

# UOB Group

For the Financial Year / Fourth Quarter Ended 31 December 2019

## Financial Highlights

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Group Chief Financial Officer

21 February 2020

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## Financial Highlights

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### Record full year profit

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NPAT (FY19)

**\$4.34b**

▲ 8% YoY

NPAT (4Q19)

**\$1.01b**

▲ 10% YoY

▼ 10% QoQ

### Strong client franchise; solid balance sheet position

- Total income for FY19 up 10% to cross \$10 billion mark, led by healthy client franchise growth and higher trading and investment income
- Stable funding with loan-to-deposit ratio at 85.4%; LCR for the year at 146% and NSFR at 111%
- NPL ratio flat at 1.5% with unsecured NPA coverage high at 202%; total credit costs slightly higher at 18 bps
- Robust capital position with CET1 ratio at 14.3%
- Full year dividends of \$1.30 cents

## Full year earnings up 8% to a new high of \$4.34 billion



	2019 \$m	2018 \$m	YoY +/-	
			\$m	%
Net interest income	6,562	6,220	342	6 ▲
Net fee income	2,032	1,967	65	3 ▲
Others	1,435	930	506	54 ▲
<b>Total income</b>	<b>10,030</b>	<b>9,116</b>	<b>913</b>	<b>10 ▲</b>
Less: Total expenses	4,472	4,003	469	12 ▲
<b>Operating profit</b>	<b>5,558</b>	<b>5,113</b>	<b>445</b>	<b>9 ▲</b>
Less: Total allowances	435	393	42	11 ▲
Add: Assoc & JV	51	106	(54)	(51) ▼
<b>Net profit</b>	<b>4,343</b>	<b>4,008</b>	<b>335</b>	<b>8 ▲</b>

- Higher net interest income (NII) as loans grew 3%.
- Steady fee growth particularly wealth management and credit card.
- Stronger trading and investment income.
- Expenses increased due to talent and technology investments. Cost/Income ratio at 44.6%.
- Higher allowances from impaired assets.
- Contributions from associates declined due to reduced shareholdings.

## Fourth quarter earnings grew 10% from a year ago



	4Q19 \$m	4Q18 \$m	YoY +/-	
			\$m	%
Net interest income	1,635	1,608	27	2 ▲
Net fee income	476	467	9	2 ▲
Others	321	140	180	>100 ▲
<b>Total income</b>	<b>2,432</b>	<b>2,216</b>	<b>216</b>	<b>10 ▲</b>
Less: Total expenses	1,116	984	132	13 ▲
<b>Operating profit</b>	<b>1,316</b>	<b>1,232</b>	<b>84</b>	<b>7 ▲</b>
Less: Total allowances	146	128	18	14 ▲
Add: Assoc & JV	20	0	20	>100 ▲
<b>Net profit</b>	<b>1,006</b>	<b>916</b>	<b>90</b>	<b>10 ▲</b>

- Higher NII driven by loan growth.
- Fees increased from strong wealth management flows and credit card fees.
- Other income driven by stronger investment income and higher treasury customer flows.
- Higher expenses in tandem with income growth and investment in strategic initiatives.
- Higher allowances from impaired assets.

## QoQ earnings 10% down due to seasonally slower 4<sup>th</sup> quarter



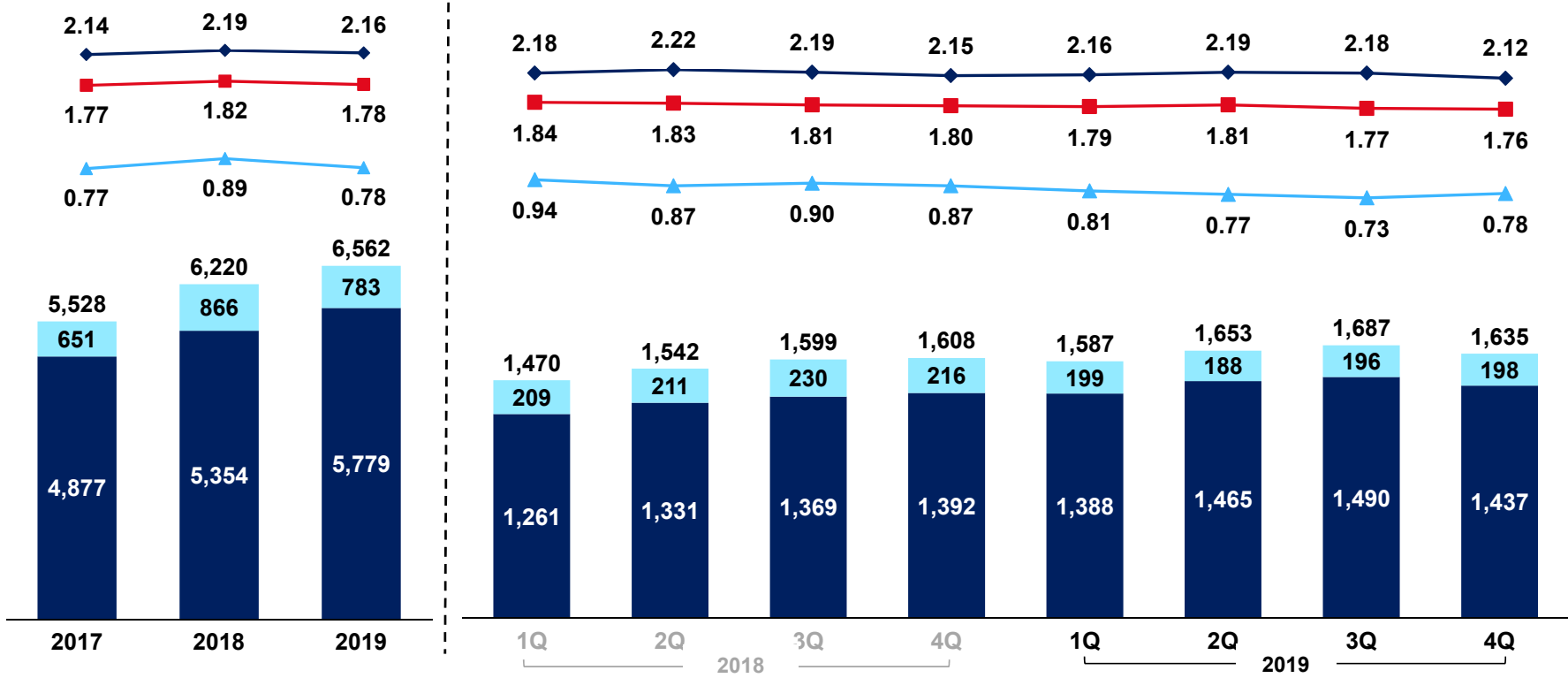
	4Q19	3Q19	QoQ +/-	
	\$m	\$m	\$m	%
Net interest income	1,635	1,687	(51)	(3) ▼
Net fee income	476	551	(76)	(14) ▼
Others	321	371	(50)	(14) ▼
<b>Total income</b>	<b>2,432</b>	<b>2,609</b>	<b>(177)</b>	<b>(7) ▼</b>
Less: Total expenses	1,116	1,154	(38)	(3) ▼
<b>Operating profit</b>	<b>1,316</b>	<b>1,455</b>	<b>(140)</b>	<b>(10) ▼</b>
Less: Total allowances	146	145	-	0 ▲
Add: Assoc & JV	20	14	6	41 ▲
<b>Net profit</b>	<b>1,006</b>	<b>1,118</b>	<b>(113)</b>	<b>(10) ▼</b>

- NII decreased 3% from lower loan origination and lower interest rates.
- Seasonally lower fees and trading and investment income.
- Decrease in expenses in line with lower income.

# QoQ NIM down 1 bp on lower interest rates and increased competition

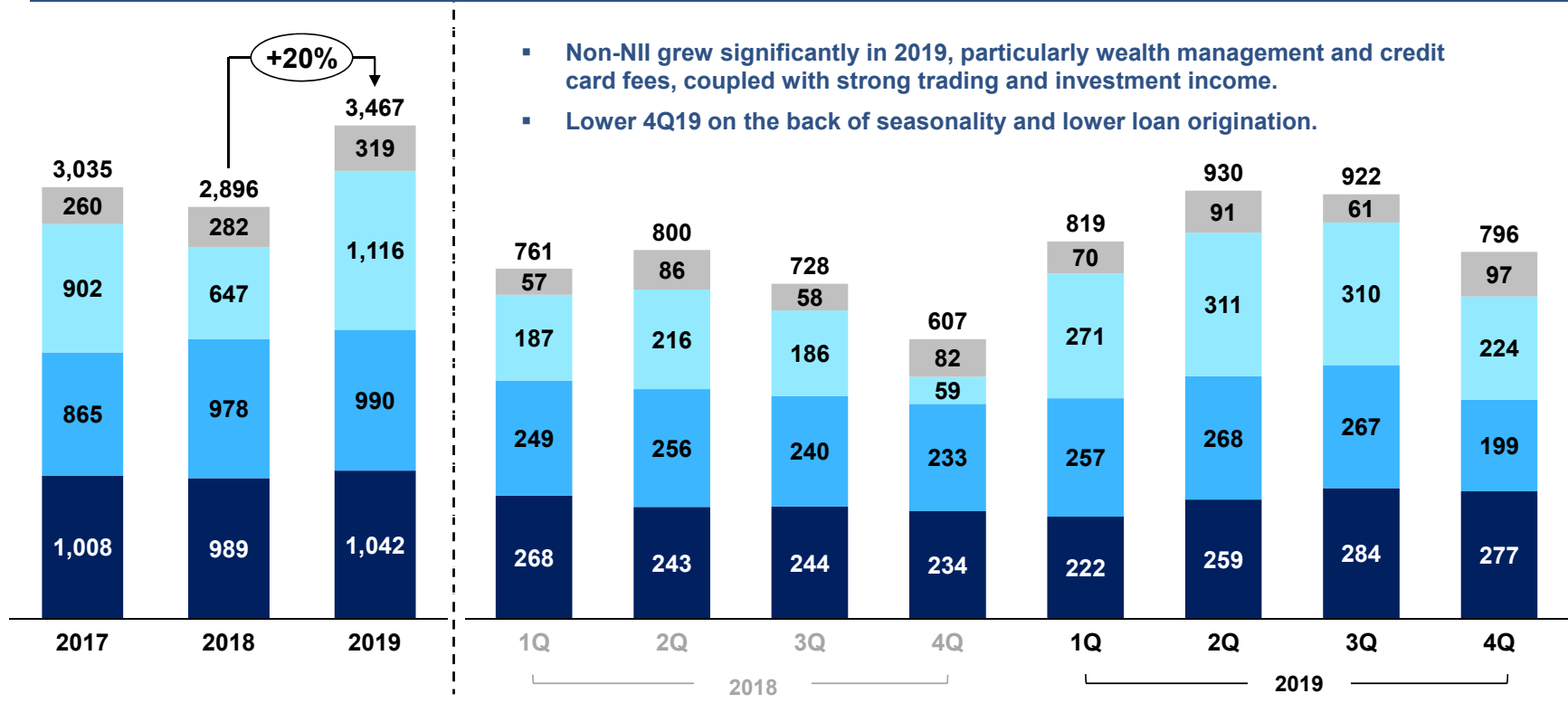


## Net Interest Income (NII) and Margin



# Non-interest income rose 20% YoY; but seasonally lower QoQ

## Non-Interest Income



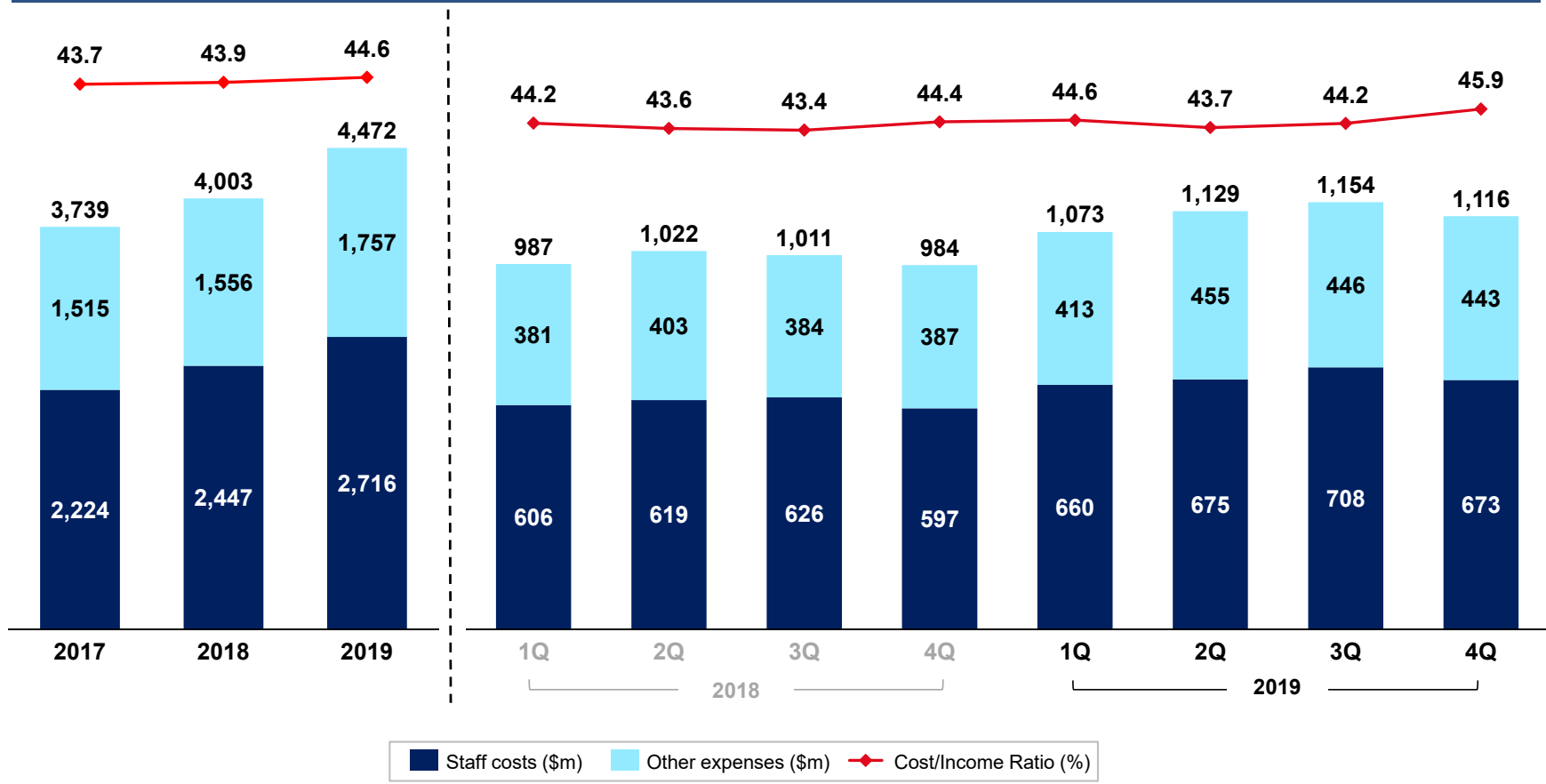
- Non-NII grew significantly in 2019, particularly wealth management and credit card fees, coupled with strong trading and investment income.
- Lower 4Q19 on the back of seasonality and lower loan origination.

■ Fee income - Group Retail (\$m)     ■ Trading & Investment income (\$m)  
■ Fee income - Group Wholesale (\$m)     ■ Other Non-Interest Income (\$m)

# Cost/Income ratio for 2019 at 44.6% with continued investment in people and technology



## Expenses and Cost / Income Ratio





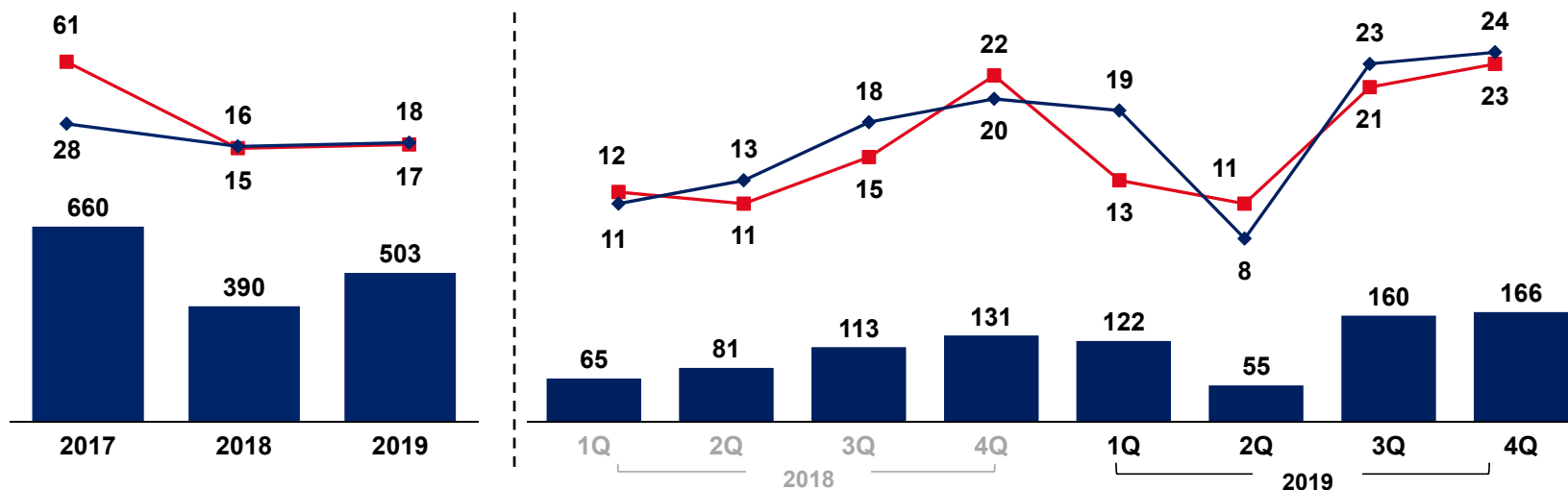
## NPA formation increased this quarter, no widespread concern

(\$m)	2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>NPAs at start of period</b>	4,389	4,323	4,404	4,374	4,166	4,215	4,185	<b>4,350</b>
Group wholesale and small enterprises								
New NPAs	235	252	275	370	230	357	180	<b>437</b>
Upgrades, recoveries and translations	(206)	(88)	(229)	(257)	(139)	(182)	(38)	<b>(400)</b>
Write-offs	(129)	(101)	(29)	(392)	(17)	(229)	(26)	<b>(81)</b>
	4,289	4,386	4,421	4,095	4,240	4,161	4,301	<b>4,307</b>
Group Retail (personal customers only)	34	18	(47)	71	(25)	24	49	<b>(10)</b>
<b>NPAs at end of period</b>	<b>4,323</b>	<b>4,404</b>	<b>4,374</b>	<b>4,166</b>	<b>4,215</b>	<b>4,185</b>	<b>4,350</b>	<b>4,297</b>
<b>NPL Ratio (%)</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>

# Total credit costs stable at 18 bps for 2019 with healthy allowance coverage



## Total Allowances on Loans



■ Total Allowances on Loans (\$m) ■ Allowances on Impaired Loans / Average Gross Loans (basis points) ◆ Total Allowances on Loans / Average Gross Loans (basis points)

	2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
NPA coverage (%) <sup>1</sup>	91	89	90	87	89	84	85	87
Unsecured NPA coverage (%) <sup>1</sup>	190	190	189	202	204	191	210	202

Note: (1) Includes RLAR as part of total allowances.

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.

## North Asia loan exposure reduced amid uncertainty in 2H19

	Dec-19 \$b	Jun-19 \$b	Dec-18 \$b	Jun19 vs Dec18 +/(-)%	Dec19 vs Jun19 +/(-)%	YoY +/(-)%
<b>Gross Loans</b>						
Singapore	139	142	137	3	(2)	1
<b>South East Asia</b>	63	61	59	2	4	6
Malaysia	30	29	29	(1)	2	1
Thailand	20	18	17	8	8	16
Indonesia	11	11	11	1	1	2
Others	2	2	2	3	7	10
<b>North Asia</b>	43	46	43	8	(7)	1
Greater China	41	43	40	7	(3)	3
Others	2	3	2	33	(52)	(36)
Rest of the world	24	25	22	9	(2)	7
<b>Total</b>	<b>269</b>	<b>273</b>	<b>262</b>	<b>4</b>	<b>(2)</b>	<b>3</b>

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

## Stable income in 2H19 despite de-risking our balance sheet. Southeast Asia franchise showing results as cross border connectivity improved



	2019	2018	2H19	1H19	2H18	1H19 vs 2H18	2H19 vs 1H19	YoY
	\$m	\$m	\$m	\$m	\$m	+/(-)%	+/(-)%	+/(-)%
<b>Total Income</b>								
Singapore	<b>5,756</b>	5,123	<b>2,855</b>	<b>2,901</b>	2,526	15	(2)	12
<b>Southeast Asia</b>	<b>2,705</b>	2,531	<b>1,408</b>	<b>1,297</b>	1,295	0	9	7
Malaysia	<b>1,084</b>	1,068	<b>570</b>	<b>513</b>	540	(5)	11	1
Thailand	<b>1,056</b>	964	<b>545</b>	<b>512</b>	496	3	6	10
Indonesia	<b>485</b>	444	<b>250</b>	<b>235</b>	227	4	6	9
Others	<b>80</b>	55	<b>43</b>	<b>36</b>	32	13	20	45
<b>North Asia</b>	<b>988</b>	917	<b>478</b>	<b>510</b>	445	14	(6)	8
Greater China	<b>937</b>	864	<b>456</b>	<b>481</b>	422	14	(5)	9
Others	<b>51</b>	53	<b>22</b>	<b>28</b>	24	19	(20)	(5)
Rest of the world	<b>581</b>	546	<b>299</b>	<b>282</b>	276	2	6	6
<b>Total</b>	<b>10,030</b>	9,116	<b>5,041</b>	<b>4,989</b>	4,543	10	1	10

Maintaining strong growth in Singapore despite competitive landscape. Broad-based increase across all business lines.

Southeast Asia franchise progressing well across Malaysia, Thailand and Indonesia. Vietnam gaining traction as an emerging market.

North Asia showed growth in 2019, more cautious stance in 2020.

## Business segments delivered healthy profit growth

	2019	2018	+/(-)
	\$m	\$m	%
<b>Operating Profit</b>			
Group Retail	2,200	2,032	8
Group Wholesale Banking	3,066	2,984	3
Global Markets	317	222	43
Others *	(26)	(125)	79
<b>Total</b>	<b>5,558</b>	<b>5,113</b>	<b>9</b>

### Retail



**+14%**  
Income from  
high affluent  
customers

- Higher NII from volume growth and improvement in deposit margin; stronger contribution from wealth

### Wholesale



**+10%**  
Cross-border  
income

- Income growth of 6% from improvement in cash management, treasury and loan-related activities.
- Cross border accounted for 28% of total income

### Global Markets



**+10%**  
Treasury flow

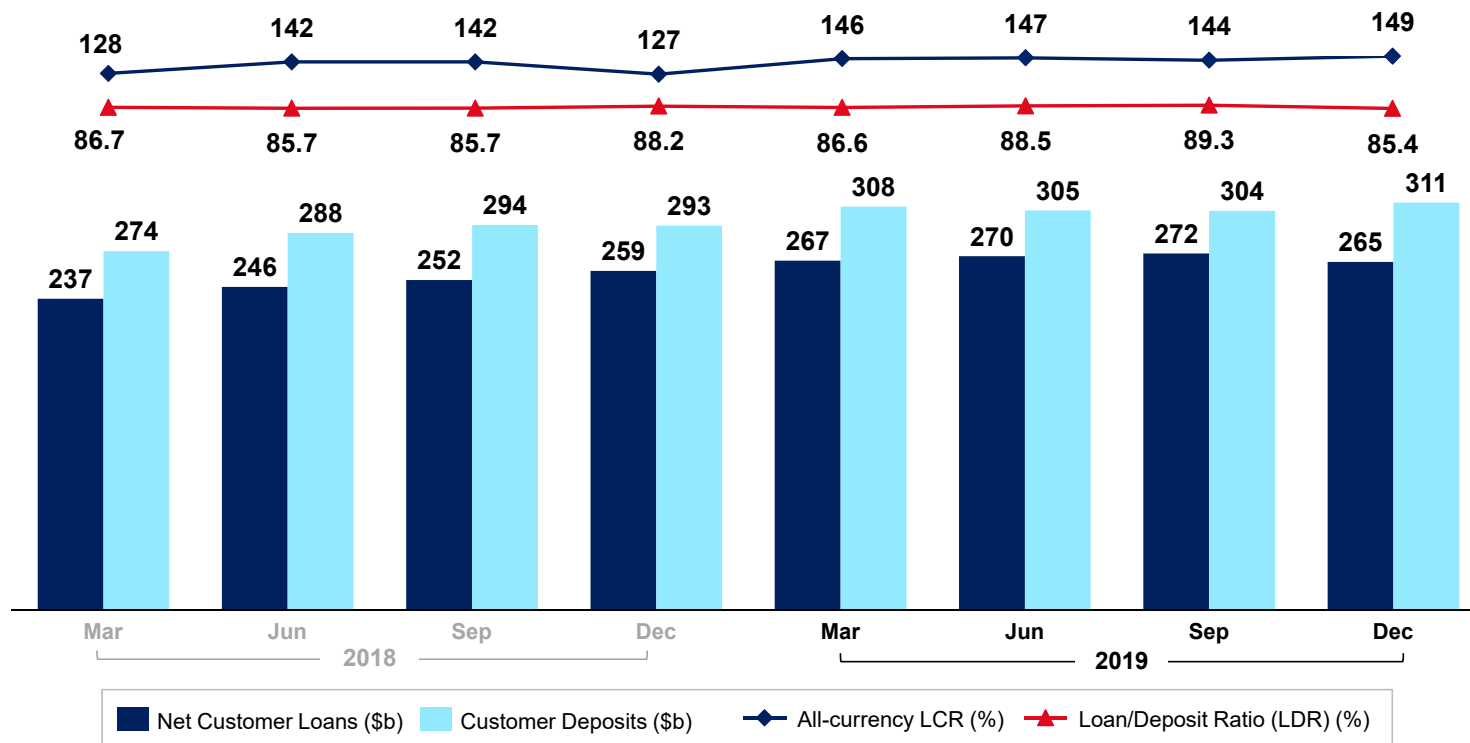
- Income growth driven by strong trading performance

\* Comprise Investment Management, Central Treasury, Corporate Functions and Banknotes

# Stable liquidity position with average LCR at 149% and NSFR at 111%



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

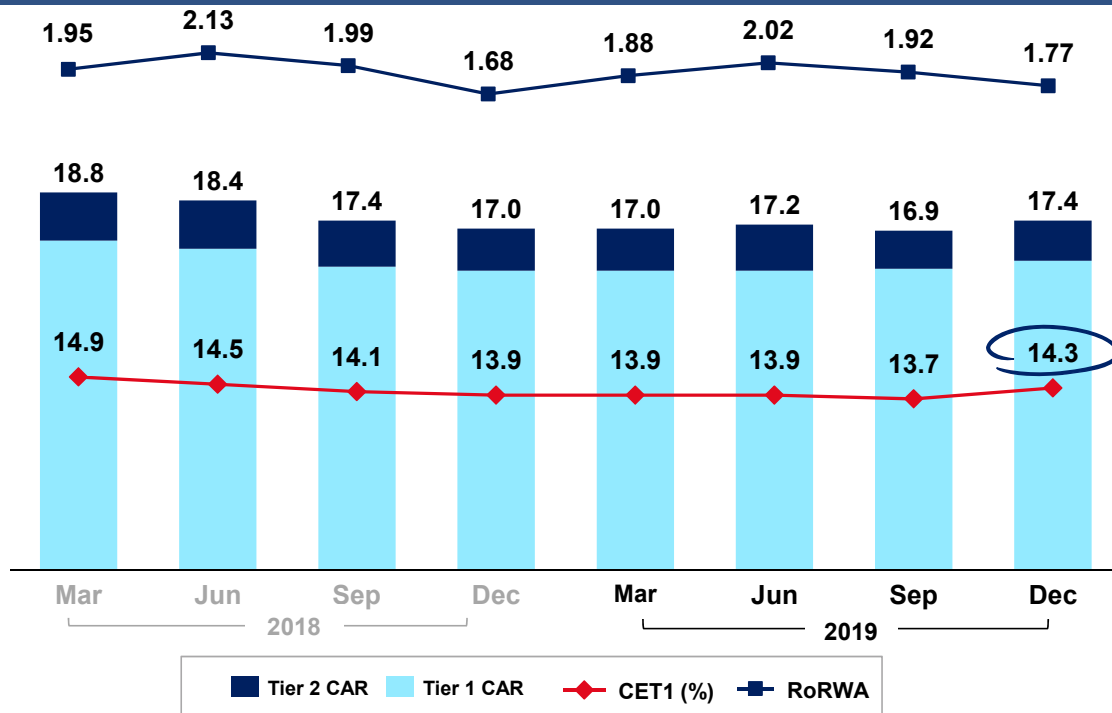


NSFR (%)	111	110	110	107	109	108	107	111
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## Strong capital and leverage ratios



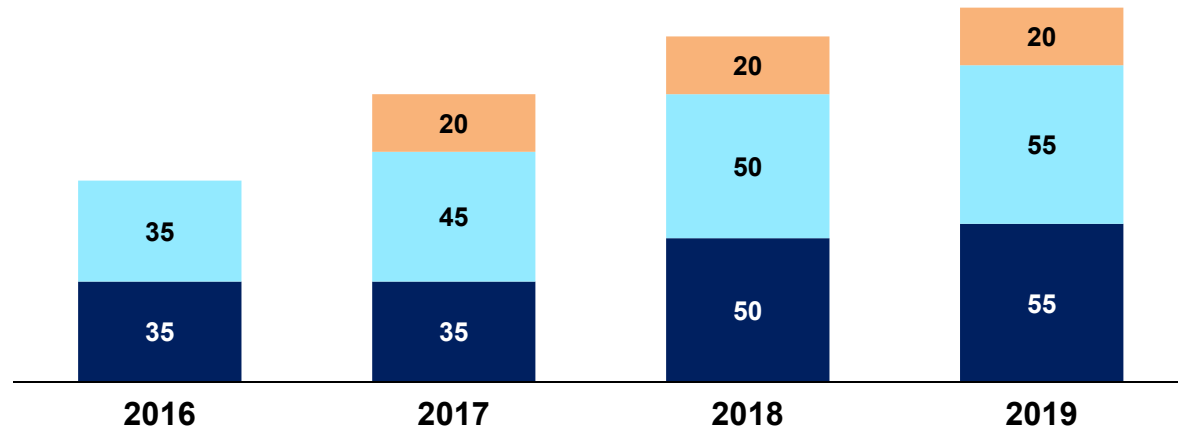
### Capital Adequacy Ratios (CAR) and RoRWA



- Lower RWA at year end due to market uncertainty.
- Strong capital allows the Group to be well-positioned to steer through macro uncertainties.

RWA (\$b)	202	206	213	221	230	230	232	226
Leverage ratio (%)	8.2	7.7	7.4	7.6	7.6	7.5	7.6	7.7

## Dividends



Net dividend per ordinary share (¢)	Interim	Final	Special
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	2016	2017	2018	2019
Payout amount (\$m)	1,135	1,660	2,000	2,170
Payout ratio (%)	37	49	50	50
Payout ratio (%) (excluding special/one-off dividends)	37	39	42	42





## **Appendix :**

### **Performance of Major Territories**

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

### **Exposure to Greater China**

### **Deposits**

## Singapore – Key Financials



	2019	2018	+/(-)	4Q19	3Q19	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	3,752	3,552	6	896	968	(7)
Net fee income	1,197	1,174	2	274	336	(18)
Other non-interest income	807	396	>100	179	201	(11)
<b>Total income</b>	<b>5,756</b>	<b>5,123</b>	<b>12</b>	<b>1,350</b>	<b>1,505</b>	<b>(10)</b>
Less: Expenses	2,480	2,189	13	594	635	(7)
<b>Operating profit</b>	<b>3,276</b>	<b>2,934</b>	<b>12</b>	<b>756</b>	<b>869</b>	<b>(13)</b>
Less: Total allowances	167	83	>100	61	54	14
Add: Assoc & JV	52	66	(21)	17	13	27
<b>Profit before tax</b>	<b>3,161</b>	<b>2,917</b>	<b>8</b>	<b>712</b>	<b>829</b>	<b>(14)</b>

### Financial indicators (%)

Net interest margin	1.48	1.49		1.43	1.49	
Cost/Income ratio	43.1	42.7		44.0	42.2	
Customer loans (net) - \$b ^	157.1	154.2	2%	157.1	160.3	(2%)
Loan/Deposit ratio	76.2	79.3		76.2	80.5	
NPL ratio ^	1.7	1.7		1.7	1.6	

^ Based on location where the loans are booked.

## Malaysia – Key Financials



	2019 RM'm	2018 RM'm	+/(-) %	4Q19 RM'm	3Q19 RM'm	+/(-) %
Net interest income	2,242	2,210	1	594	564	5
Net fee income	632	655	(4)	192	171	12
Other non-interest income	419	333	26	104	110	(5)
<b>Total income</b>	<b>3,293</b>	<b>3,198</b>	<b>3</b>	<b>890</b>	<b>845</b>	<b>5</b>
Less: Expenses	1,322	1,218	9	373	327	14
<b>Operating profit</b>	<b>1,971</b>	<b>1,980</b>	<b>(0)</b>	<b>517</b>	<b>518</b>	<b>(0)</b>
Less: Total allowances	243	182	34	99	59	68
<b>Profit before tax</b>	<b>1,728</b>	<b>1,798</b>	<b>(4)</b>	<b>418</b>	<b>459</b>	<b>(9)</b>
<b>Profit before tax (S\$m)</b>	<b>569</b>	<b>600</b>	<b>(5)</b>	<b>137</b>	<b>152</b>	<b>(10)</b>
<i>Average Exchange rate</i>	3.04	2.99		3.05	3.03	
<u>Financial indicators (%)</u>						
Net interest margin	1.96	2.07		2.00	1.93	
Cost/Income ratio	40.1	38.1		41.9	38.7	
Customer loans (net) - RM'b ^	90.2	91.1	(1%)	90.2	90.9	(1%)
Loan/Deposit ratio	99.7	100.8		99.7	98.3	
NPL ratio ^	1.8	1.6		1.8	1.8	

^ Based on location where the loans are booked.

## Thailand – Key Financials

	2019	2018	+/(–)	4Q19	3Q19	+/(–)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	17,277	16,944	2	4,269	4,345	(2)
Net fee income	5,336	4,991	7	1,403	1,395	1
Other non-interest income	1,348	1,134	19	279	397	(30)
<b>Total income</b>	<b>23,961</b>	<b>23,069</b>	<b>4</b>	<b>5,951</b>	<b>6,137</b>	<b>(3)</b>
Less: Expenses	14,775	13,661	8	3,519	3,885	(9)
<b>Operating profit</b>	<b>9,186</b>	<b>9,408</b>	<b>(2)</b>	<b>2,432</b>	<b>2,252</b>	<b>8</b>
Less: Total allowances	3,019	2,672	13	931	1,313	(29)
<b>Profit before tax</b>	<b>6,167</b>	<b>6,736</b>	<b>(8)</b>	<b>1,501</b>	<b>939</b>	<b>60</b>
<b>Profit before tax (S\$m)</b>	<b>271</b>	<b>282</b>	<b>(4)</b>	<b>68</b>	<b>42</b>	<b>61</b>
<i>Average Exchange rate</i>	22.79	23.92		22.16	22.34	
<u>Financial indicators (%)</u>						
Net interest margin	3.24	3.40		3.11	3.11	
Cost/Income ratio	61.7	59.2		59.1	63.3	
Customer loans (net) - THB'b ^	406.6	376.0	8%	406.6	397.2	2%
Loan/Deposit ratio	87.0	90.7		87.0	81.9	
NPL ratio ^	2.9	2.8		2.9	2.7	

^ Based on location where the loans are booked.

## Indonesia – Key Financials

	2019 IDR'b	2018 IDR'b	+/(-) %	4Q19 IDR'b	3Q19 IDR'b	+/(-) %
Net interest income	3,388	3,364	1	881	820	7
Net fee income	874	799	9	257	228	13
Other non-interest income	756	529	43	129	249	(48)
<b>Total income</b>	<b>5,018</b>	<b>4,692</b>	<b>7</b>	<b>1,267</b>	<b>1,297</b>	<b>(2)</b>
Less: Expenses	3,599	3,298	9	949	930	2
<b>Operating profit</b>	<b>1,419</b>	<b>1,394</b>	<b>2</b>	<b>318</b>	<b>367</b>	<b>(13)</b>
Less: Total allowances	554	587	(6)	53	141	(62)
<b>Profit/(loss) before tax</b>	<b>865</b>	<b>807</b>	<b>7</b>	<b>265</b>	<b>226</b>	<b>17</b>
<b>Profit/(loss) before tax (S\$m)</b>	<b>84</b>	<b>77</b>	<b>9</b>	<b>26</b>	<b>22</b>	<b>17</b>
<i>Average Exchange rate</i>	<i>10,327</i>	<i>10,502</i>		<i>10,293</i>	<i>10,251</i>	
<u>Financial indicators (%)</u>						
Net interest margin	3.72	3.89		3.86	3.58	
Cost/Income ratio	71.7	70.3		74.9	71.7	
Customer loans (net) - IDR't ^	72.5	70.6	3%	72.5	73.0	(1%)
Loan/Deposit ratio	89.2	91.3		89.2	92.3	
NPL ratio ^	1.7	1.4		1.7	1.8	

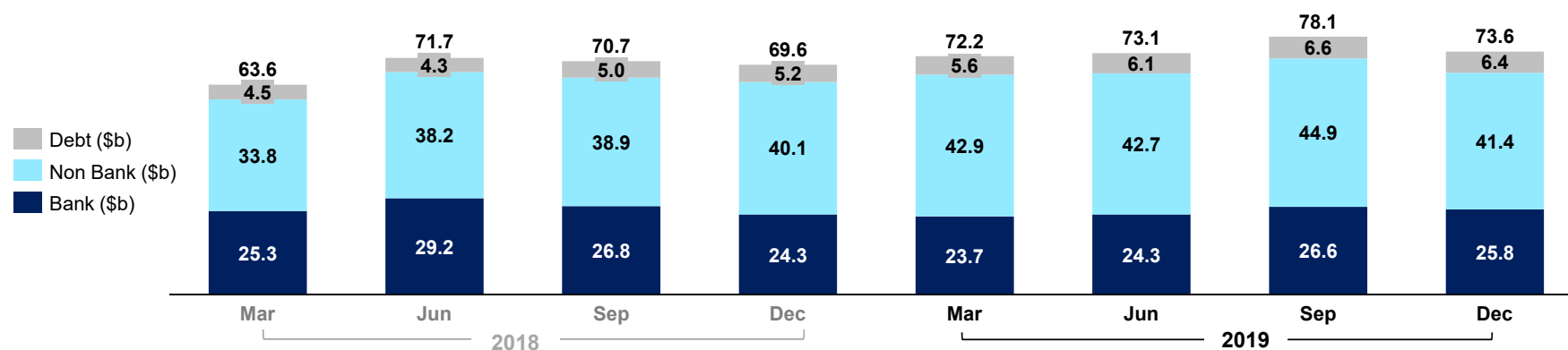
^ Based on location where the loans are booked.

## Greater China – Key Financials

	2019	2018	+ / (-)	4Q19	3Q19	+ / (-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	455	421	8	137	121	13
Net fee income	169	159	6	21	44	(51)
Other non-interest income	313	283	10	63	70	(10)
<b>Total income</b>	<b>937</b>	<b>864</b>	<b>9</b>	<b>221</b>	<b>235</b>	<b>(6)</b>
Less: Expenses	401	381	5	105	105	(1)
<b>Operating profit</b>	<b>536</b>	<b>483</b>	<b>11</b>	<b>116</b>	<b>129</b>	<b>(10)</b>
Less: Total allowances	9	68	(88)	7	15	(51)
Add: Assoc & JV	(0)	29	(>100)	(0)	(0)	74
<b>Profit before tax</b>	<b>527</b>	<b>443</b>	<b>19</b>	<b>109</b>	<b>114</b>	<b>(4)</b>
<u>Financial indicators (%)</u>						
Net interest margin	0.85	0.85		1.02	0.88	
Cost/Income ratio	42.8	44.1		47.3	44.9	
Customer loans (net) - \$b ^	33.0	32.7	1%	33.0	35.7	(8%)
Loan/Deposit ratio	148.8	152.0		148.8	162.9	
NPL ratio ^	0.2	0.3		0.2	0.2	

^ Based on location where the loans are booked.

## Exposure to Greater China



### As at 31 Dec 2019:

#### Mainland China exposure (\$30b or 7% of total assets)

##### Bank exposure (\$16b)

- Accounted for ~60% of total exposure to Mainland China, with top 5 domestic banks and 3 policy banks accounting for ~80% of total bank exposure
- 99% with <1 year tenor
- Trade exposures mostly with bank counterparties, representing ~50% of total bank exposure

##### Non-bank exposure (\$11b)

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- ~50% denominated in RMB
- ~50% with <1 year tenor
- NPL ratio at 0.4%

#### Hong Kong SAR exposure (\$33b or 8% of total assets)

##### Bank exposure (\$3b)

- Majority of exposure are to foreign banks

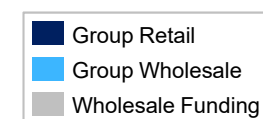
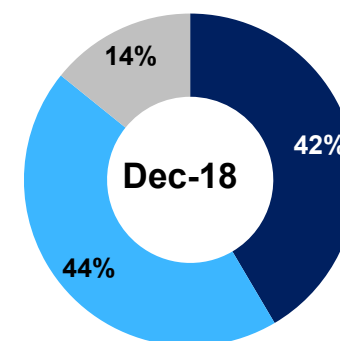
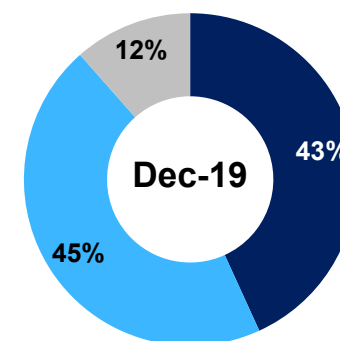
##### Non-bank exposure (\$26b)

- Exposure mainly to wholesale corporates
- Real estate loans accounted for \$11b (~4% of total loans); loans are well-collateralised and predominantly to network clients or clients with strong financial sponsors
- Other potential vulnerable industries (hospitality and consumer discretionary) amounted to \$5b
- ~50% with <1 year tenor
- NPL ratio at 0.2%

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.

## Deposits grew in tandem with loans

	Dec-19 \$b	Dec-18 \$b	+/(-) %	Sep-19 \$b	+/(-) %
<b>Customer Deposits</b>					
Singapore	206	195	6	199	3
<b>Southeast Asia</b>	61	56	9	62	(2)
Malaysia	30	30	(0)	31	(3)
Thailand	21	17	21	22	(4)
Indonesia	8	7	8	8	2
Others	2	2	48	2	13
<b>North Asia</b>	22	22	4	22	1
Greater China	22	22	3	22	1
Others	0	0	>100	0	>100
Rest of the world	21	21	1	21	1
Total customer deposits	311	293	6	304	2
Wholesale funding <sup>(1)</sup>	43	47	(8)	52	(18)
Total funding	354	340	4	357	(1)



Note: 1. Comprise debt issuances, perpetual capital securities and interbank liabilities.