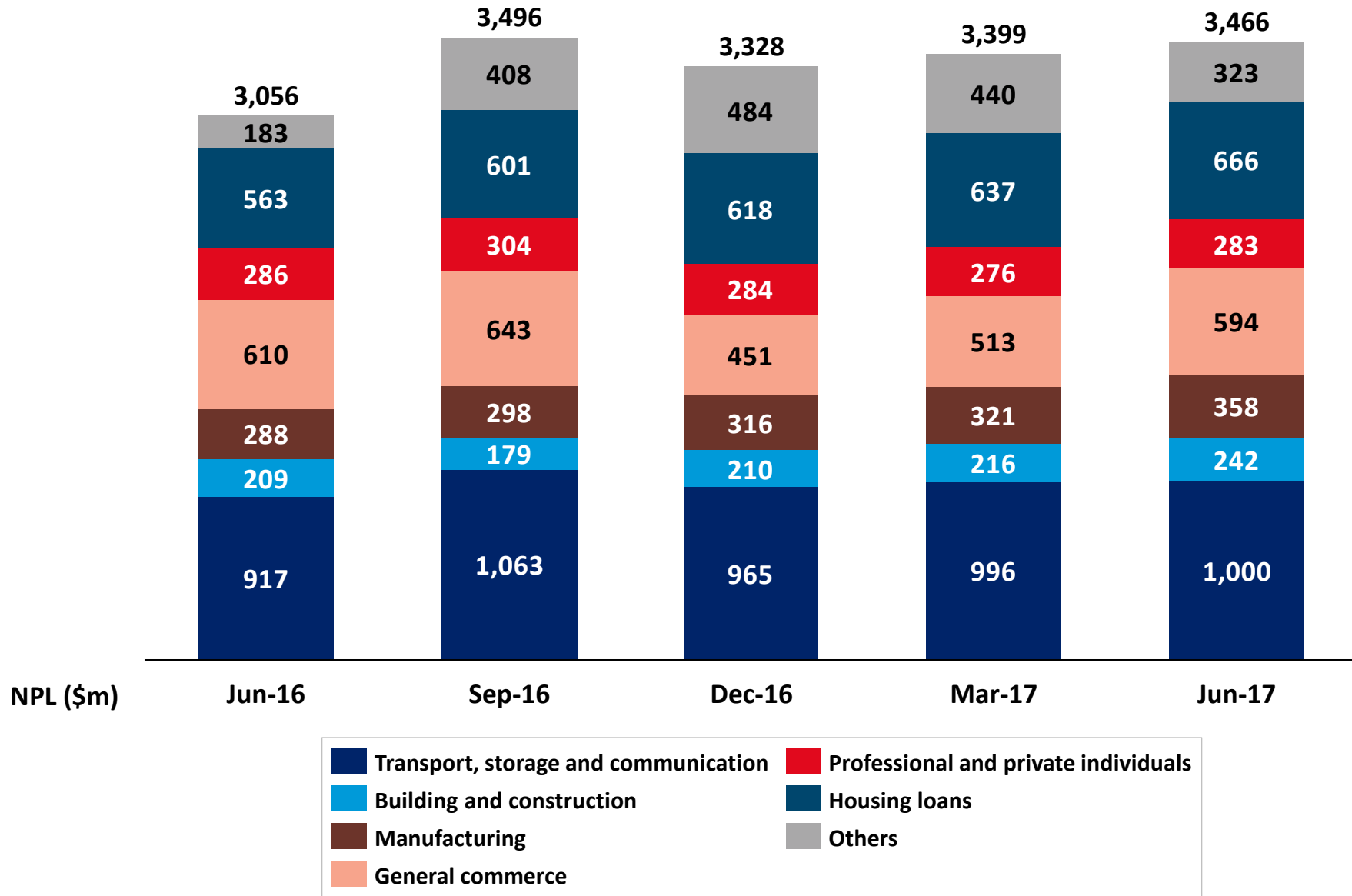
# NPL ratio remained stable 1.5%

NPL (\$m)	3,056	3,496	3,328	3,399	3,466
NPL Ratio	1.4%	1.6%	1.5%	1.5%	1.5%



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).

# New NPLs mainly from general commerce and manufacturing industries



# Exposure to commodities

Jun 17	Oil and gas		Other commodity segments	Total
	Upstream industries <sup>2</sup>	Traders/ downstream industries		
Total exposure <sup>1</sup>	SGD4.3b	SGD10.1b	SGD9.2b	SGD23.6b
Outstanding loans	SGD3.7b	SGD5.8b	SGD7.0b	SGD16.5b

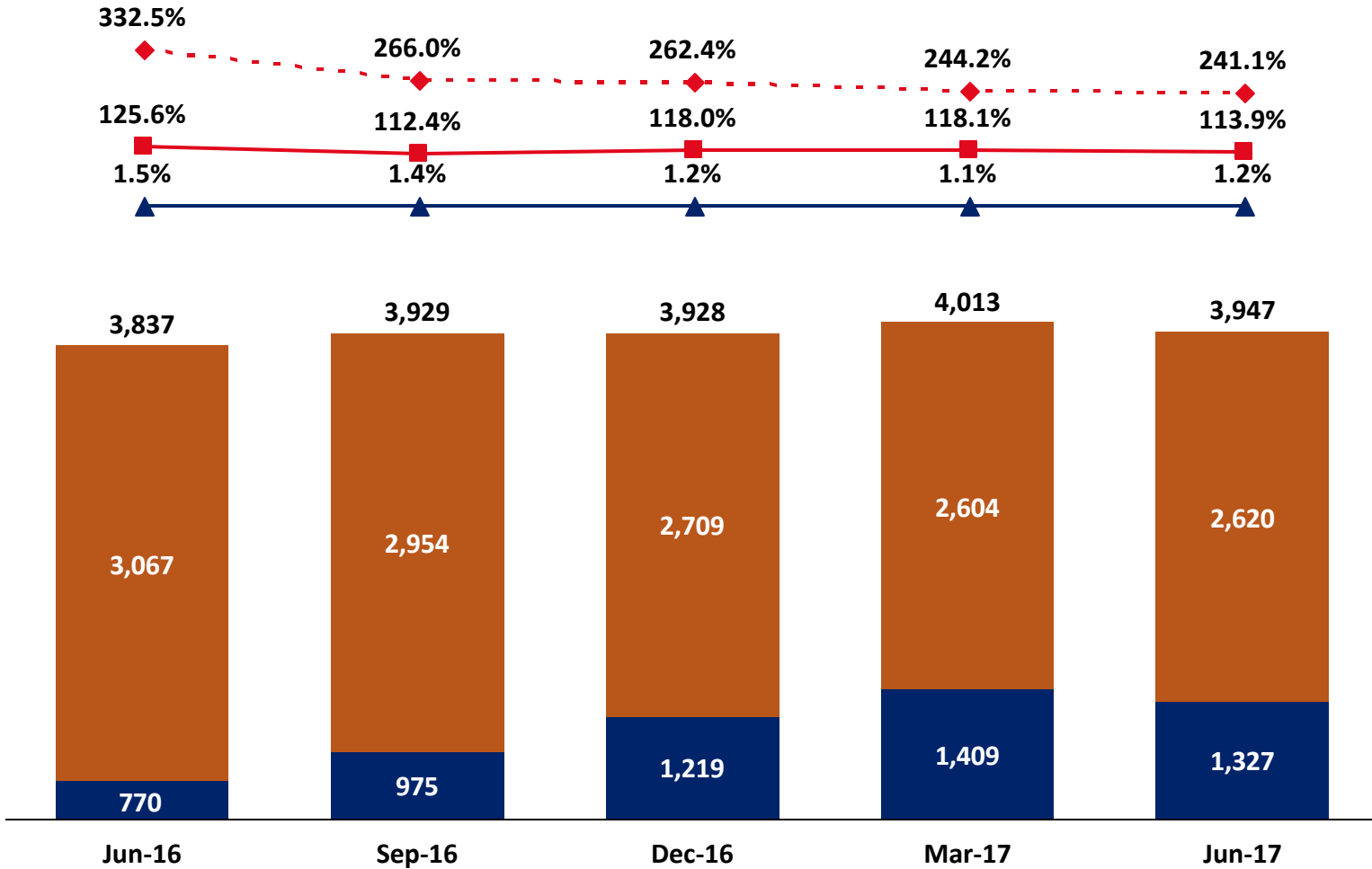
*4% of total loans*

*7% of total loans*

- Total exposure, including off-balance sheet items, stood at SGD23.6b as of 30 June 2017
- Mainly to traders and downstream segments
- Proactive monitoring, limit management and collateral enhancement

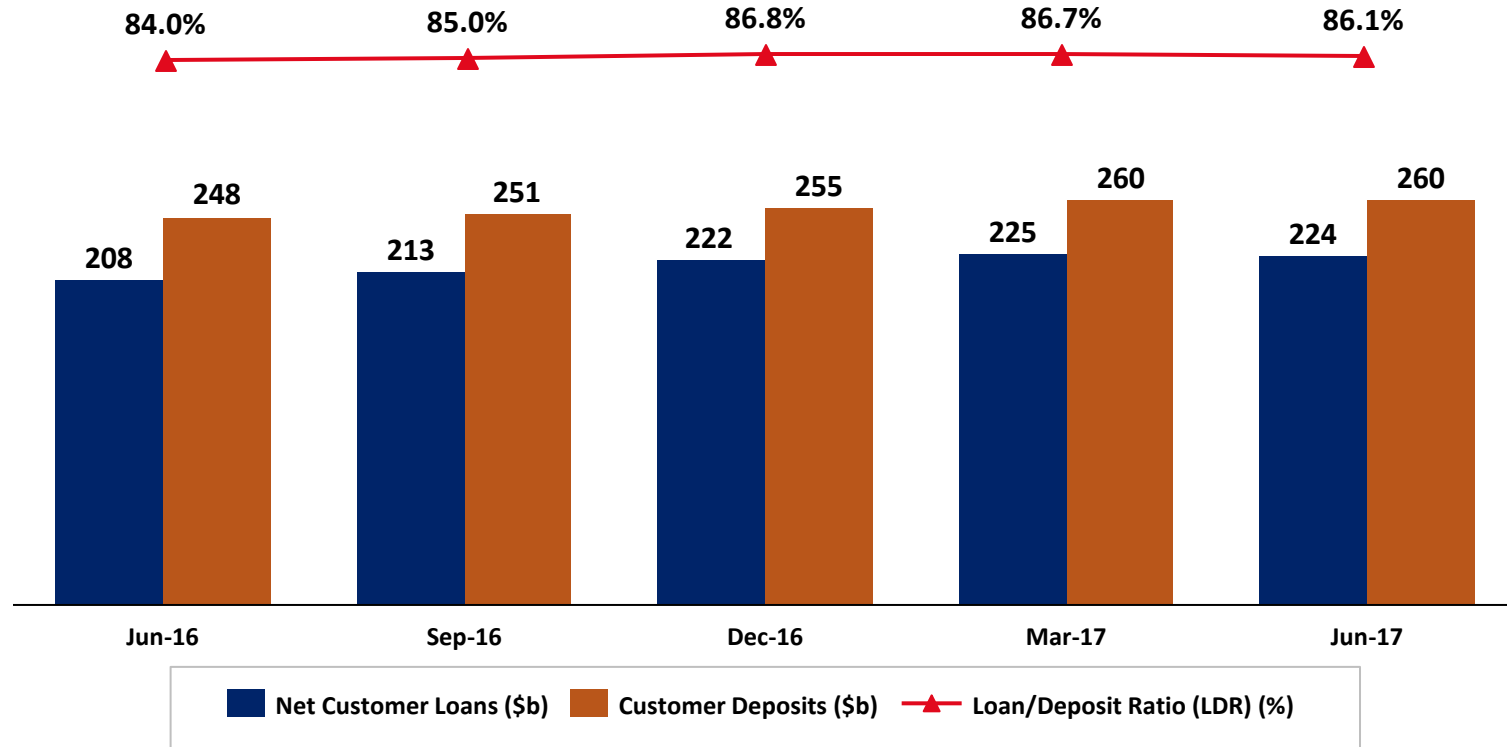
Notes: 1. Total exposure comprises outstanding loans and contingent liabilities  
 2. Oil and gas upstream industries include offshore service companies.

# Loan allowance coverage remains adequate



■ Specific Allowance (\$m)   
 ■ Total Allowance/Total NPL (%)   
 ▲ General Allowance/Gross loans net of specific allowance  
■ General Allowance (\$m)   
 ◆ Total Allowance/Unsecured NPL (%)

## Customer Loans and Deposits; LDR and LCR



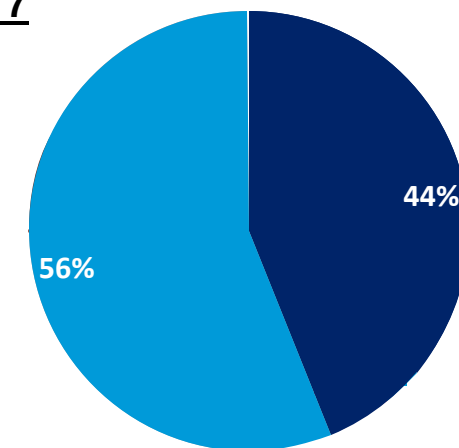
SGD LDR (%)	91.9	89.7	89.7	87.8	89.9
USD LDR (%)	63.1	68.3	74.6	75.7	66.5
SGD LCR (%) <sup>1</sup>	224	213	275	232	203
Total LCR (%) <sup>1</sup>	167	148	162	154	157

<sup>1</sup> Average for quarters

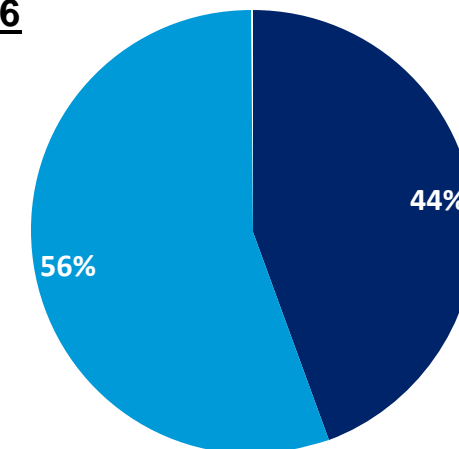
# Loans up 7% YoY to \$228b across all key countries

Gross Loans	Jun-17	Jun-16	+/( -)	Mar-17	+/( -)
	\$b	\$b	%	\$b	%
Singapore	125	120	4.6	125	0.3
Regional:	79	73	9.2	81	(1.4)
Malaysia	26	25	2.9	26	2.2
Thailand	14	12	19.3	14	1.6
Indonesia	12	11	1.3	11	1.0
Greater China	28	24	14.5	30	(6.6)
Others	23	20	16.6	23	(2.8)
<b>Total</b>	<b>228</b>	<b>212</b>	<b>7.3</b>	<b>229</b>	<b>(0.6)</b>

Jun-17



Jun-16



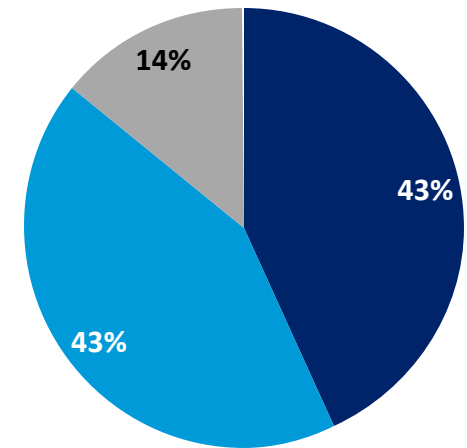
■ Group Retail ■ Group Wholesale

Notes: 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).  
 2. No significant currency translation impact.

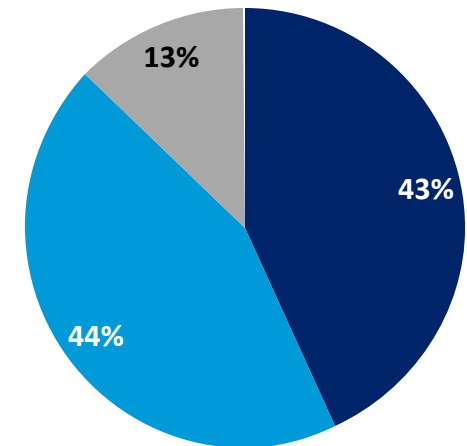
# Funding increased by 8% or \$21b YoY with proactive liquidity and balance sheet management

Customer Deposits	Jun-17 \$b	Jun-16 \$b	+/(-) %	Mar-17 \$b	+/(-) %
Singapore	180	177	1.5	182	(1.3)
Regional:	65	58	11.4	63	2.4
Malaysia	27	27	1.4	27	1.8
Thailand	14	12	14.9	14	3.8
Indonesia	8	7	17.1	8	(1.7)
Greater China	16	13	26.3	15	4.2
Others	15	13	19.9	14	7.5
<b>Total customer deposits</b>	<b>260</b>	<b>248</b>	<b>4.7</b>	<b>260</b>	<b>0.1</b>
Wholesale funding	40	31	29.1	39	2.4
<b>Total funding</b>	<b>300</b>	<b>279</b>	<b>7.5</b>	<b>299</b>	<b>0.4</b>

Jun-17



Jun-16



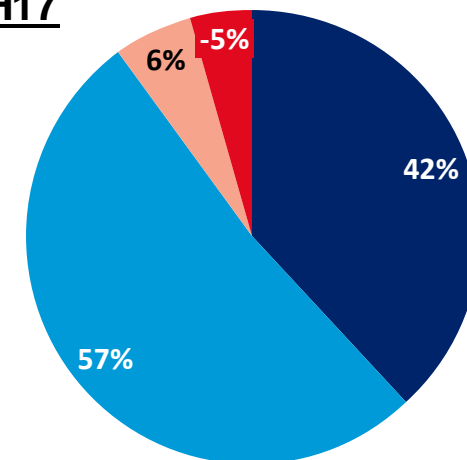
Note: No significant currency translation impact.



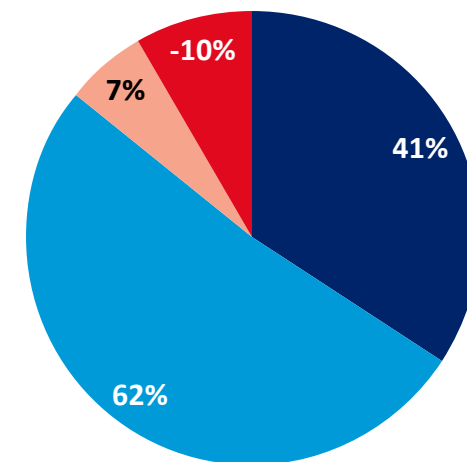
# Performance by business segment

Segment Operating Profit	1H17	1H16	+ / (-)
	\$m	\$m	%
Group Retail (GR)	992	883	12.4
Group Wholesale Banking (GWB)	1,337	1,353	(1.2)
Global Markets (GM)	132	148	(10.6)
Others	(106)	(212)	49.8
<b>Total</b>	<b>2,355</b>	<b>2,172</b>	<b>8.4</b>

**1H17**



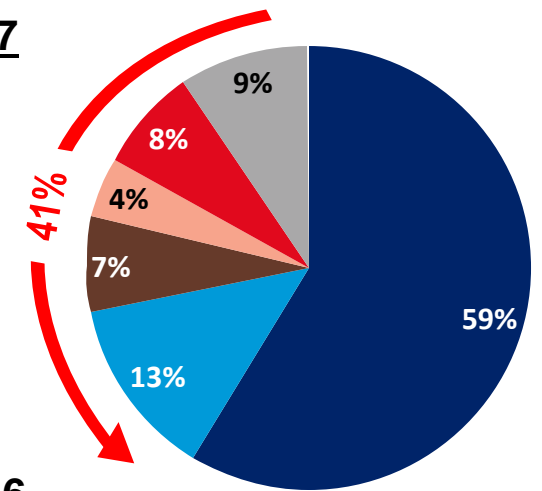
**1H16**



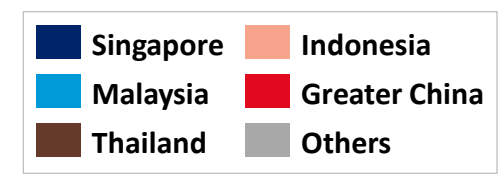
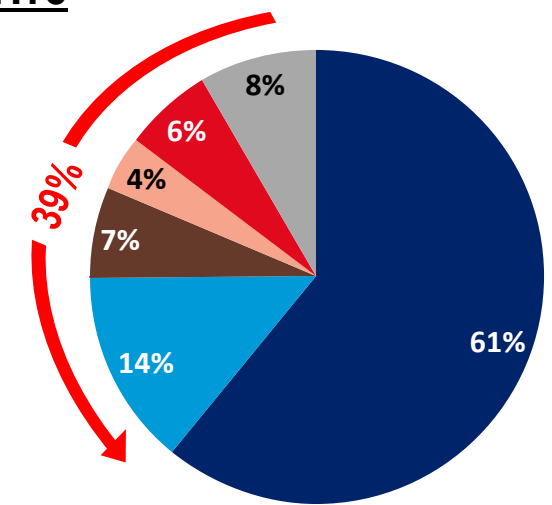
# Regional operating profit rose 14% YoY in constant currency terms

Operating Profit	1H17	1H16	At constant FX rate	
	\$m	\$m	+/(-) %	+/(-) %
Singapore	1,378	1,319	4.5	4.5
Regional:	756	671	12.7	13.7
Malaysia	312	302	3.3	9.8
Thailand	161	148	8.5	4.1
Indonesia	82	83	(0.6)	(3.1)
Greater China	201	138	45.6	42.9
Others	220	182	21.0	21.0
<b>Total</b>	<b>2,355</b>	<b>2,172</b>	<b>8.4</b>	<b>8.7</b>

1H17



1H16

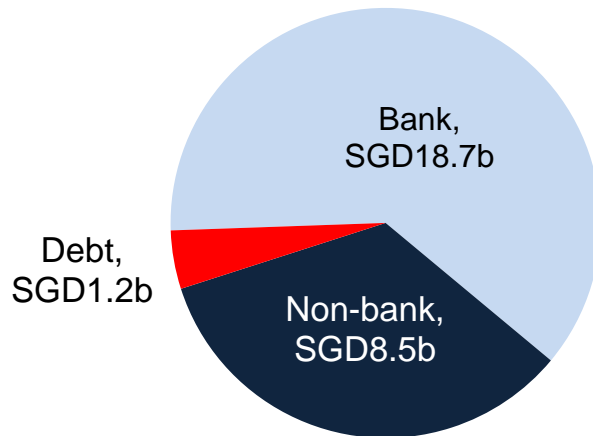


# Exposure to China

**Jun 2017**

**SGD28.4b**

*or 8.3% of total assets*



## Bank exposure in China

- Around 99% with <1 year tenor
- Around 80% accounted for by top 5 domestic banks and policy banks
- Trade exposures represent close to half of bank exposure

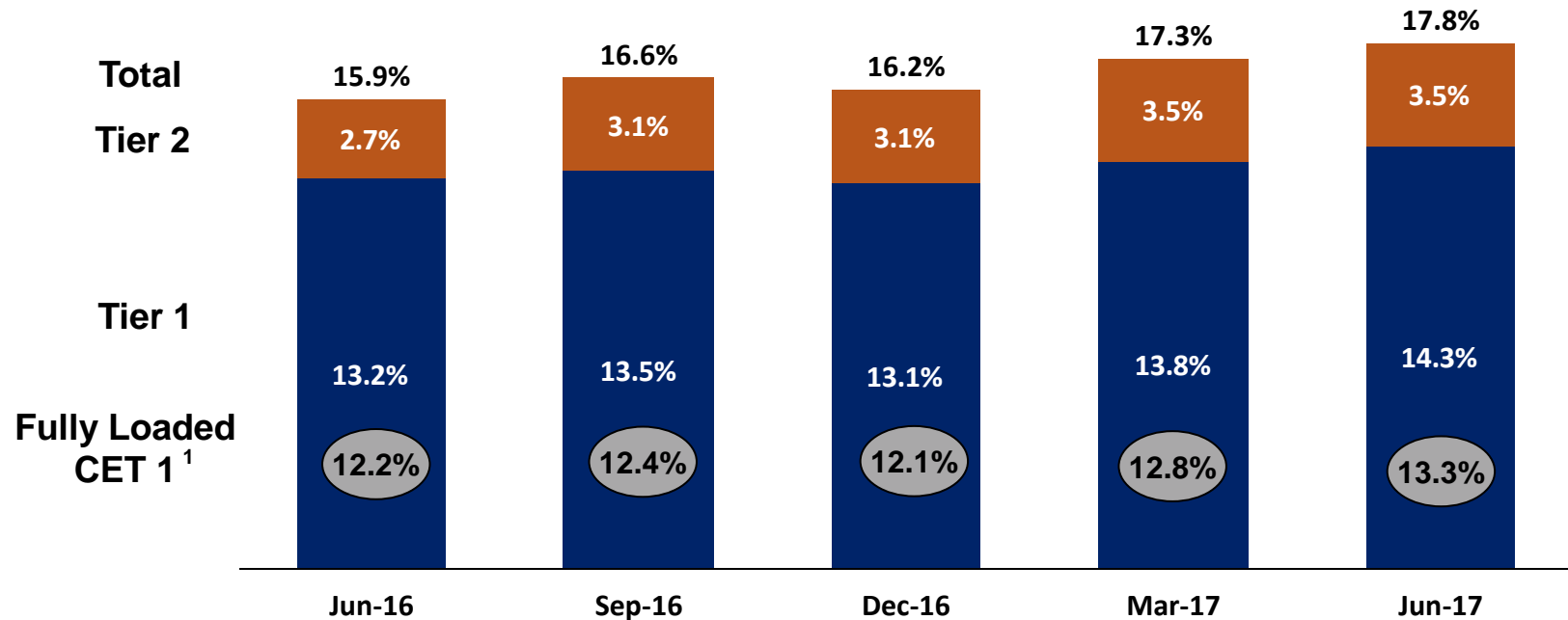
## Non-bank exposure in China

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio around 0.9%
- Around 42% with <1 year tenor
- Around half of loans denominated in RMB
- 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).

# Capital position augmented by various capital management initiatives

## Capital Adequacy Ratios (CAR)

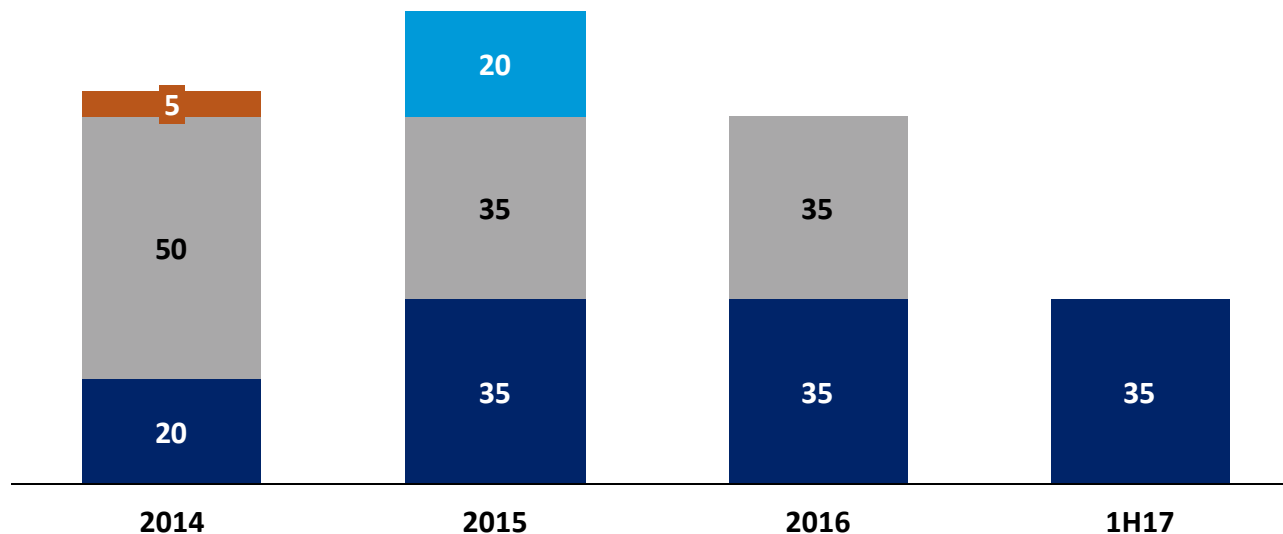


CET1 Capital (\$b)	26	27	28	28	29
Tier 1 Capital (\$b)	27	28	28	29	30
Total Capital (\$b)	32	34	35	36	37
RWA (\$b)	202	205	216	211	209
Leverage ratio (%) <sup>2</sup>	7.4	7.5	7.4	7.6	7.8

Notes:

1. Based on final rules effective 1 Jan 2018.
2. Leverage ratio is calculated based on the MAS Notice 637.

# Interim dividend



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

■ Interim ■ Final ■ Special ■ UOB 80th anniversary

	1H14	1H15	1H16	1H17
<b>Payout amount (\$m)</b>	<b>320</b>	<b>561</b>	<b>563</b>	<b>581</b>
<b>Payout ratio (%)</b>	<b>20</b>	<b>36</b>	<b>36</b>	<b>35</b>

## Appendix :

# Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

# Singapore – Key Financials

	1H17	1H16	+/(–)	2Q17	1Q17	+/(–)
	\$m	\$m	%	\$m	\$m	%
Net interest income	1,446	1,361	6.3	743	704	5.6
Fee & commission income	638	541	17.8	322	316	1.9
Other non-interest income	392	420	(6.9)	208	184	13.0
<b>Total income</b>	<b>2,476</b>	<b>2,323</b>	<b>6.6</b>	<b>1,272</b>	<b>1,203</b>	<b>5.7</b>
Less: Expenses	1,097	1,004	9.3	567	531	6.7
<b>Operating profit</b>	<b>1,378</b>	<b>1,319</b>	<b>4.5</b>	<b>706</b>	<b>672</b>	<b>5.0</b>
Less: Allowances	254	124	>100.0	122	132	(7.9)
Add: Associates & JVs	24	25	(4.5)	13	11	10.0
<b>Profit before tax</b>	<b>1,148</b>	<b>1,220</b>	<b>(5.9)</b>	<b>597</b>	<b>551</b>	<b>8.2</b>
<b>Key ratios (%)</b>						
Net interest margin	1.32	1.32		1.35	1.29	
Non-NII/Total income	41.6	41.4		41.6	41.5	
Expense/Total income	44.3	43.2		44.5	44.1	
Loan/Deposit	77.7	75.7		77.7	76.8	

# Malaysia – Key Financials

	1H17	1H16	+/(–)	2Q17	1Q17	+/(–)
	RM'm	RM'm	%	RM'm	RM'm	%
Net interest income	1,060	995	6.5	538	522	3.1
Fee & commission income	340	299	13.7	162	178	(9.0)
Other non-interest income	151	154	(1.9)	71	80	(11.3)
<b>Total income</b>	<b>1,551</b>	<b>1,448</b>	<b>7.1</b>	<b>771</b>	<b>780</b>	<b>(1.2)</b>
Less: Expenses	575	559	2.9	296	279	6.1
<b>Operating profit</b>	<b>976</b>	<b>889</b>	<b>9.8</b>	<b>475</b>	<b>501</b>	<b>(5.2)</b>
Less: Allowances	12	118	(89.8)	(2)	14	(>100.0)
<b>Profit before tax</b>	<b>964</b>	<b>771</b>	<b>25.0</b>	<b>477</b>	<b>487</b>	<b>(2.1)</b>
<b>Profit before tax (S\$m)</b>	<b>308</b>	<b>262</b>	<b>17.5</b>	<b>154</b>	<b>154</b>	<b>(0.5)</b>
<i>Average Exchange rate</i>	3.13	2.94		3.10	3.15	
<u>Key ratios (%)</u>						
Net interest margin	2.20	2.27		2.19	2.20	
Non-NII/Total income	31.7	31.3		30.2	33.1	
Expense/Total income	37.1	38.6		38.4	35.8	
Loan/Deposit	96.1	92.9		96.1	95.0	



## Thailand – Key Financials

	1H17	1H16	+/(-)	2Q17	1Q17	+/(-)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	7,513	7,051	6.6	3,814	3,699	3.1
Fee & commission income	2,969	2,746	8.1	1,579	1,390	13.6
Other non-interest income	427	398	7.3	301	126	>100.0
<b>Total income</b>	<b>10,909</b>	<b>10,195</b>	<b>7.0</b>	<b>5,694</b>	<b>5,215</b>	<b>9.2</b>
Less: Expenses	6,922	6,366	8.7	3,391	3,531	(4.0)
<b>Operating profit</b>	<b>3,987</b>	<b>3,829</b>	<b>4.1</b>	<b>2,303</b>	<b>1,684</b>	<b>36.8</b>
Less: Allowances	1,583	1,352	17.1	900	683	31.8
<b>Profit before tax</b>	<b>2,404</b>	<b>2,477</b>	<b>(2.9)</b>	<b>1,403</b>	<b>1,001</b>	<b>40.2</b>
<b>Profit before tax (\$m)</b>	<b>97</b>	<b>96</b>	<b>1.4</b>	<b>57</b>	<b>40</b>	<b>40.5</b>
<i>Average Exchange rate</i>	24.73	25.85		24.70	24.76	
<u>Key ratios (%)</u>						
Net interest margin	3.54	3.56		3.57	3.51	
Non-NII/Total income	31.1	30.8		33.0	29.1	
Expense/Total income	63.5	62.4		59.6	67.7	
Loan/Deposit	91.8	90.8		91.8	94.1	

## Indonesia – Key Financials

	1H17	1H16	+/(-)	2Q17	1Q17	+/(-)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	1,652	1,609	2.7	824	828	(0.5)
Fee & commission income	411	383	7.3	223	188	18.6
Other non-interest income	213	276	(22.8)	113	100	13.0
<b>Total income</b>	<b>2,276</b>	<b>2,268</b>	<b>0.4</b>	<b>1,160</b>	<b>1,116</b>	<b>3.9</b>
Less: Expenses	1,494	1,461	2.3	753	741	1.6
<b>Operating profit</b>	<b>782</b>	<b>807</b>	<b>(3.1)</b>	<b>407</b>	<b>375</b>	<b>8.5</b>
Less: Allowances	361	425	(15.1)	206	155	32.9
<b>Profit before tax</b>	<b>421</b>	<b>382</b>	<b>10.2</b>	<b>201</b>	<b>220</b>	<b>(8.6)</b>
<b>Profit before tax (S\$m)</b>	<b>44</b>	<b>39</b>	<b>13.4</b>	<b>21</b>	<b>23</b>	<b>(9.6)</b>
<i>Average Exchange rate</i>	9,515	9,789		9,570	9,464	
<u>Key ratios (%)</u>						
Net interest margin	4.05	4.47		4.01	4.08	
Non-NII/Total income	27.4	29.1		29.0	25.8	
Expense/Total income	65.6	64.4		64.9	66.4	
Loan/Deposit	89.7	93.0		89.7	86.3	

## Greater China – Key Financials

	1H17	1H16	+/(-)	2Q17	1Q17	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	196	185	6.0	97	99	(2.5)
Fee & commission income	52	53	(2.1)	27	25	10.2
Other non-interest income	122	67	81.3	49	72	(31.8)
<b>Total income</b>	<b>370</b>	<b>305</b>	<b>21.2</b>	<b>173</b>	<b>196</b>	<b>(11.7)</b>
Less: Expenses	169	167	1.0	83	85	(2.2)
<b>Operating profit</b>	<b>201</b>	<b>138</b>	<b>45.6</b>	<b>90</b>	<b>111</b>	<b>(19.0)</b>
Less: Allowances	10	28	(63.8)	3	7	(57.9)
Add: Associates & JVs	23	23	(1.5)	11	12	(3.1)
<b>Profit before tax</b>	<b>214</b>	<b>133</b>	<b>60.7</b>	<b>98</b>	<b>115</b>	<b>(14.9)</b>
<u>Key ratios (%)</u>						
Net interest margin	1.04	1.11		1.03	1.06	
Non-NII/Total income	47.0	39.4		44.2	49.5	
Expense/Total income	45.7	54.8		48.1	43.5	
Loan/Deposit	140.6	149.3		140.6	159.2	

# Thank You

