

# UOB Group

Resilient Earnings Supported by Strong Balance Sheet

November 2018

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# Agenda

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



# Overview of UOB Group

## 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 organically and through a series of strategic acquisitions. It is today a leading bank in Asia with an established presence in the Southeast Asia region. The Group has a global network of more than 500 branches and offices in 19 countries and territories.

Note: Financial statistics as at 30 September 2018.

1. USD1 = SGD 1.36725 as at 30 September 2018.
2. Average for 3Q18.
3. Calculated based on profit attributable to equity holders of the Bank, net of perpetual capital securities distributions.
4. Computed on an annualised basis.

## Key Statistics for 9M18

|   |                                   |
|---|-----------------------------------|
| ■ Total assets                                  | : SGD383b (USD280b <sup>1</sup> ) |
| ■ Shareholder's equity                          | : SGD37b (USD27b <sup>1</sup> )   |
| ■ Gross loans                                   | : SGD255b (USD187b <sup>1</sup> ) |
| ■ Customer deposits                             | : SGD294b (USD215b <sup>1</sup> ) |
| ■ Loan/Deposit ratio                            | : 85.7%                           |
| ■ Net stable funding ratio                      | : 110%                            |
| ■ Average all-currency liquidity coverage ratio | : 142% <sup>2</sup>               |
| ■ Common Equity Tier 1 CAR                      | : 14.1%                           |
| ■ Leverage ratio                                | : 7.4%                            |
| ■ Return on equity <sup>3, 4</sup>              | : 11.6%                           |
| ■ Return on assets <sup>4</sup>                 | : 1.11%                           |
| ■ Return on risk-weighted assets <sup>4</sup>   | : 2.02%                           |
| ■ Net interest margin <sup>4</sup>              | : 1.83%                           |
| ■ Non-interest income/<br>Total income          | : 33.2%                           |
| ■ Cost / Income                                 | : 43.8%                           |
| ■ Non-performing loan ratio                     | : 1.6%                            |
| ■ Credit Ratings                                |                                   |

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

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



## Group Retail

- Best Retail Bank in Singapore<sup>1</sup>
- Strong player in credit cards and private residential home loan business

## Group Wholesale Banking

- Best SME Banking<sup>1</sup>
- Seamless access to regional network for our corporate clients

## Global Markets

- Strong player in Singapore dollar treasury instruments

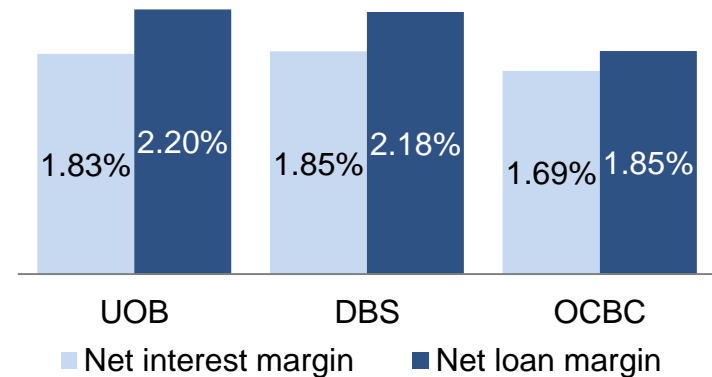
## UOB Group's recognition in the industry

|  |  |  |
|--|--|--|
| <br><br><p>Bank of the Year, Singapore, 2015</p> | <br><p>RETAIL BANKER INTERNATIONAL<br/>Asia Trailblazer Awards 2018<br/>Excellence in Mobile Banking - Overall</p> <p>Excellence in Mobile Banking – Overall, 2018</p> | <br><p>THE ASIAN BANKER®<br/>STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY</p> <p>THE ASIAN BANKER EXCELLENCE IN RETAIL FINANCIAL SERVICES INTERNATIONAL AWARDS</p> <p>Best Retail Bank<sup>1</sup></p> <p>SME Bank of the Year<sup>1</sup></p> |
|--|--|--|

Source: Company reports.

1. The Asian Banker "Excellence in Retail Financial Service Awards": 2016 & 2017 (SME Bank of the Year), 2014 (Best Retail Bank in Asia Pacific and Singapore).

## Higher 9M18 margin than peers

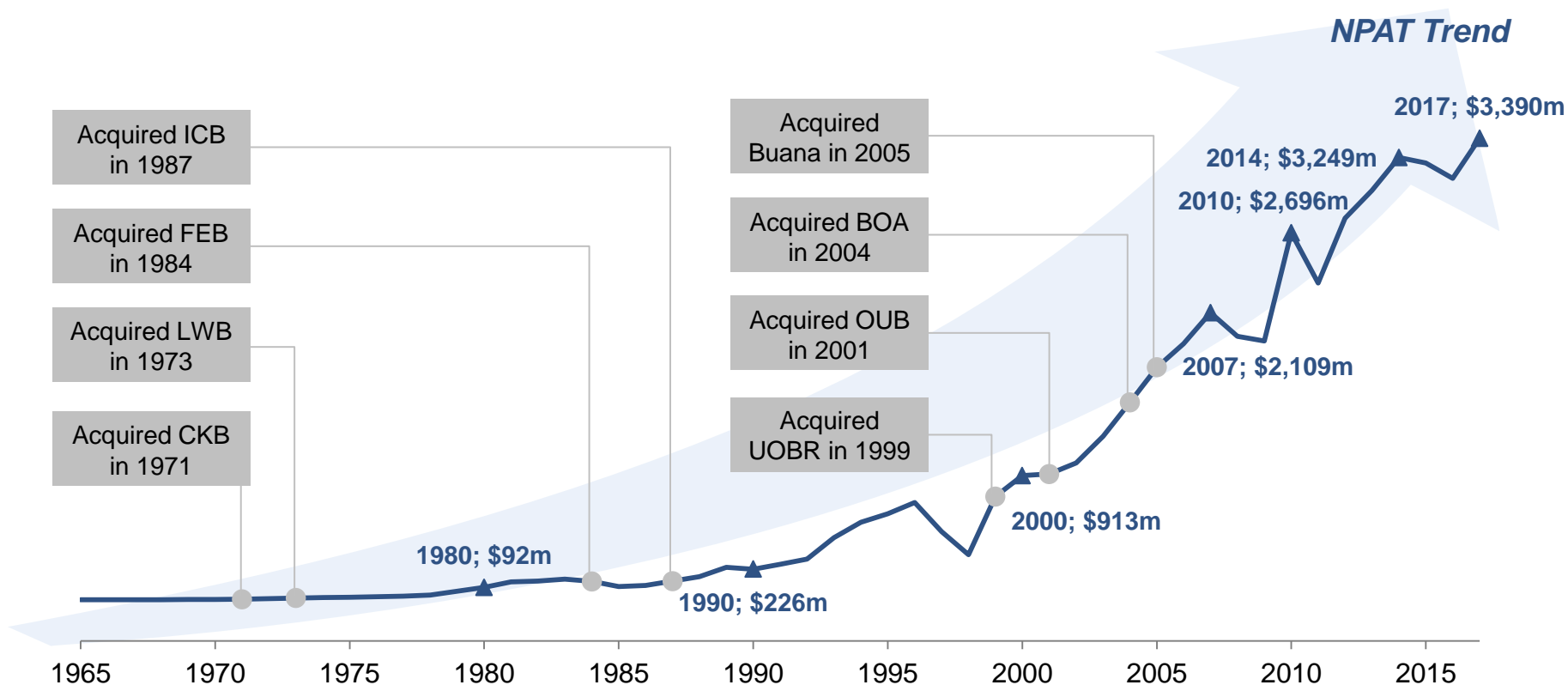


Loan margin is the difference between the rate of return from customer loans and costs of deposits.

Source: Company reports.

# Proven Track Record of Execution

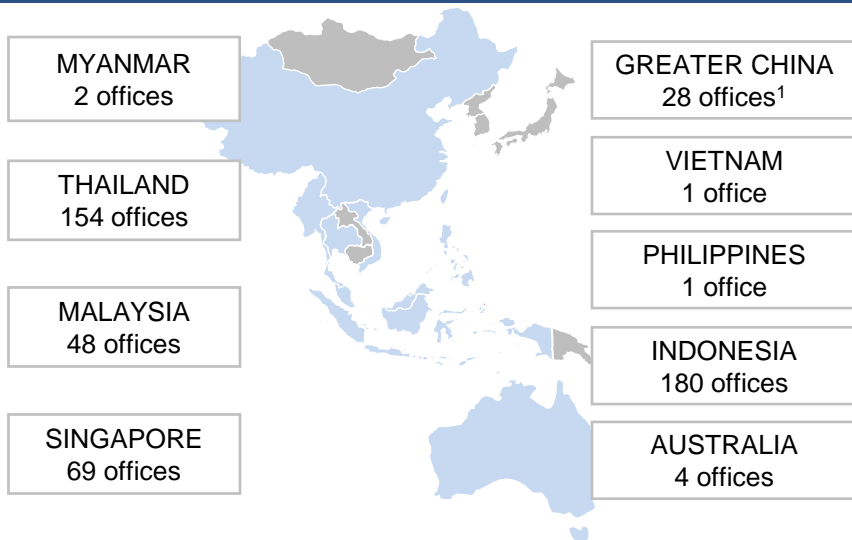
- UOB Group's management has a proven track record in steering the Group through various global events and crises.
- Stability of management team ensures consistent execution of strategies
- Disciplined management style which underpins the Group's overall resilience and sustained performance



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

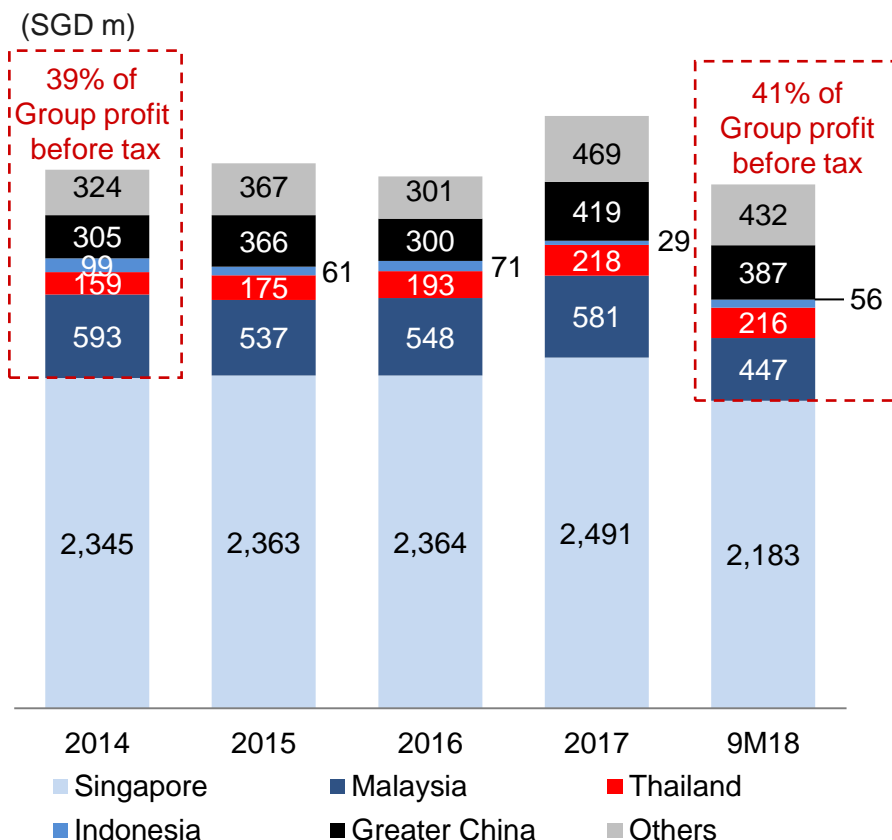
# Expanding Regional Banking Franchise

## Extensive Regional Footprint with c.500 Offices



- 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
- Organic growth strategies in emerging/new markets of China and Indo-China

## Profit Before Tax by Region



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

1. UOB owns c13% in Hengfeng Bank (formerly Evergrowing Bank) in China.

# Why UOB?

## Stable Management

- Proven track record in steering the bank through various global events and crises
- 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
- Truly regional bank with full ownership and control of regional subsidiaries

## Strong Fundamentals

- Sustainable revenue channels as a result of carefully-built core business
- 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
- Maintain long-term perspective to growth for sustainable shareholder returns

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





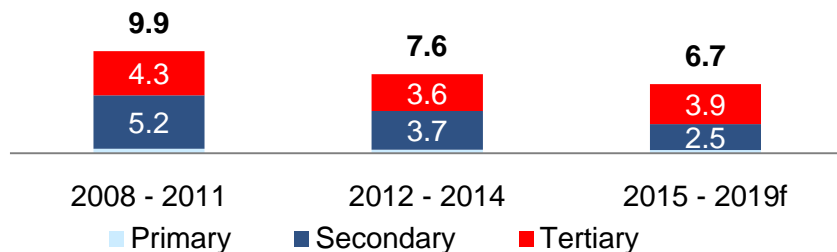
# Macroeconomic Outlook

# Trade Tensions Cloud China's Outlook but Low Risk of Hard Landing

- The Chinese economy has its underlying momentum, supported by rebalancing reforms and steady jobs market.
- Low central government debt underpins China's fiscal capacity, which could help mitigate "black swan" events.
- Base case scenario: 2018 GDP to remain in line with the official target of "about 6.5%" growth, trade tensions with US to pose more downside risk in 2019, this together with US monetary tightening would result in more volatility in capital flows and RMB. PBoC has eased credit conditions and used its fiscal levers to provide targeted support.

## Structural Shift of China's Economy

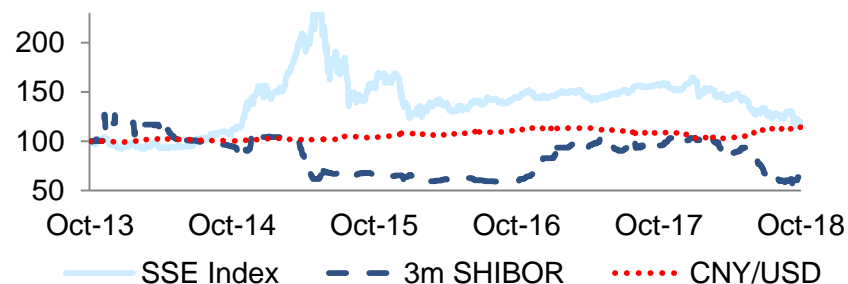
(Average Contribution to GDP growth rate, %)



Source: IMF, CEIC, UOB Global Economics & Markets Research

## Episodes of Market Volatility Contained

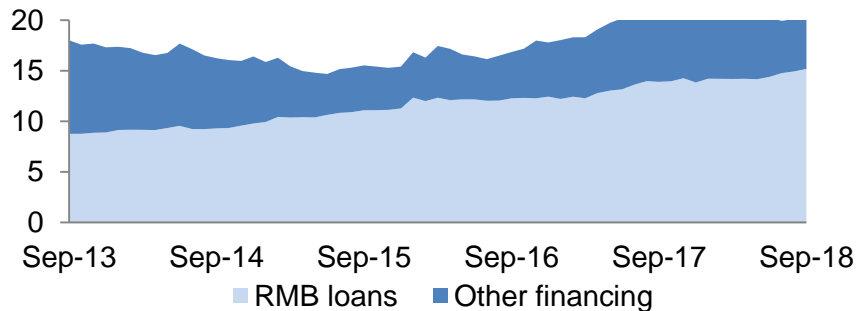
(Oct'13 = 100)



Source: Bloomberg, UOB Global Economics & Markets Research

## New Financing Increasingly from Banking Sector

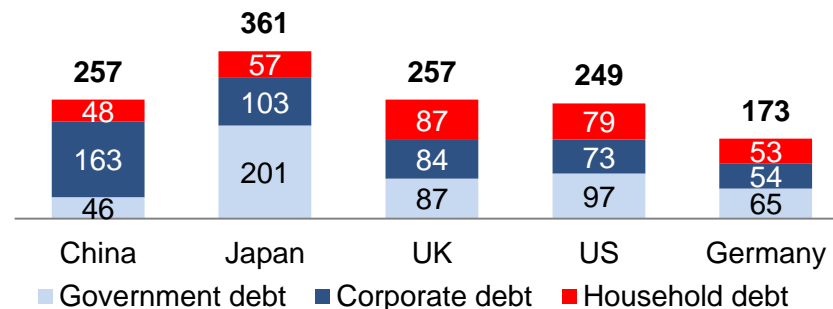
(Rolling 12 months, CNY trn)



Source: PBOC, UOB Global Economics & Markets Research

## Source of China Debt Risk

(2017, % of GDP)

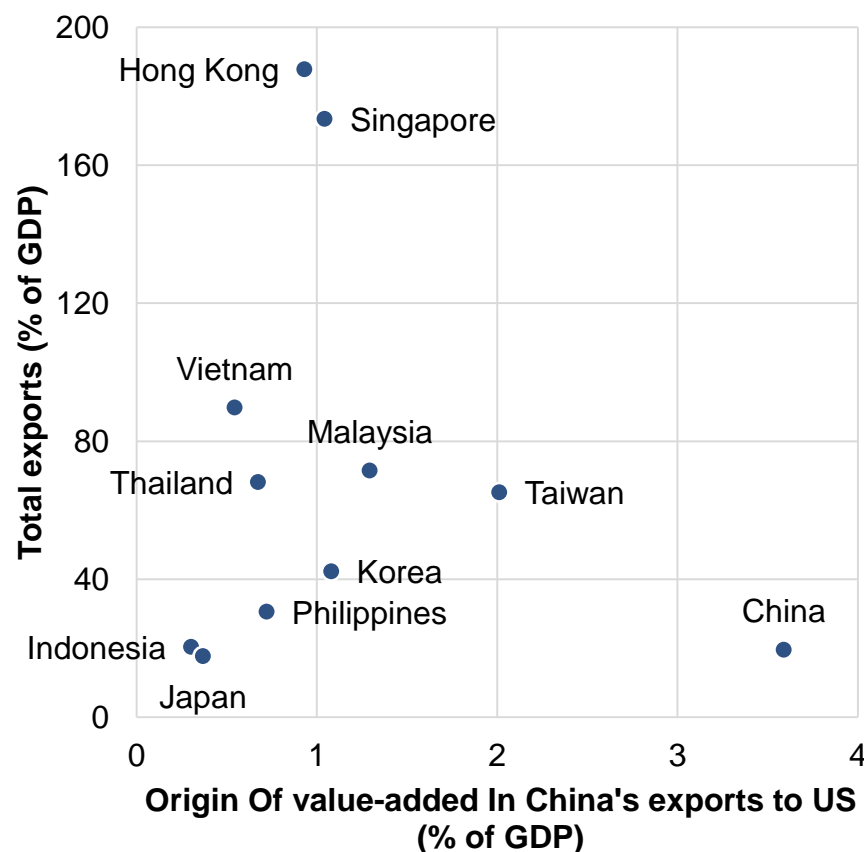
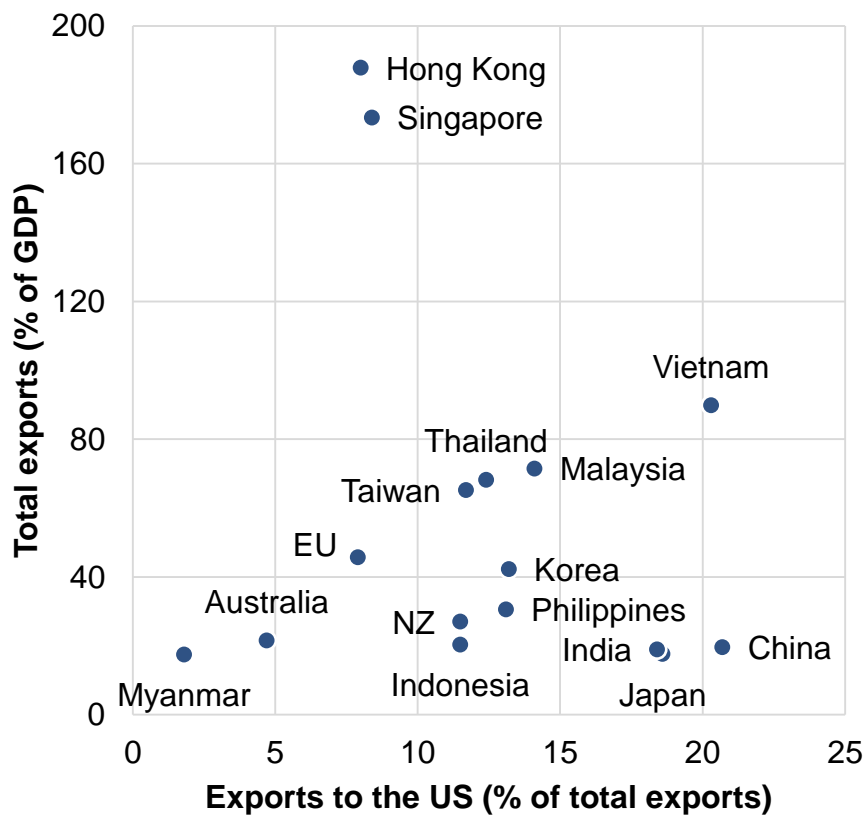


Source: BIS, Macrobond, UOB Global Economics & Markets Research

# Global Trade Tension Negative for Small Open Economies in Asia

**Direct Vulnerability to US Exports: China, Japan, Vietnam and India Stand Out**

**Indirect Vulnerability to US Exports via China: Taiwan, followed by Korea, Singapore & Malaysia**



Sources: CEIC, Bloomberg, UOB Global Economics & Markets Research

Sources: CEIC, OECD (2011 data), UOB Global Economics & Markets Research

# Implication on Regional Policy Rates

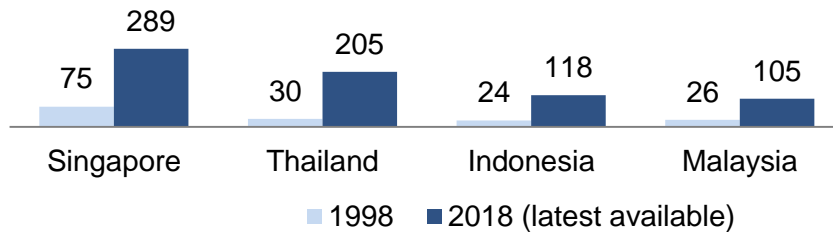
|                          | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18f | 1Q19f | 2Q19f |
|--------------------------|------|------|------|------|------|------|------|-------|-------|-------|
| US 10-Year Treasury      | 2.39 | 2.30 | 2.33 | 2.40 | 2.74 | 2.86 | 3.06 | 3.20  | 3.25  | 3.35  |
| US Fed Funds             | 1.00 | 1.25 | 1.25 | 1.50 | 1.75 | 2.00 | 2.25 | 2.50  | 2.75  | 3.00  |
| SG 3M SIBOR              | 0.95 | 1.00 | 1.12 | 1.50 | 1.45 | 1.52 | 1.64 | 1.95  | 2.05  | 2.30  |
| SG 3M SOR                | 0.86 | 0.75 | 1.01 | 1.30 | 1.48 | 1.59 | 1.64 | 1.85  | 2.00  | 2.25  |
| MY Overnight Policy Rate | 3.00 | 3.00 | 3.00 | 3.00 | 3.25 | 3.25 | 3.25 | 3.25  | 3.25  | 3.25  |
| TH 1-Day Repo            | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.75  | 1.75  | 1.75  |
| ID 7-Day Reverse Repo    | 4.75 | 4.75 | 4.25 | 4.25 | 4.25 | 5.25 | 5.75 | 6.00  | 6.50  | 6.75  |
| CH 1-Year Deposit Rate   | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50  | 1.50  | 1.50  |

- The projected Fed Funds Target Rate (FFTR) range of 2.25%-2.50% by end-2018 incorporates one more hike at the Dec 2018 FOMC. In 2019, three 25bps hikes are expected, which implies that the Fed is likely to exceed its long run FFTR of 3.0% by mid-2019. Balance-sheet reduction – which began in October 2017 – reached its equilibrium state (US\$50bn in Oct'18) and is set to continue at this level in 2019. A higher degree of convergence in global rates with the US is expected in 2H18, with the exception of Japan.
- Growth in regional economies generally moderated in 2H18, after a resilient 1H18. The US-China trade tensions could pose downside risks to growth in 2019. Our base case remains for a long negotiation process with some bouts of escalation before reaching a resolution. Tariffs and elevated oil prices could add to inflationary pressure ahead, while monetary policy bias remains tilted towards normalisation in 2018.
- Capital flight remains a risk for Asia amid escalating trade tensions, and currencies are likely to weaken further in 1H19. Economies with current account and fiscal deficits could be pressured to tighten their monetary policy.
- Short-term interest rates in Singapore are expected to rise further in 2019, alongside projections for higher Fed rates.

# Southeast Asia: Resilient Key Markets

## Significantly Higher Foreign Reserves

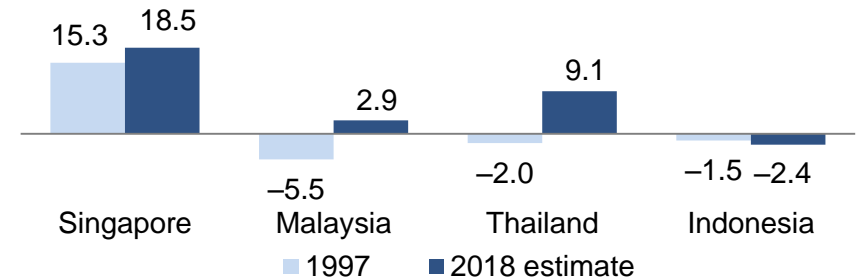
(USD billion)



Sources: World Bank, IMF

## Healthy Current Account Balances

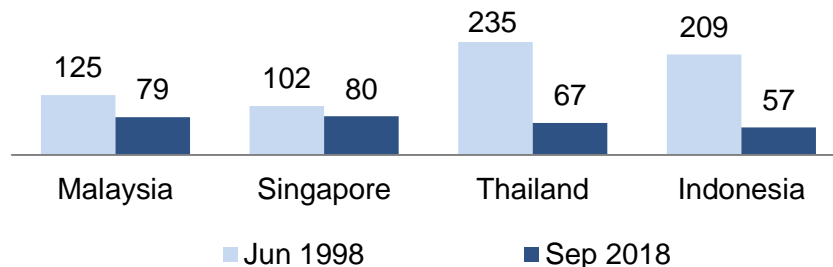
(% of GDP)



Source: IMF

## Lower Debt to Equity Ratio

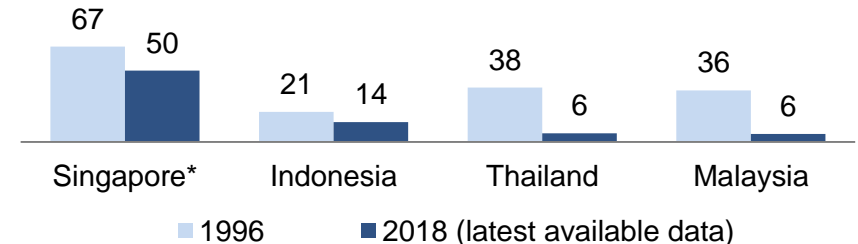
(%)



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

## Lower Foreign Currency Loan Mix

(%)



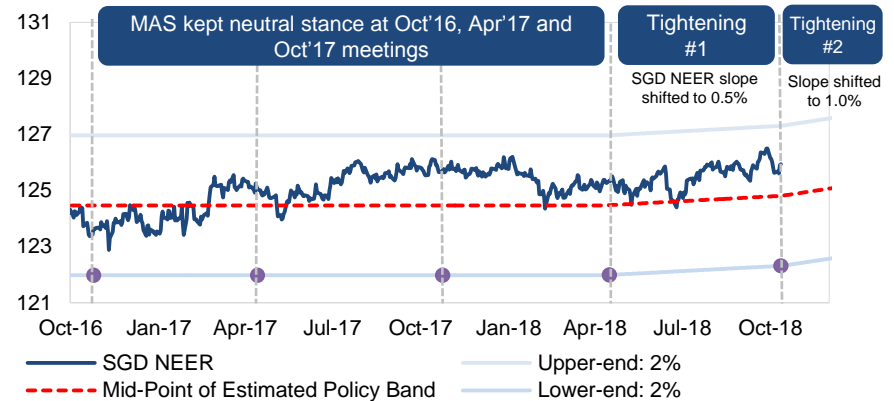
\* Foreign currency loans in 1996 approximated by using total loans of Asia Currency Units; sources: Central banks

*Long-term fundamentals and prospects of key Southeast Asia have greatly improved since the 1997 Asian Financial Crisis.*

# Singapore GDP Growth to Moderate in 2019 Amidst Further Policy Tightening

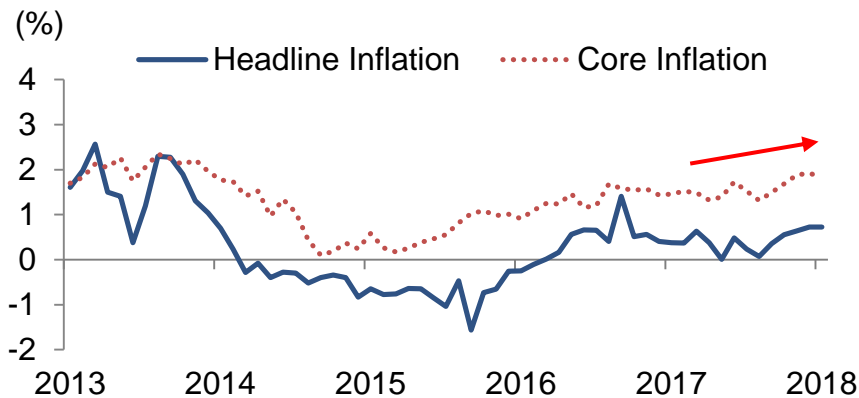
- 3Q18 GDP growth slowed to 2.6% yoy (2Q18: +4.1%). Manufacturing slowed markedly to 4.5% yoy, while services growth was stable at 2.9% yoy. In 2019, GDP growth may ease to 2.8% (2018f: +3.4%) due to the tech cycle slowdown, impact from US trade policy and further slowdown in China.
- The MAS tightened its monetary policy further due to growth staying above potential and higher core inflation. It raised “slightly” the slope of S\$NEER policy band, which is estimated as a 1.0% per annum slope (up from 0.5% introduced in Apr’18). The MAS could tighten further with another slope increase at the Apr’19 meeting, but the biggest uncertainty is the US-China trade conflict.

## MAS Normalised SGD NEER Further in Oct’18



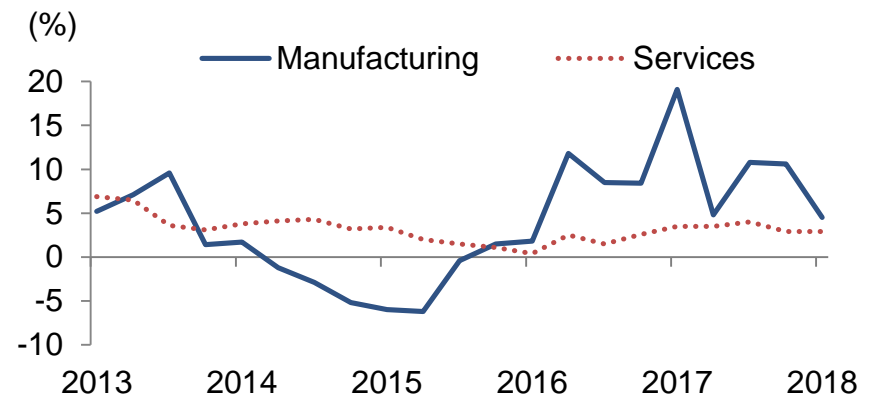
Source: CEIC, UOB Global Economics & Markets Research

## 2019 Core Inflation To Average Higher 1.5-2.5%



Source: Singapore Department of Statistics

## Stable Services, Manufacturing Slowdown

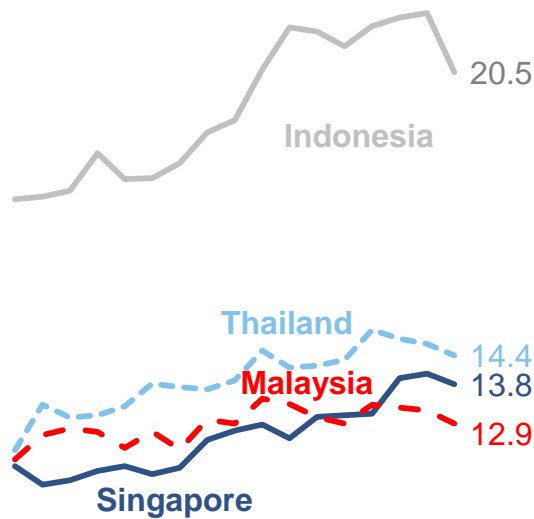


Source: Singapore Department of Statistics

# Southeast Asia Banking Sectors: Strong Fundamentals Remain Intact

## Robust Capital Positions

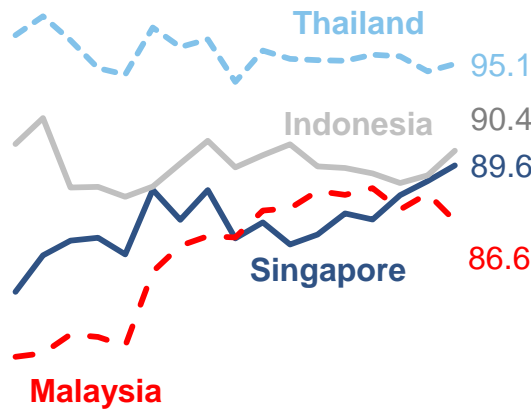
(Common equity Tier 1 capital adequacy ratio, in %)



2Q14 2Q15 2Q16 2Q17 2Q18

## Adequate Loan/Deposit Ratio

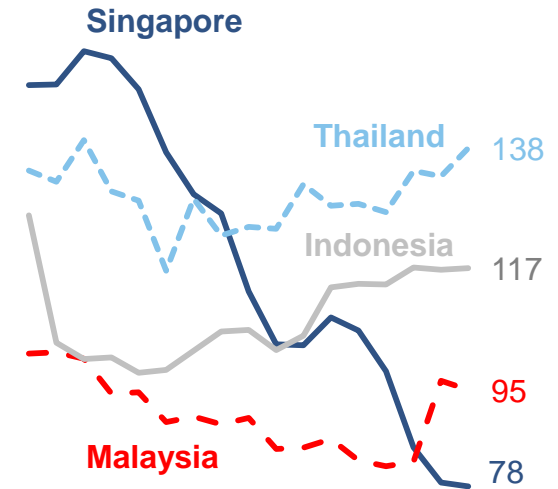
(Loan/deposit ratio, in %)



2Q14 2Q15 2Q16 2Q17 2Q18

## Healthy Reserves

(NPL reserve cover, in %)



2Q14 2Q15 2Q16 2Q17 2Q18

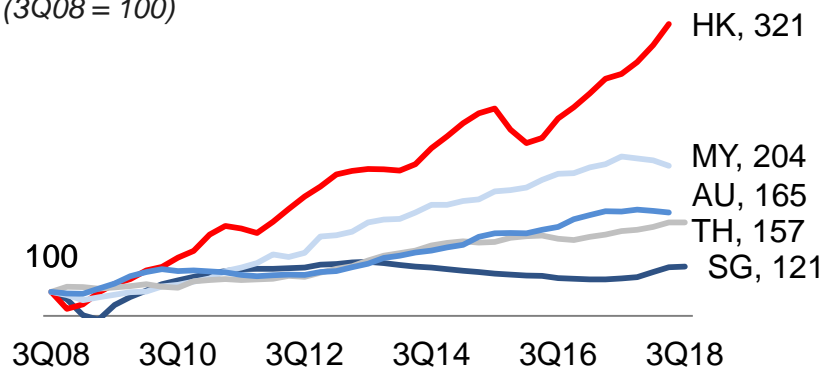
Note: For Singapore, common equity Tier 1 capital adequacy ratio and NPL reserve cover are based on the average of the three Singapore banking groups, while the loans/deposit ratio approximates that of Singapore dollar.

Source: Central banks, banks

# Conducive Macro Conditions Underpin Singapore Property Market

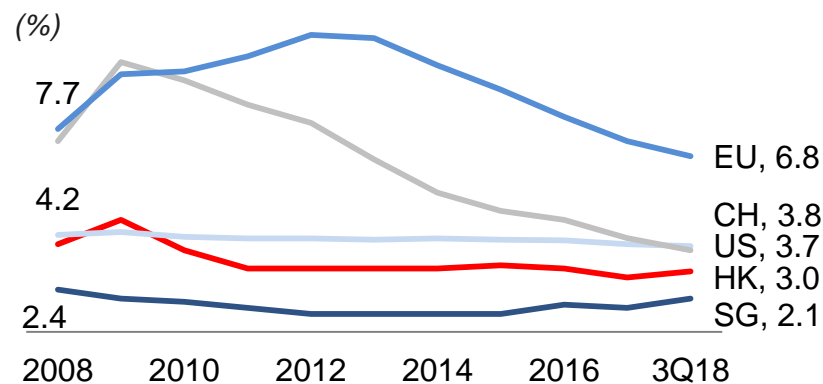
## Regional House Price Indices over Last 10 Years

(3Q08 = 100)



Sources: CEIC, UOB Economic-Treasury Research

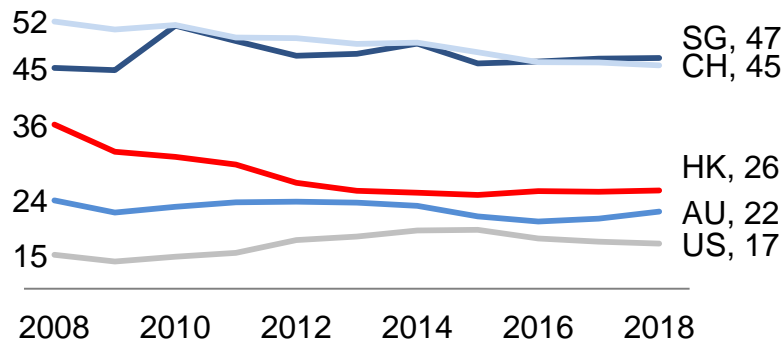
## Low Unemployment vs Global Peers



Sources: CEIC, UOB Economic-Treasury Research

## High National Savings Rate

(% of GDP)



Sources: IMF, UOB Economic-Treasury Research

## SG Household Income in Line with Property Prices

|   | 2007   | 3Q18            | +/(−) |
|---|--------|-----------------|-------|
| Price <sup>1</sup> (SGD / sq ft)          | 940    | 1,134           | +21%  |
| Unit size (sq ft)                         | 1,200  | 1,200           | –     |
| Unit costs (SGD m)                        | 1.13   | 1.36            | +21%  |
| Interest rate (%)                         | 3.72   | 2.25            |       |
| Household income <sup>2</sup> (SGD / mth) | 11,933 | 16,826          | +41%  |
| Debt servicing ratio <sup>3</sup> (%)     | 33     | 23 <sup>4</sup> |       |

1. Reflects median price of non-landed private residential
2. Reflects median of resident households living in private properties
3. Based on a 30-year housing loan, with a loan-to-value of 75%
4. A housing loan with 5% interest rate would increase DSR to 33%

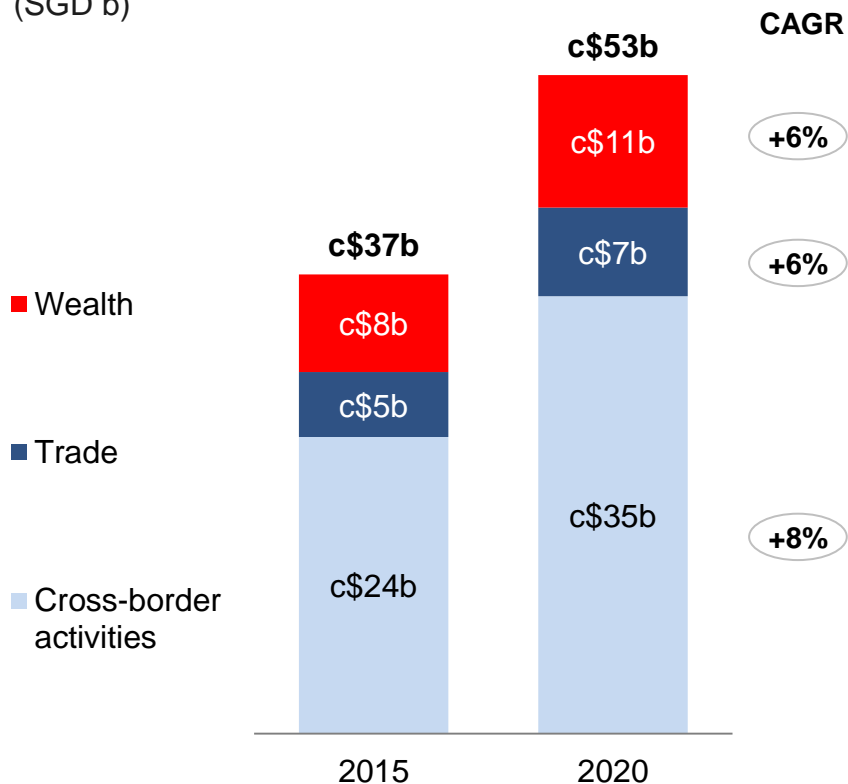
Sources: URA, CEIC, Singapore Statistics, UOB Economic-Treasury Research



# Revenue Potential from 'Connecting the Dots' in the Region

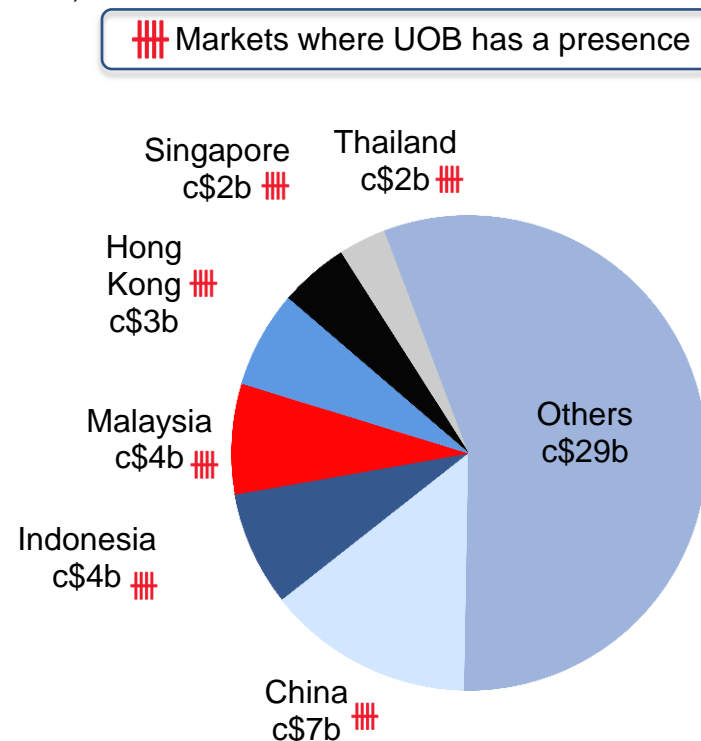
## Industry's Potential Connectivity Revenue

(SGD b)



## Industry's Potential Connectivity Revenue (2020)

(SGD b)



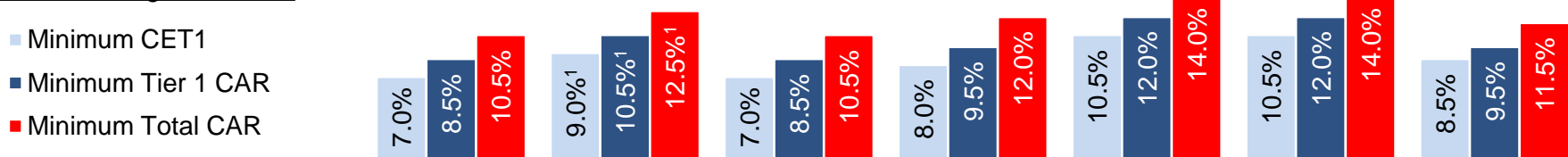
Note: 'Trade' and 'cross-border activities' capture both inbound and outbound flows of Southeast Asia, with 'trade' comprising exports and imports while 'cross-border activities' comprising foreign direct investments and M&A. 'Wealth' captures offshore and onshore assets booked in Singapore as a wealth hub. Incorporating BCG analysis, these are converted into banking revenue potential.

Source: Boston Consulting Group's analysis, Boston Consulting Group Global Banking Revenue pool

# Basel III across the Region

|                                     | BCBS       | Singapore          | Malaysia   | Thailand   | Indonesia              | Hong Kong  | China             |
|-------------------------------------|------------|--------------------|------------|------------|------------------------|------------|-------------------|
| Minimum CET1 CAR                    | 4.5%       | 6.5% <sup>1</sup>  | 4.5%       | 4.5%       | 4.5%                   | 4.5%       | 5.0%              |
| Minimum Tier 1 CAR                  | 6.0%       | 8.0% <sup>1</sup>  | 6.0%       | 6.0%       | 6.0%                   | 6.0%       | 6.0%              |
| Minimum Total CAR                   | 8.0%       | 10.0% <sup>1</sup> | 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 Buffer <sup>2</sup> | Up to 2.5% | Up to 2.5%         | Up to 2.5% | Up to 2.5% | Up to 2.5%             | Up to 2.5% | Up to 2.5%        |
| 2018 Requirement                    | n/a        | 0%                 | 0%         | 0%         | 0%                     | 1.875%     | 0%                |
| D-SIB Buffer                        | n/a        | 2.0%               | Pending    | 1.0%       | 1.0%–3.5% <sup>3</sup> | 1.0%–3.5%  | 1.0% <sup>4</sup> |
| G-SIB Buffer                        | 1.0%–3.5%  | n/a                | n/a        | n/a        | n/a                    | n/a        | 1.0% <sup>4</sup> |
| Minimum Leverage Ratio              | 3.0%       | 3.0%               | 3.0%       | 3.0%       | 3.0%                   | 3.0%       | 4.0%              |
| Full Compliance                     | 2018       | 2018               | 2018       | 2020       | 2018                   | 2018       | 2013              |
| Minimum LCR                         | 100%       | 100%               | 100%       | 100%       | 100%                   | 100%       | 100%              |
| Full Compliance                     | Jan-19     | Jan-19             | Jan-19     | Jan-20     | Dec-18                 | Jan-19     | Dec-18            |
| Minimum NSFR                        | 100%       | 100%               | 100%       | 100%       | 100%                   | 100%       | 100%              |
| Full Compliance                     | Jan-18     | Jan-18             | Jan-20     | Jul-18     | Jan-18                 | Jan-18     | n/a               |

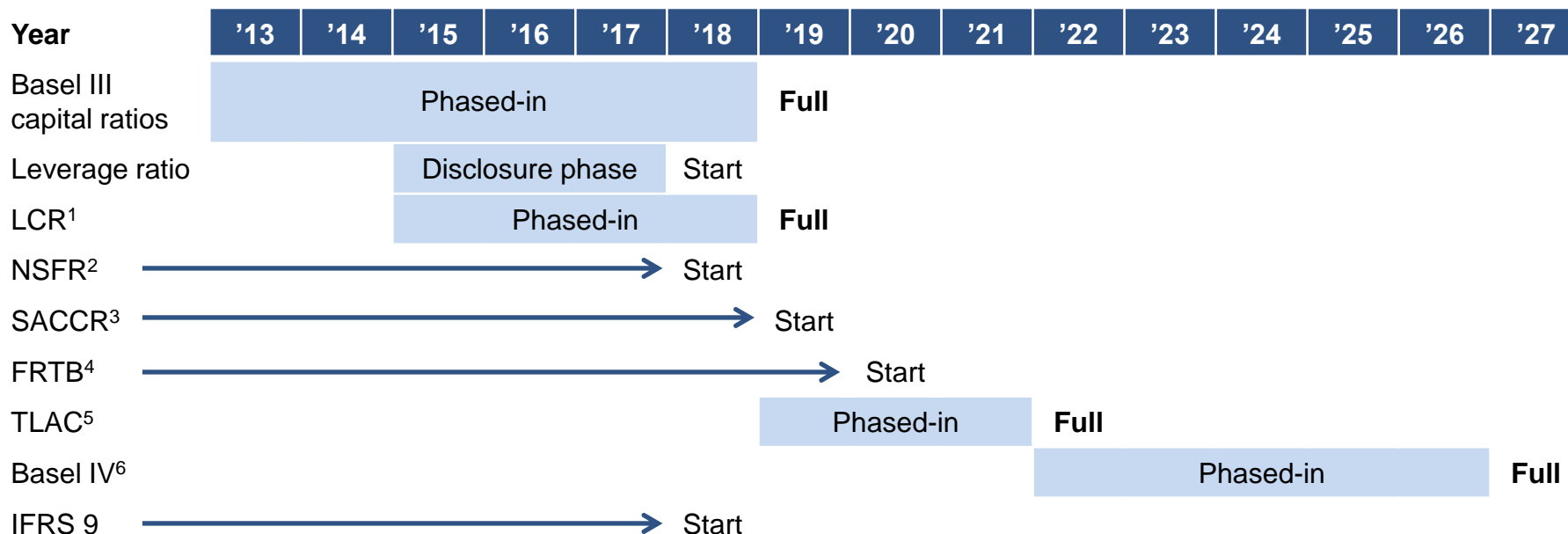
## % of risk weighted assets<sup>5</sup>



Source: Regulatory notifications.

1. Includes 2% for D-SIB buffer for the three Singapore banks.
2. Each regulator determines its own level of countercyclical capital buffer.
3. According to the regulations, Indonesia D-SIBs will initially be subject to a D-SIB buffer of up to 2.5%.
4. In China, G-SIBs are only subject to the higher of G-SIB and D-SIB buffer
5. Minimum ratios on fully-loaded basis, including capital conservation buffer and D-SIB surcharge, but excluding countercyclical capital buffer and G-SIB surcharge

# Banking Regulations Still Evolving



“ Banks need to be profitable in order to be strong. Retained earnings are one of the major sources of equity – which is the highest quality capital that banks hold. Banks also need to be profitable to be able to support the real economy. They have to earn a decent return for intermediating credit, otherwise they will do less of it. ”

– Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, 20 April 2017

“ ...certain liabilities should be excluded from the scope of bail-in because their repayment is necessary to ensure the continuity of essential services and to avoid widespread and disruptive contagion to other parts of the financial system. The proposed scope of bail-in would hence exclude liabilities such as ... senior debt and all deposits. ”

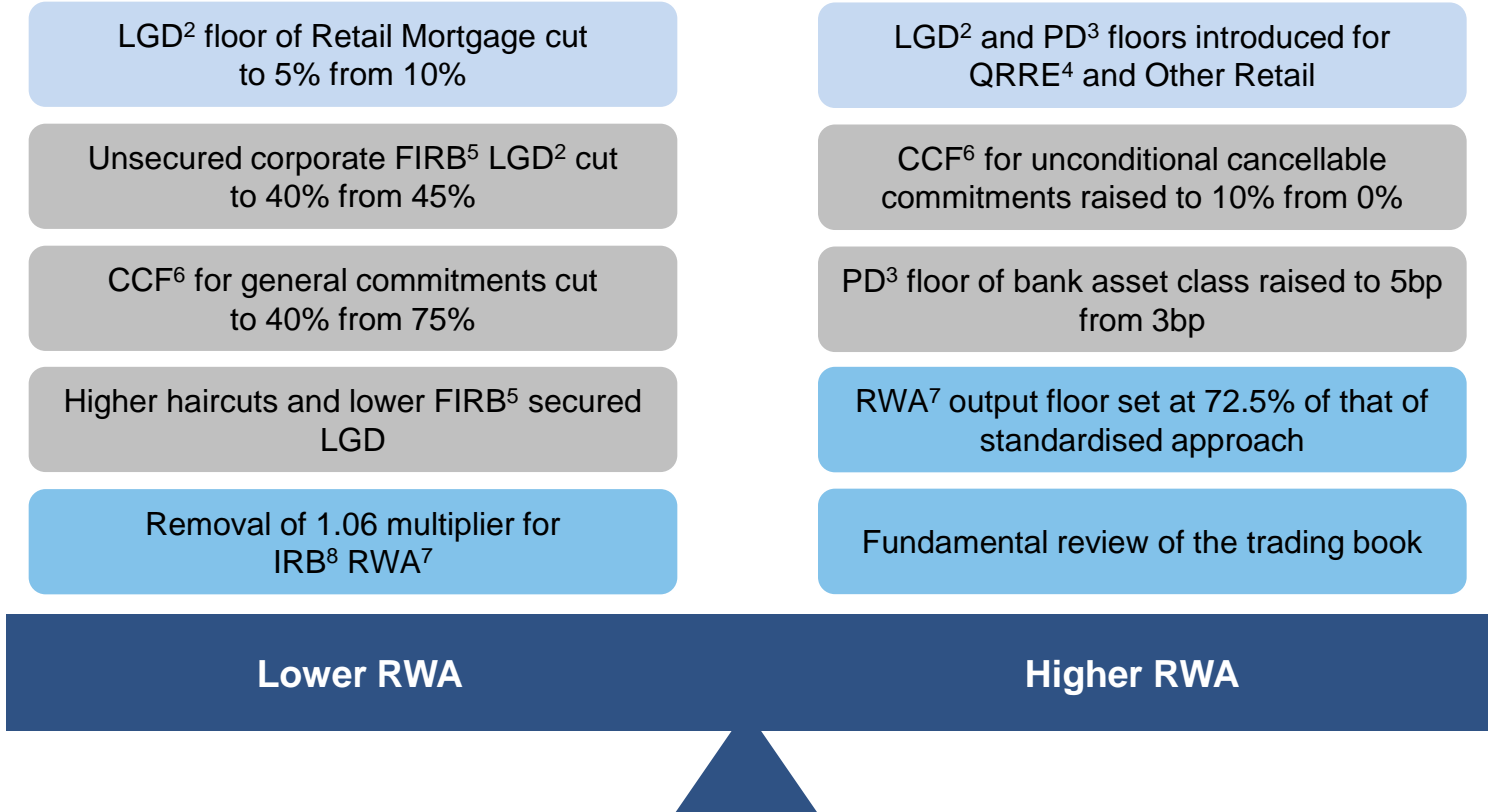
– Consultation Paper by the Monetary Authority of Singapore, June 2015

Source: BCBS

1. Liquidity Coverage Ratio
2. Net Stable Funding Ratio
3. Standardised Approach for measuring Counterparty Credit Risk exposure (MAS has not announced implementation date)
4. Fundamental Review of the Trading Book (MAS has not announced implementation date)
5. Total Loss Absorbing Capacity (not applicable to Singapore banks)
6. Basel IV: Reducing variation in credit risk-weighted assets

# Impact of Basel IV<sup>1</sup> Likely to be Manageable

- Retail credit
- Wholesale credit
- Others



Source: BCBS

1. Basel IV: Reducing variation in risk-weighted assets
2. Loss given default
3. Probability of default
4. Qualifying revolving retail exposures

5. Foundation internal rating-based approach
6. Credit conversion factor
7. Risk weighted assets
8. Internal rating-based approach



# 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
- Stability of management team ensures consistent execution of strategies

## Consistent and Focused Financial Management

- Stable income over the last quarter amid the subdued business environment
- Continue to invest in building long-term capabilities in a disciplined manner
- Total credit costs expected to be below long-term trend of 28bp
- Higher profit supports an increase in interim dividend to 50 cents per share

## Disciplined Management of Balance Sheet

- Strong capital base; Common Equity Tier 1 capital adequacy ratio of 14.1% as at 30 September 2018
- Liquid and well diversified funding mix with loan/deposits ratio at 85.7%
- Stable asset quality, with a diversified loan portfolio

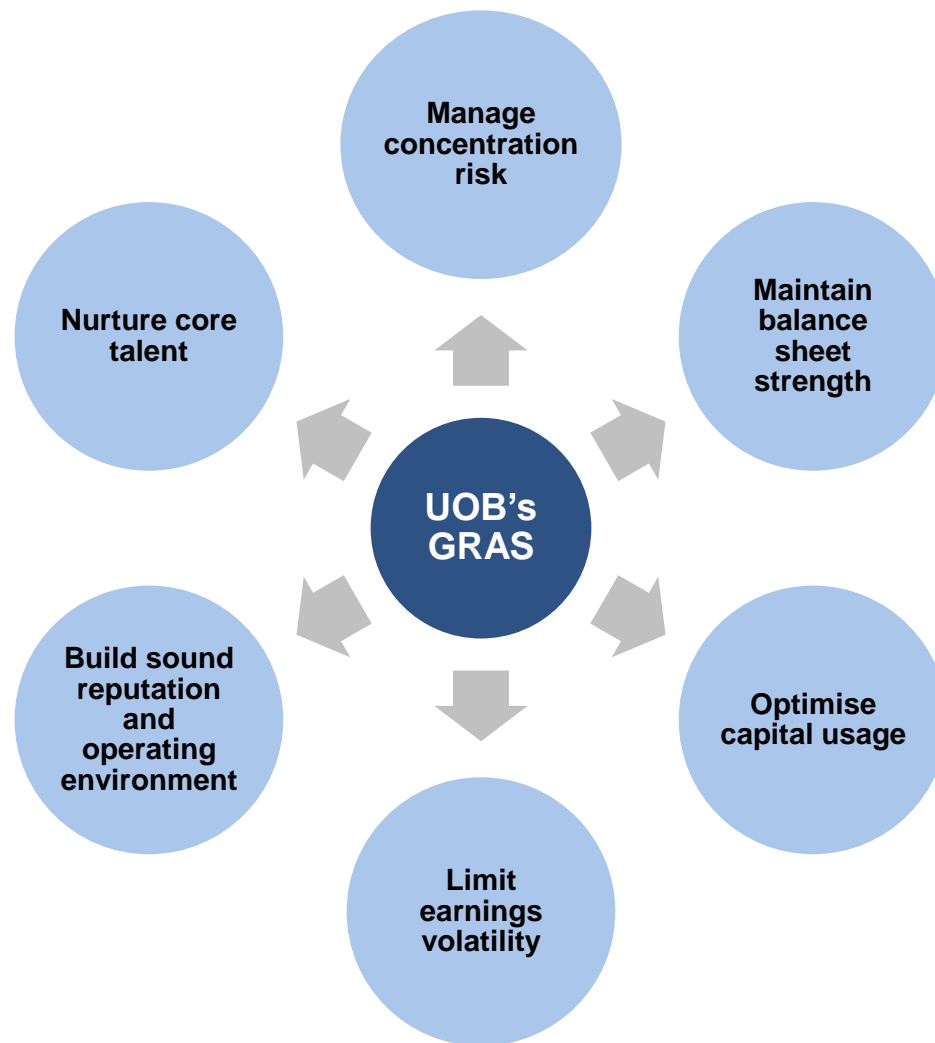
## Delivering on Regional Strategy

- Holistic regional bank with effectively full control of subsidiaries in key markets
- Focus on profitable niche segments and intra-regional needs of customers
- 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***

# 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



# Competitive Against Peers

|         |      |       | Standalone Strength |                                    | Efficient Cost Management | Competitive ROAA <sup>1</sup> | Well-Maintained Liquidity |
|---------|------|-------|---------------------|------------------------------------|---------------------------|-------------------------------|---------------------------|
| Moody's | S&P  | Fitch |                     | Moody's baseline credit assessment | Costs/income ratio        | Return on average assets      | Loan/deposit ratio        |
| Aa1     | AA-  | AA-   | UOB                 | a1                                 | 43.8%                     | 1.11%                         | 85.7%                     |
| Aa1     | AA-  | AA-   | OCBC                | a1                                 | 42.7%                     | 1.24%                         | 88.5%                     |
| Aa1     | AA-  | AA-   | DBS                 | a1                                 | 43.2%                     | 1.08%                         | 87.7%                     |
| A2      | A    | AA-   | HSBC                | a2                                 | 62.1%                     | 1.52%                         | 73.0%                     |
| A2      | BBB+ | A+    | SCB                 | baa1                               | 68.0%                     | 0.47%                         | 68.2%                     |
| Baa1    | A-   | n.r.  | CIMB                | baa2                               | 51.3%                     | 0.92%                         | 94.0%                     |
| A3      | A-   | A-    | MBB                 | a3                                 | 46.9%                     | 1.00%                         | 92.8%                     |
| Baa1    | BBB+ | BBB+  | BBL                 | baa2                               | 42.1%                     | 1.16%                         | 88.0%                     |
| Baa3    | n.r. | BBB-  | BCA                 | baa3                               | 45.5%                     | 3.90%                         | 80.9%                     |
| A-      | A-   | A+    | BOA                 | baa1                               | 58.4%                     | 1.20%                         | 68.4%                     |
| Baa1    | BBB+ | A     | Citi                | baa2                               | 57.3%                     | 0.96%                         | 65.9%                     |
| Aa3     | AA-  | AA-   | CBA                 | a2                                 | 44.8%                     | 0.96%                         | 119.5%                    |
| Aa3     | AA-  | AA-   | NAB                 | a2                                 | 50.0%                     | 0.70%                         | 143.2%                    |

Source: Company reports, Credit rating agencies (updated as of 5 Nov 2018).

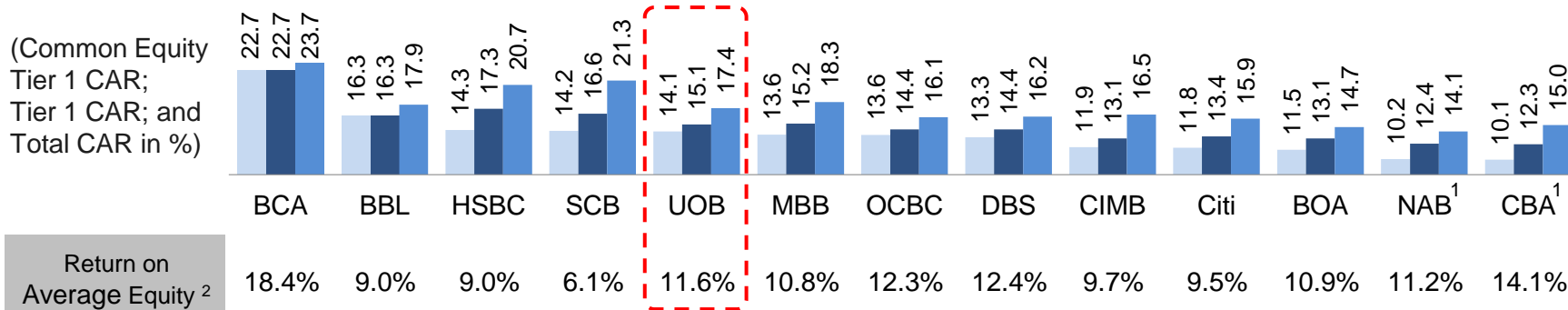
Banks' financials were as of 30 Sep 18, except for those of SCB, CIMB, Maybank and CBA (which were as of 30 Jun 18).

1. Computed on an annualised year-to-date basis.

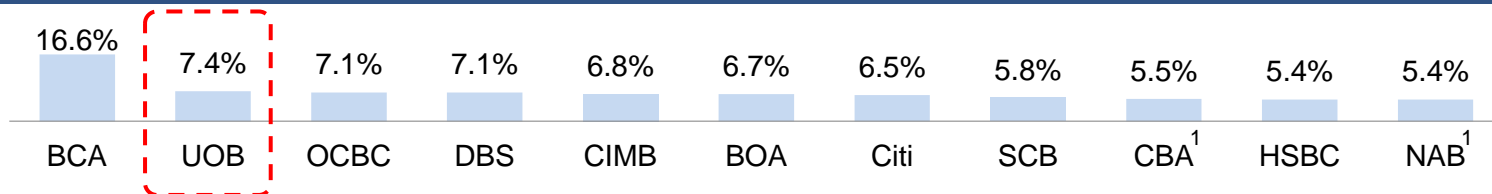


# Strong Capital and Leverage Ratios

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



## Reported Leverage Ratio<sup>3</sup>



*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.

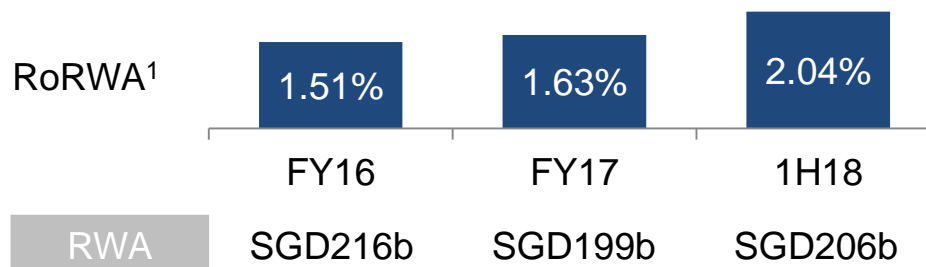
Banks' financials were as of 30 Sep 18, except for those of SCB, CIMB, Maybank and CBA (which were as of 30 Jun 18).

1. NAB's and CBA's CARs are based on APRA's standards. Their internationally comparable CET1 CAR was 14.6% (30 Sep 18) and 15.5% (30 Jun 18), respectively.
2. Computed on an annualised year-to-date basis.
3. BBL and MBB do not disclose their leverage ratio.

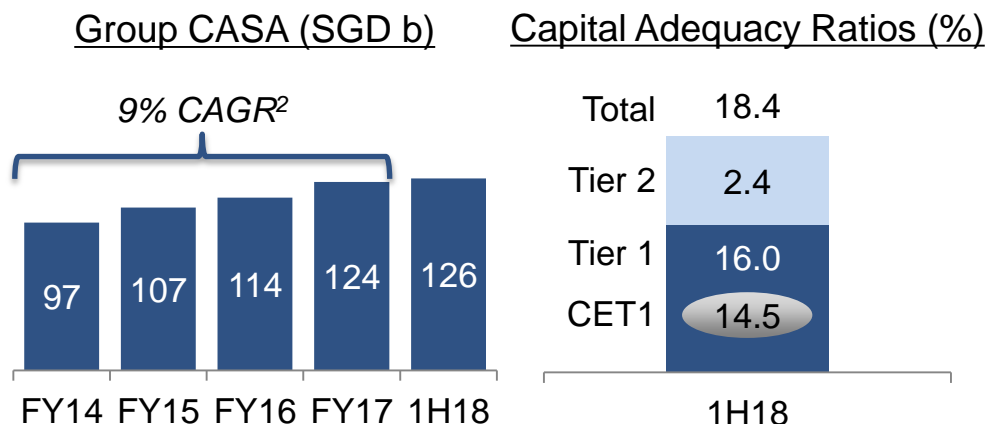
# Disciplined Balance Sheet Management

- Improved balance sheet efficiency**
  - Stronger RoRWA<sup>1</sup> driven mainly by higher profit
- Healthy portfolio quality**
  - 11bps credit cost on NPL lower YoY
  - NPL ratio stable at 1.7%
  - Adequate non-performing assets reserve cover: 89%, or 190% including collateral
- Proactive liability management**
  - Liquidity Coverage Ratios<sup>3</sup>: SGD (206%) and all-currency (142%)
  - Net stable funding ratio: 110%, above regulatory requirement
- Robust capital; 14.5% CET1 ratio**
- Interim dividend/share raised to 50 cents**

## Balance Sheet Efficiency a Key Priority



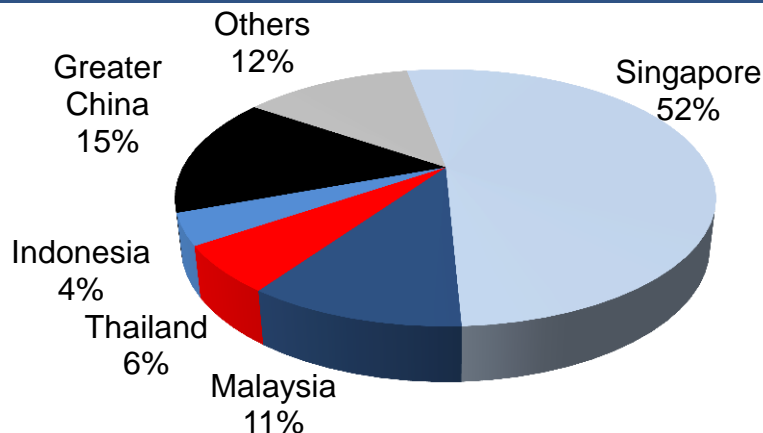
## Liability Management and Capital



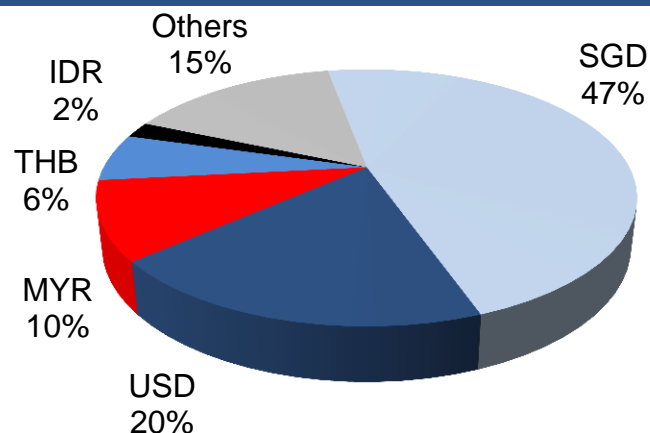
1. Return on average risk-weighted assets (RoRWA) is computed on an annualised basis for 1H18.  
 2. Compound annual growth rate (CAGR) computed over 3 years (2014 to 2017).  
 3. Average ratios for second quarter of 2018.

# Diversified Loan Portfolio

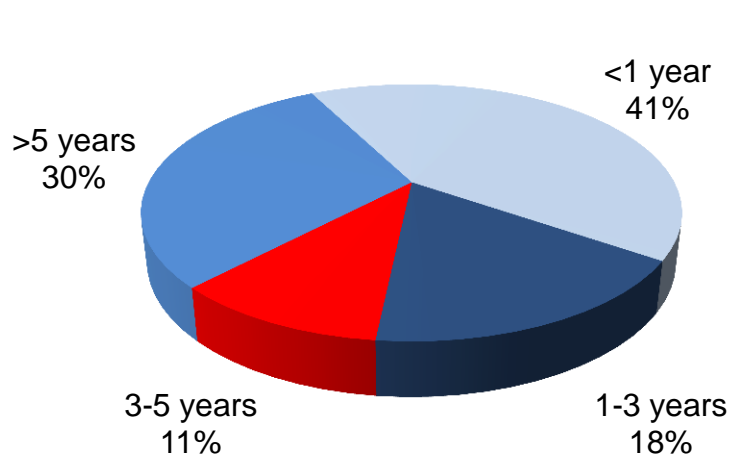
## Gross Customer Loans by Geography <sup>1</sup>



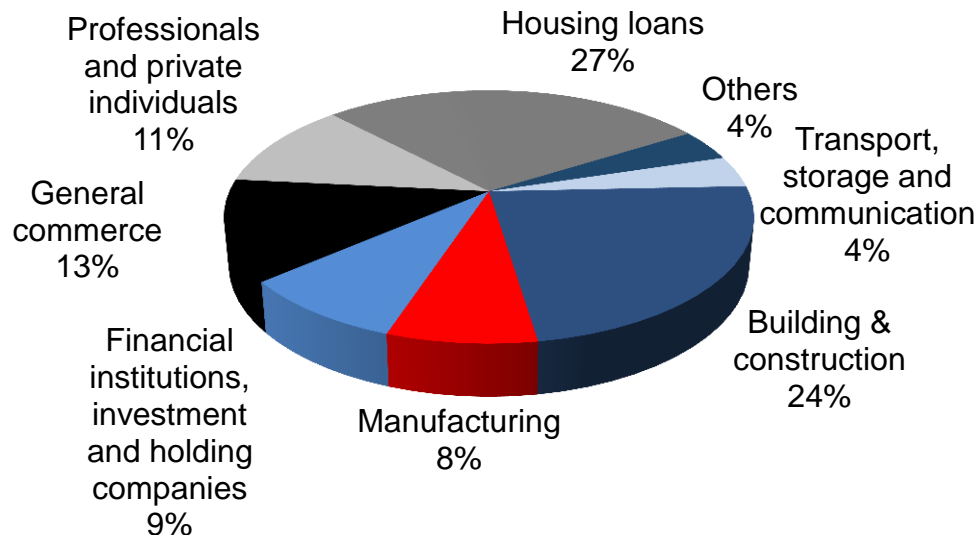
## Gross Customer Loans by Currency



## Gross Customer Loans by Maturity



## Gross Customer Loans by Industry



Note: Financial statistics as at 30 September 2018.

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).

# Strong Investment Grade Credit Ratings



**MOODY'S**  
INVESTORS SERVICE

**Aa1 / Stable / P-1**

- Capital good by global standards
- Deposit-funded and liquid balance sheet
- Traditional banking presence in Singapore, Malaysia and other markets



**AA- / Stable / A-1+**

- Well-established market position, strong funding and prudent management record
- Will maintain its capitalisation and asset quality while pursuing regional growth

**FitchRatings AA- / Stable / F1+**

- Sound capital and high loan-loss buffers
- Disciplined funding strategy, supported by its strong domestic franchise

## Debt Issuance History

| Issue Date               | Structure | Call | Coupon         | Amount  | Ratings (M/S/F) |
|--------------------------|-----------|------|----------------|---------|-----------------|
| <b>Additional Tier 1</b> |           |      |                |         |                 |
| Oct-17                   | Perpetual | 2023 | 3.875%         | USD650m | Baa1 / - /BBB   |
| May-16                   | Perpetual | 2021 | 4.00%          | SGD750m | Baa1 / - /BBB   |
| Nov-13                   | Perpetual | 2019 | 4.75%          | SGD500m | Baa1/BBB-/BBB   |
| <b>Tier 2</b>            |           |      |                |         |                 |
| Feb-17                   | 12NC7     | 2024 | 3.50%          | SGD750m | A3 / - / A+     |
| Sep-16                   | 10½NC5½   | 2022 | 2.88%          | USD600m | A3 / - / A+     |
| Mar-16                   | 10½NC5½   | 2021 | 3.50%          | USD700m | A3 / - / A+     |
| May-14                   | 12NC6     | 2020 | 3.50%          | SGD500m | A3 / BBB+ / A+  |
| Mar-14                   | 10½NC5½   | 2019 | 3.75%          | USD800m | A3 / BBB+ / A+  |
| <b>Senior Unsecured</b>  |           |      |                |         |                 |
| Jul-18                   | 3½yr FRN  | -    | BBSW 3m+0.81%  | AUD600m | Aa1 / AA- / AA- |
| Apr-18                   | 3yr FRN   | -    | 3m LIBOR+0.48% | USD500m | Aa1 / AA- / AA- |
| Apr-18                   | 3yr FXN   | -    | 3.20%          | USD700m | Aa1 / AA- / AA- |
| Nov-17                   | 1yr FRN   | -    | BBSW 3m+0.26%  | AUD400m | Aa1 / AA- / AA- |
| Apr-17                   | 4yr FRN   | -    | BBSW 3m+0.81%  | AUD300m | Aa1 / AA- / AA- |
| Sep-14                   | 5½yr FXN  | -    | 2.50%          | USD500m | Aa1 / AA- / AA- |
| <b>Covered</b>           |           |      |                |         |                 |
| Sep-18                   | 5yr FXN   | -    | 0.250%         | EUR500m | Aaa / AAA / -   |
| Feb-18                   | 5yr FRN   | -    | 3m LIBOR+0.24% | GBP350m | Aaa / AAA / -   |
| Jan-18                   | 7yr FXN   | -    | 0.500%         | EUR500m | Aaa / AAA / -   |
| Feb-17                   | 3yr FXN   | -    | 2.125%         | USD500m | Aaa / AAA / -   |
| Feb-17                   | 5yr FXN   | -    | 0.125%         | EUR500m | Aaa / AAA / -   |
| Mar-16                   | 5yr FXN   | -    | 0.250%         | EUR500m | Aaa / AAA / -   |

## Debt Maturity Profile

|              | 2018       | 2019         | 2020         | 2021         | 2022         | 2023         | 2024       | 2025       |
|--------------|------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
|              | SGDm       | SGDm         | SGDm         | SGDm         | SGDm         | SGDm         | SGDm       | SGDm       |
|              | -          | -            | -            | -            | -            | 889          | -          | -          |
|              | -          | -            | -            | 750          | -            | -            | -          | -          |
|              | -          | 500          | -            | -            | -            | -            | -          | -          |
|              | -          | -            | -            | -            | -            | -            | 750        | -          |
|              | -          | -            | -            | -            | 820          | -            | -          | -          |
|              | -          | -            | -            | 957          | -            | -            | -          | -          |
|              | -          | -            | 500          | -            | -            | -            | -          | -          |
|              | -          | 1,094        | -            | -            | -            | -            | -          | -          |
|              | -          | -            | -            | -            | 592          | -            | -          | -          |
|              | -          | -            | -            | 684          | -            | -            | -          | -          |
|              | -          | -            | -            | 957          | -            | -            | -          | -          |
|              | 395        | -            | -            | -            | -            | -            | -          | -          |
|              | -          | -            | -            | 296          | -            | -            | -          | -          |
|              | -          | -            | 684          | -            | -            | -            | -          | -          |
|              | -          | -            | -            | -            | -            | 794          | -          | -          |
|              | -          | -            | -            | -            | -            | 625          | -          | -          |
|              | -          | -            | -            | -            | -            | -            | -          | 794        |
|              | -          | -            | 684          | -            | -            | -            | -          | -          |
|              | -          | -            | -            | -            | 794          | -            | -          | -          |
|              | -          | -            | -            | 794          | -            | -            | -          | -          |
| <b>Total</b> | <b>395</b> | <b>1,594</b> | <b>1,867</b> | <b>4,438</b> | <b>2,207</b> | <b>2,308</b> | <b>750</b> | <b>794</b> |

The table comprises UOB's public rated issues; Maturities shown at first call date for AT1 and T2 notes; FXN: Fixed Rate Notes; FRN: Floating Rate Notes; Updated as of 5 Nov 2018. FX rates at 30 Sep 2018: USD 1 = SGD 1.37; AUD 1.01 = SGD 1; 1 GBP = SGD 1.79; EUR 1 = SGD 1.59.

# Sustainability Reporting a Multi-Year Journey, with Progress Recognised



**2017: 49**  
(Average)

**2016: 44**  
(Laggard)

Sustainalytics is the leading independent global provider of ESG<sup>1</sup> and corporate governance research and ratings to investors.



*“... UOB .... has satisfied the requirements to become a constituent of the FTSE4Good Index Series.”*

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG<sup>1</sup> practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.



## Singapore Ranking

**2017: 5th**

**2015: 27th**

CGIO<sup>2</sup> and SID<sup>3</sup> have been appointed by the Monetary Authority of Singapore (MAS) as Singapore's domestic ranking body for the ASEAN Corporate Governance Initiative.

Note: 2016 was a gap year for revision and no assessment was conducted.



## Best Inaugural Sustainability Report (Mainboard), 2017

The Singapore Sustainability Reporting Awards was organised by the SID<sup>3</sup>, and supported by Singapore Exchange.



## Leader Award

Organised by SG Enable, the award recognises committed employers who have done well in hiring and integrating persons with disabilities into their workforce.

1. ESG: Environmental, Social and Governance
2. CGIO: NUS Business School's Centre for Governance, Institutions and Organisations
3. SID: Singapore Institute of Directors



## 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
- 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
- Region is our future engine of growth

## Reinforce Fee Income Growth

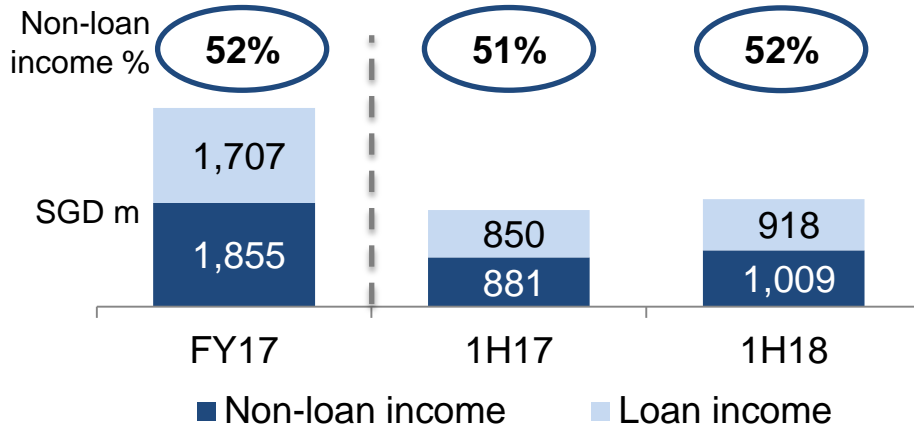
- Grow fee income to offset competitive pressures on loans and improve return on capital
- Increase client wallet share size by intensifying cross-selling efforts, focusing on service quality and expanding range of products and services

## Long-term Growth Perspective

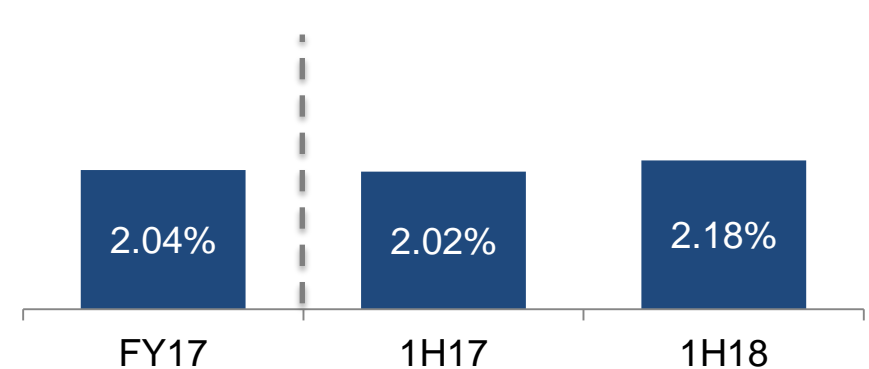
- Disciplined approach in executing growth strategy, balancing growth with stability
- Focus on risk adjusted returns; ensure balance sheet strength amidst global volatilities

# Wholesale Banking: Income Diversification Remains Key

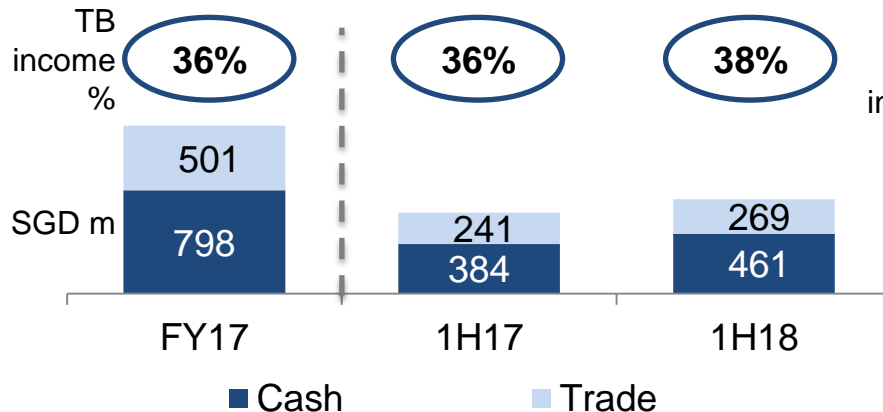
Non-loan income: +15% YoY in 1H18



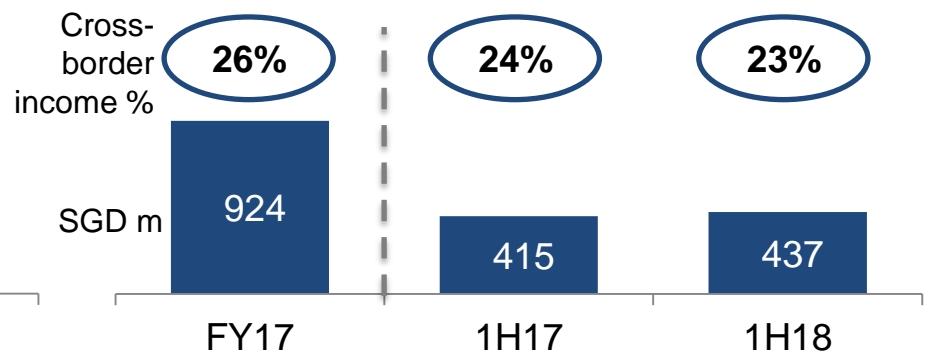
Segment RoRWA<sup>1</sup>: +0.16% pt YoY in 1H18



Transaction banking income: +17% YoY in 1H18



Cross-border income: +5% YoY in 1H18



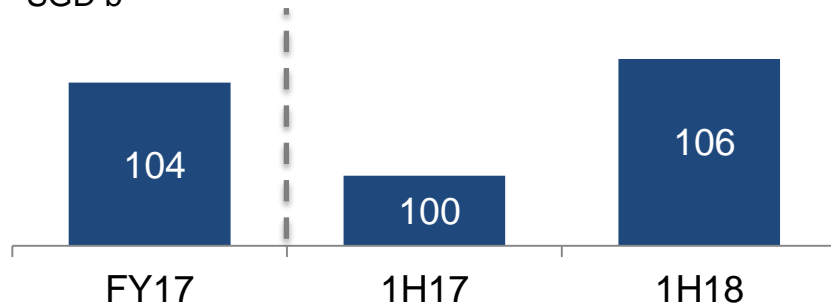
1. RoRWA: Ratio of "Operating profit" to "Average segment RWA"



# Retail Banking: Steady Improvement in Performance

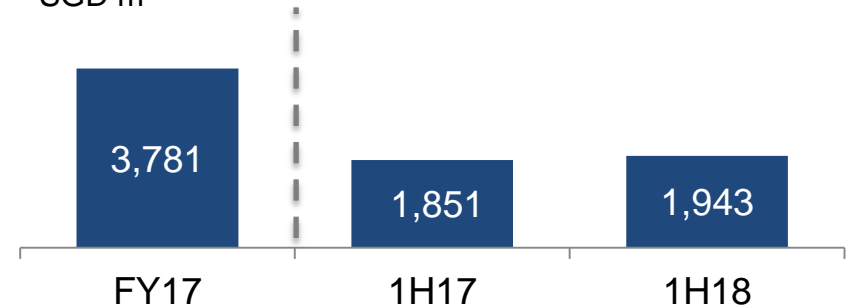
Gross Loans (Group Retail<sup>1</sup>): +6% YoY in 1H18

SGD b



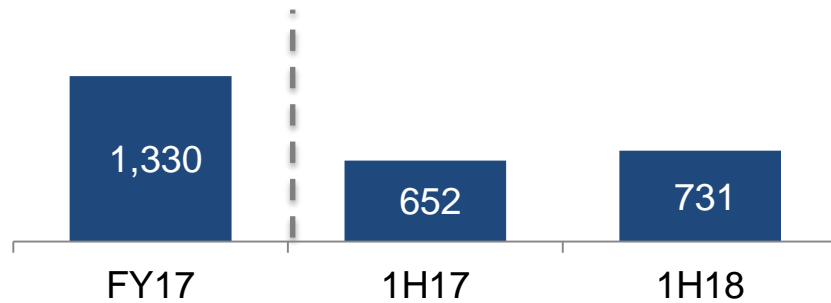
Income<sup>3</sup> (Group Retail<sup>1</sup>) +5% YoY in 1H18

SGD m

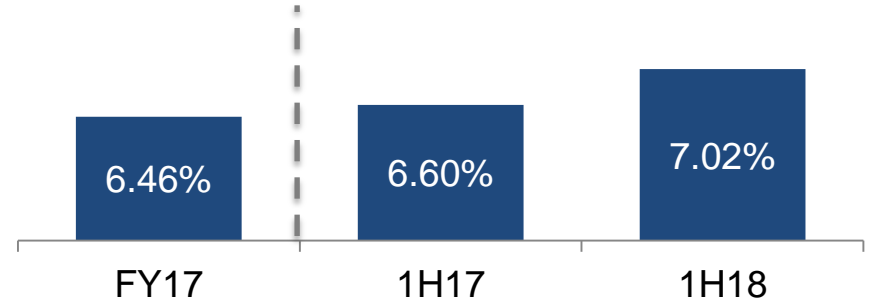


High Affluent<sup>2</sup> income: +12% YoY in 1H18

SGD m



Segment RoRWA<sup>4</sup> +0.42% pt YoY in 1H18



AUM SGD104 b    SGD99 b    SGD108 b

1. Includes Business Banking.
2. Wealth management comprises Privilege Banking and High Net Worth (Privilege Reserve + Private Bank) segments.
3. Income includes fee and commission income that is net of directly attributable expenses.
4. RoRWA: Ratio of "Operating profit" to "Average segment RWA"

## The retail banking future

### Digital Banking ~~or~~ and Digital Bank

- Digital banking (omni-channel) and the digital bank (mobile only): distinct and will co-exist
- Data-centric digital banks will drive **unprecedented** disruption globally
- **Opportunities** will open for progressive banks, big techs and FinTechs
- **Emerging** capabilities to power this will **accelerate**

## The new business model

### From “Cross-selling to Engaging”

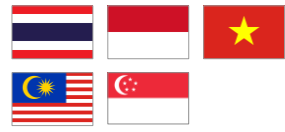
- The data-centric Digital Bank’s advantage: **Digital Engagement**
- A unique business model: **ATGIE**
  - **A**cquire
  - **T**ransact
  - **G**enerate data
  - **I**nsight
  - **E**ngage
- Lower cost-to-serve and increased access will drive large-scale **financial inclusion**

## The new Digital Bank

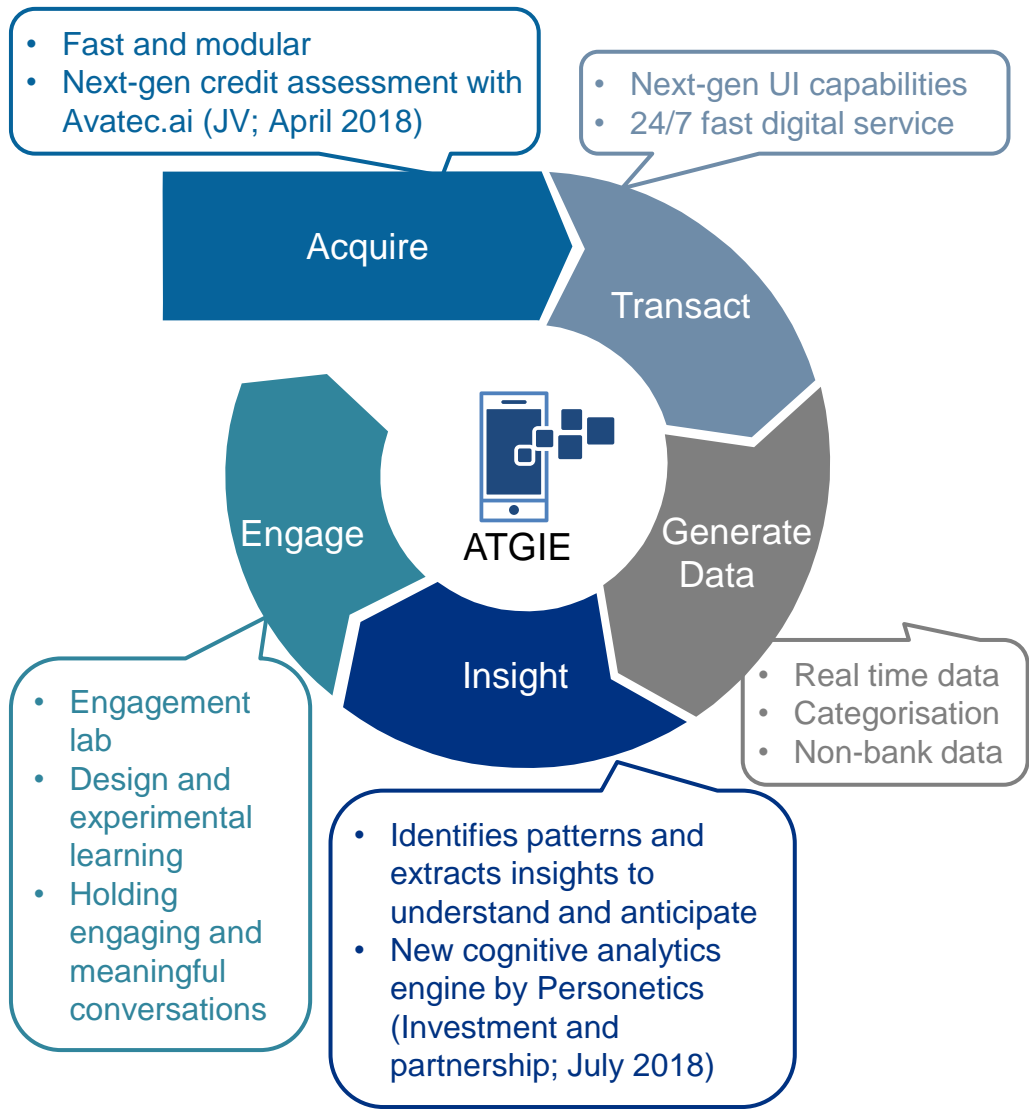
### Making it Simple, Engaging and Transparent

- **Simple**  
Intuitive user interface, remembers you, fast and fully digital experience
- **Engaging**  
Anticipates your needs and prompts you towards smarter spending and saving habits
- **Transparent**  
Promotes openness and engenders trust

# Achieving our Goals for Digital Bank

|  |                          |   |
|--|--------------------------|---|
|  <p><b>Countries</b></p> | <p><b>5</b></p>          | <p>Scaling our regional franchise</p>                 |
| <p><b>Target customers</b></p>   | <p><b>3–5m</b></p>       | <p>Mobile savvy</p>                                   |
| <p><b>Engagement</b></p>   | <p><b>&gt;7 / 10</b></p> | <p>Customer Engagement Index</p>                      |
| <p><b>Steady-state cost/income ratio</b></p>   | <p><b>~35%</b></p>       | <p>Leveraging process redesign &amp; digitisation</p> |

## Powering the Digital Bank for Engagement



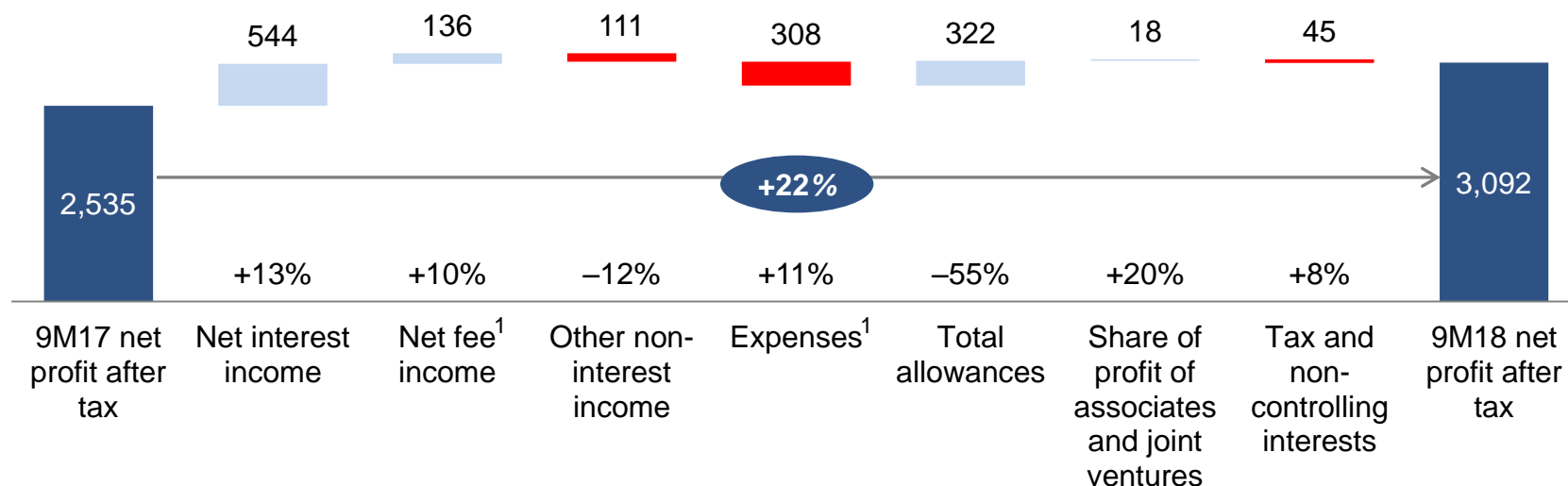


# Latest Financials

# 9M18 Financial Overview

## Net Profit After Tax (NPAT) Movement, 9M18 vs 9M17

(SGD m)



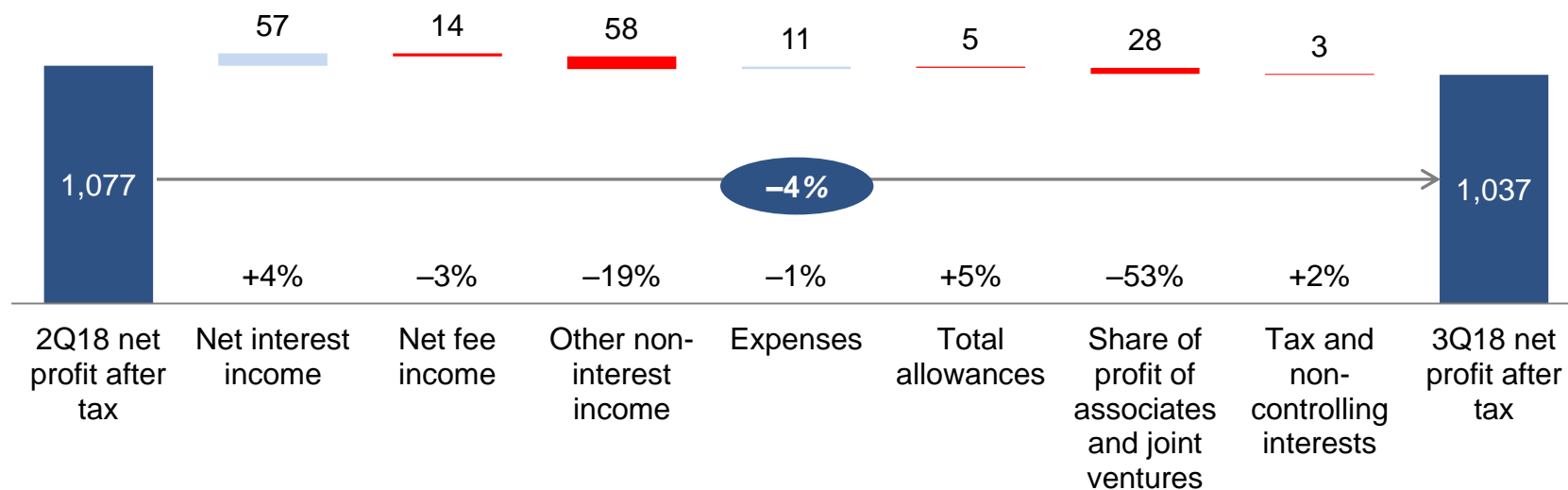
| Key Indicators                                  | 9M18 | 9M17 | YoY Change |
|---|------|------|------------|
| Net interest margin (%) <sup>2</sup>            | 1.83 | 1.76 | +0.07% pt  |
| Non-interest income / Income (%)                | 33.2 | 35.8 | (2.6) pt   |
| Cost / Income ratio (%)                         | 43.8 | 42.8 | +1.0% pt   |
| Return on equity (%) <sup>2,3</sup>             | 11.6 | 10.3 | +1.3% pt   |
| Return on risk-weighted assets (%) <sup>2</sup> | 2.02 | 1.60 | +0.42% pt  |

1. Fee income and expenses have been restated where expenses directly attributable to fee income are presented net of fee income.
2. Computed on an annualised basis.
3. Calculated based on profit attributable to equity holders of the Bank, net of perpetual capital securities distributions.

# 3Q18 Financial Overview

## Net Profit After Tax (NPAT) Movement, 3Q18 vs 2Q18

(SGD m)



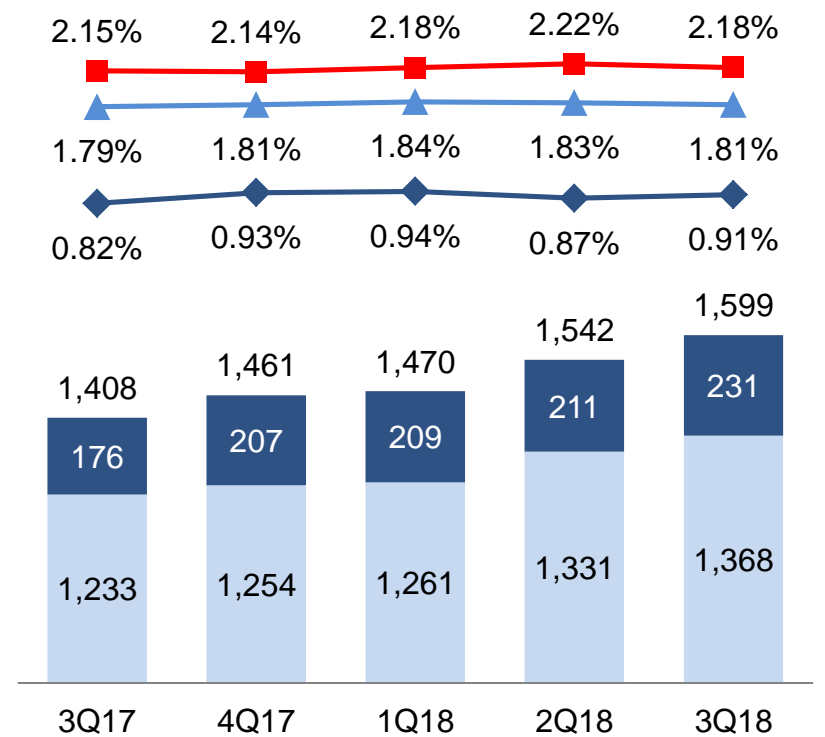
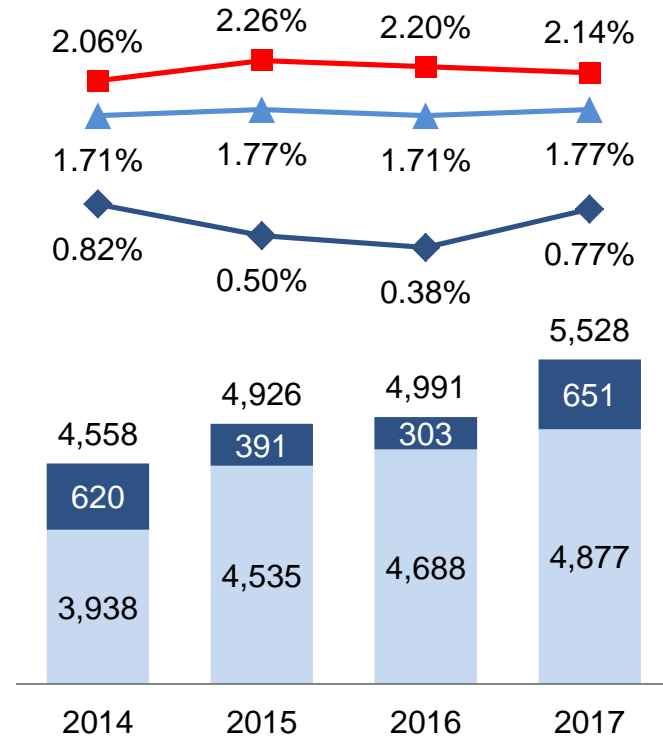
| Key Indicators                                  | 3Q18 | 2Q18 | QoQ Change | 3Q17 | YoY Change |
|---|------|------|------------|------|------------|
| Net interest margin (%) <sup>1</sup>            | 1.81 | 1.83 | (0.02) pt  | 1.79 | +0.02% pt  |
| Non-interest income / Income (%)                | 31.3 | 34.2 | (2.9) pt   | 34.9 | (3.6) pt   |
| Cost / Income ratio (%)                         | 43.4 | 43.6 | (0.2) pt   | 41.6 | +1.8% pt   |
| Return on equity (%) <sup>1,2</sup>             | 11.7 | 12.1 | (0.4) pt   | 10.5 | +1.2% pt   |
| Return on risk-weighted assets (%) <sup>1</sup> | 1.99 | 2.13 | (0.14) pt  | 1.69 | +0.30% pt  |

1. Computed on an annualised basis.

2. Calculated based on profit attributable to equity holders of the Bank, net of perpetual capital securities distributions.

# Volume Sustained Growth in Net Interest Income; Margin Stable

## Net Interest Income and Net Interest Margin



Net interest income – loans (SGD m)

Net loan margin (%) \*

Overall net interest margin (%) \*

Net interest income – interbank & securities (SGD m)

Net interbank & securities margin (%) \*

\* Computed on an annualised basis, where applicable.

# Broad-based Increase in Loan Portfolio



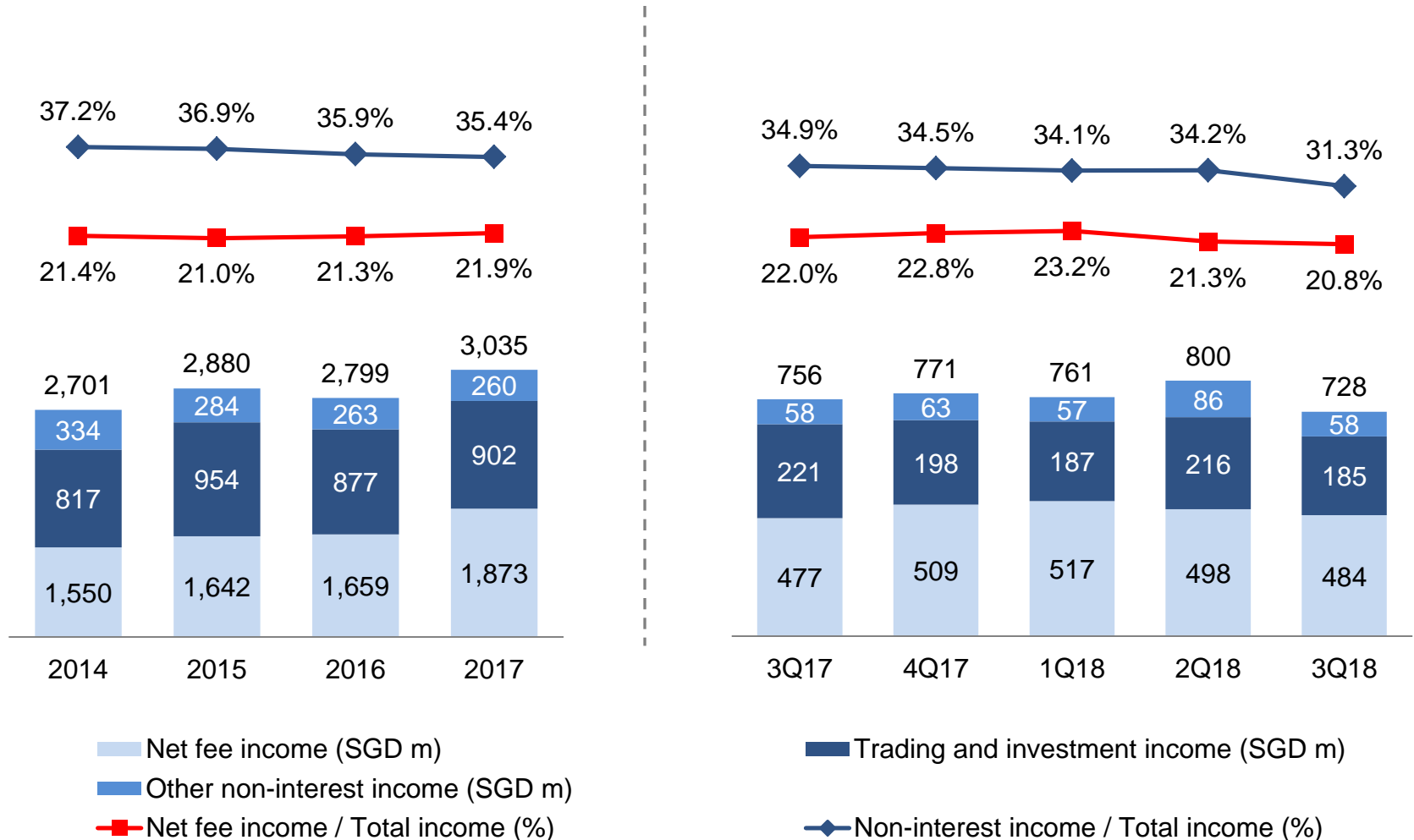
|  | Sep-18<br>SGD b | Jun-18<br>SGD b | QoQ<br>+/(–)<br>% | Sep-17<br>SGD b | YoY<br>+/(–)<br>% |
|--|-----------------|-----------------|-------------------|-----------------|-------------------|
| <b>Gross Loans</b>                                     |                 |                 |                   |                 |                   |
| <b><i>By Geography</i></b>                             |                 |                 |                   |                 |                   |
| Singapore  | 133             | 131             | +2                | 127             | +5                |
| Regional:  | 95              | 94              | +2                | 84              | +14               |
| <i>Malaysia</i>  | 29              | 29              | –0                | 26              | +11               |
| <i>Thailand</i>  | 16              | 16              | +4                | 14              | +13               |
| <i>Indonesia</i>                                       | 11              | 11              | +2                | 11              | –1                |
| <i>Greater China</i>                                   | 39              | 38              | +2                | 32              | +23               |
| Others   | 27              | 25              | +5                | 23              | +15               |
| <b>Total</b>   | <b>255</b>      | <b>250</b>      | <b>+2</b>         | <b>234</b>      | <b>+9</b>         |
| <b><i>By Industry</i></b>                              |                 |                 |                   |                 |                   |
| Transport, storage and communication                   | 10              | 10              | +4                | 10              | +3                |
| Building and construction                              | 60              | 58              | +4                | 54              | +12               |
| Manufacturing  | 22              | 22              | –1                | 19              | +13               |
| Financial institutions, investment & holding companies | 23              | 22              | +5                | 18              | +25               |
| General commerce                                       | 32              | 31              | +3                | 30              | +7                |
| Professionals and private individuals                  | 29              | 29              | +0                | 28              | +4                |
| Housing loans  | 68              | 67              | +1                | 64              | +6                |
| Others   | 12              | 12              | +2                | 12              | +2                |
| <b>Total</b>   | <b>255</b>      | <b>250</b>      | <b>+2</b>         | <b>234</b>      | <b>+9</b>         |

Note: 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).



# Non-Interest Income Softened with Subdued Market Conditions

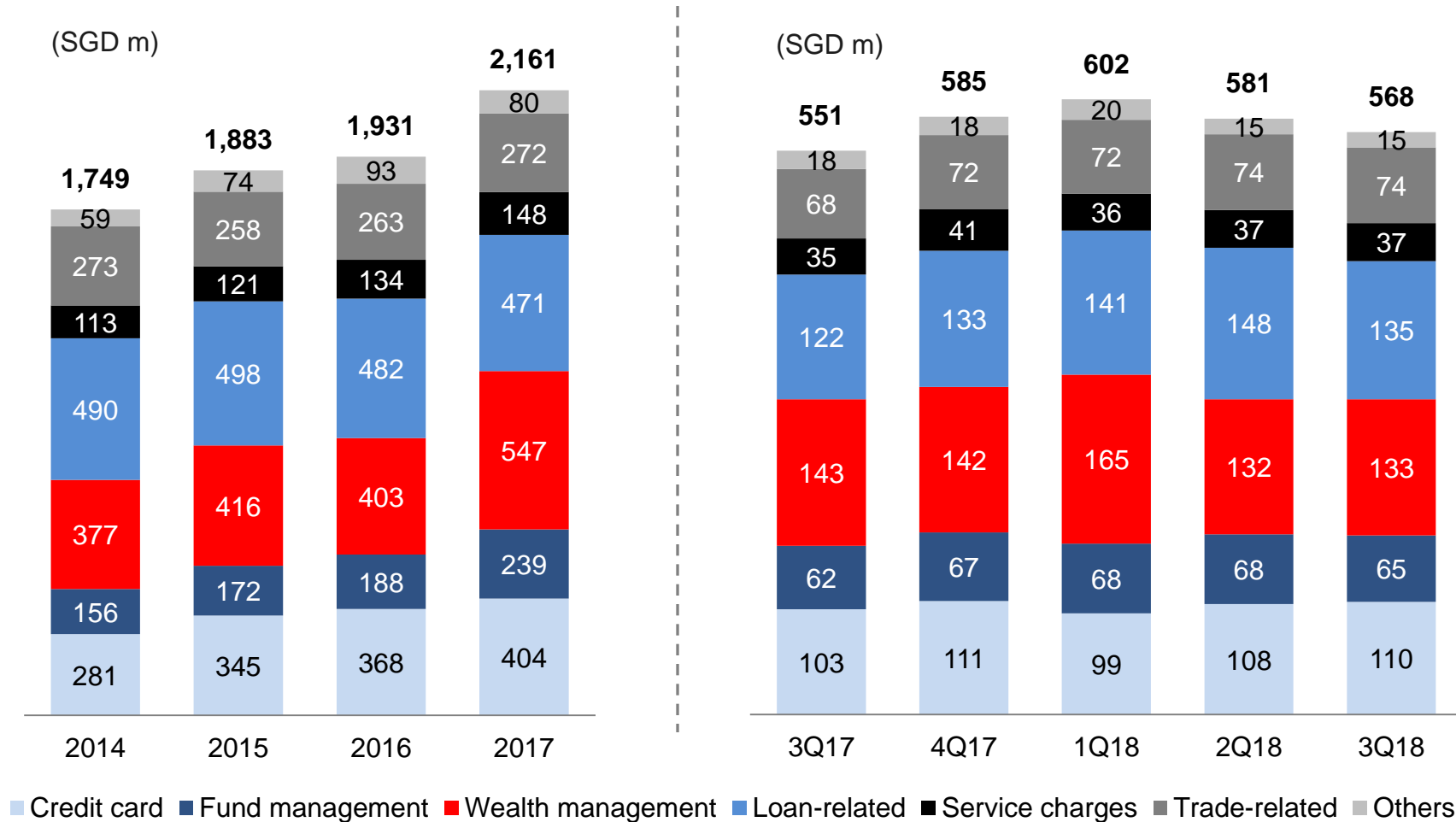
## Non-Interest Income and as a % of Total Income



Note: Fee income has been restated where the amounts are net of expenses directly attributable to fee income.

# Broad-based Focus in Fee Income

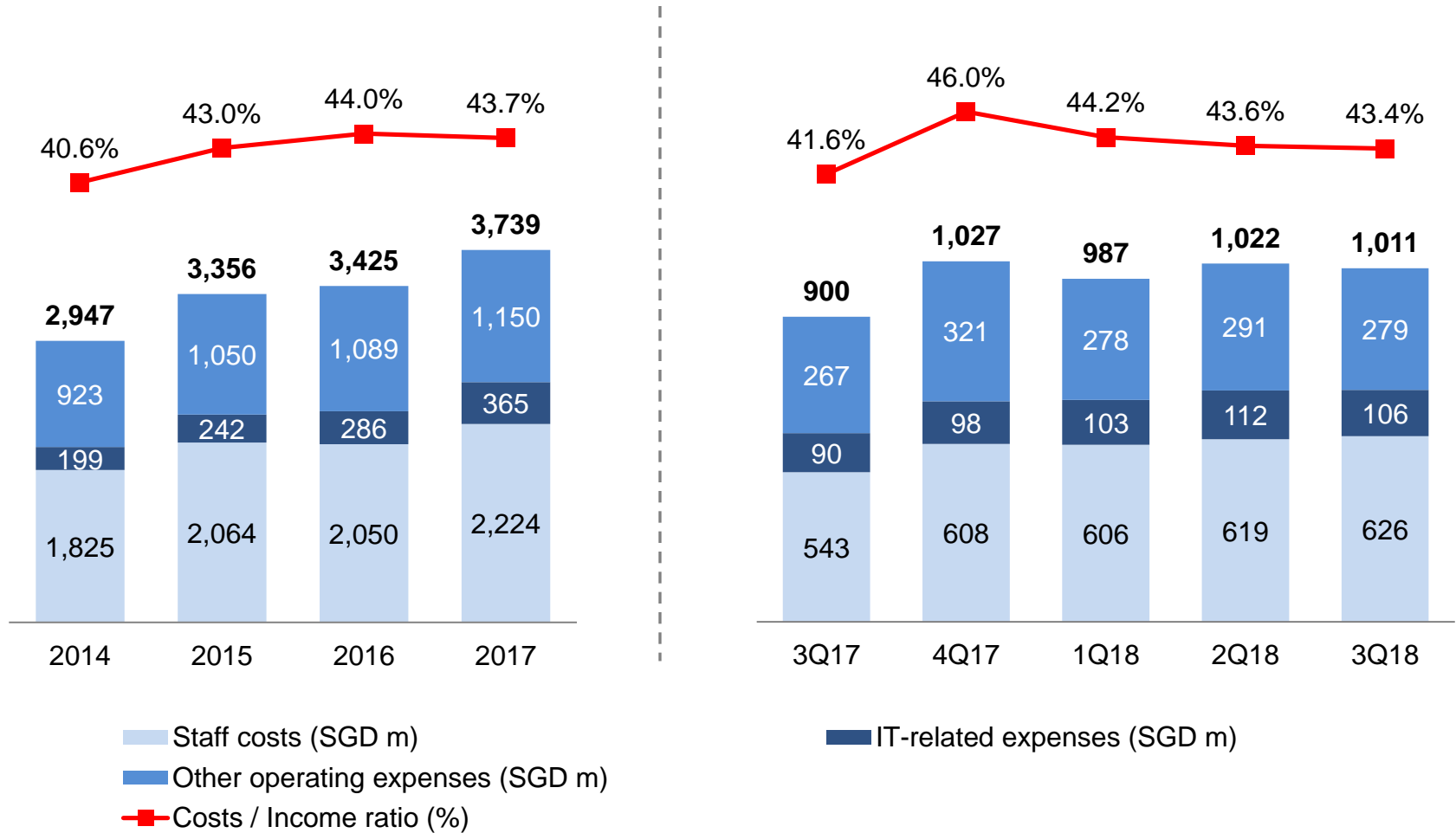
## Breakdown of Fee Income



Note: The amounts represent fee income on a gross basis.

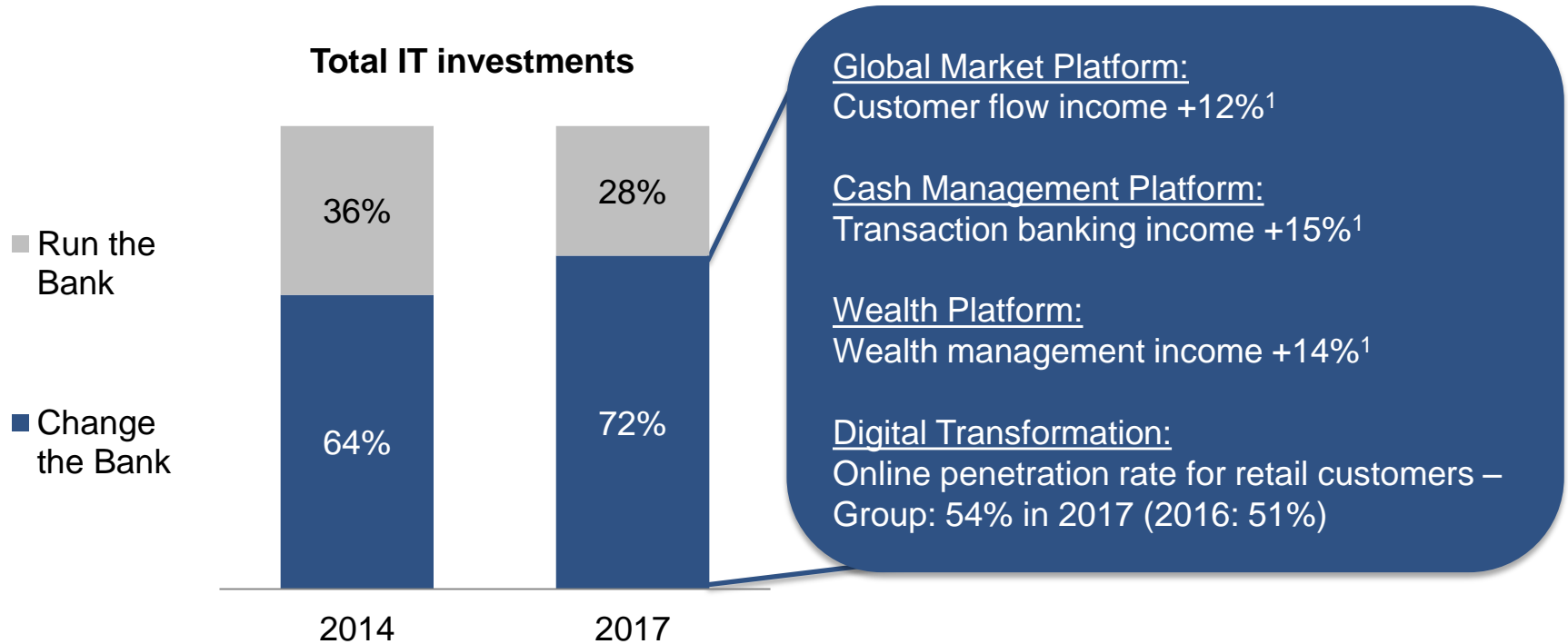
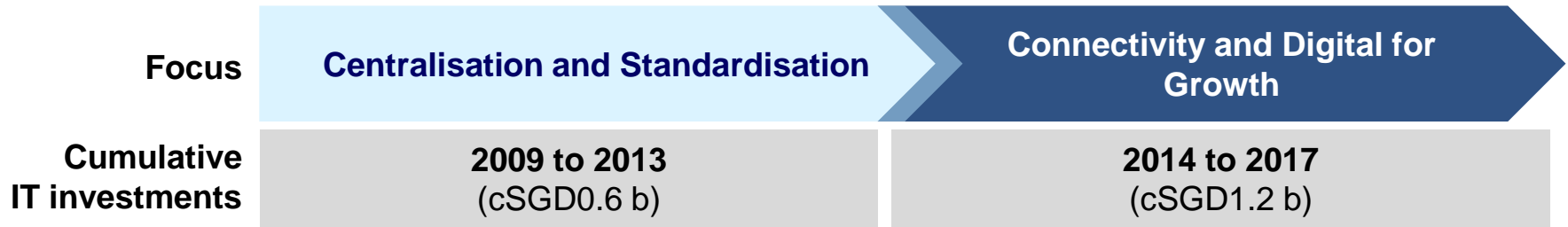
# Pacing Growth in Operating Expenses, with Maintaining a Stable CIR

## Operating Expenses and Costs / Income Ratio



Note: Expenses have been restated where the amounts no longer include expenses directly attributable to fee income.

# IT Investments Shifting Towards “Changing the Bank”



1. CAGR computed over 4 years (2013 to 2017)

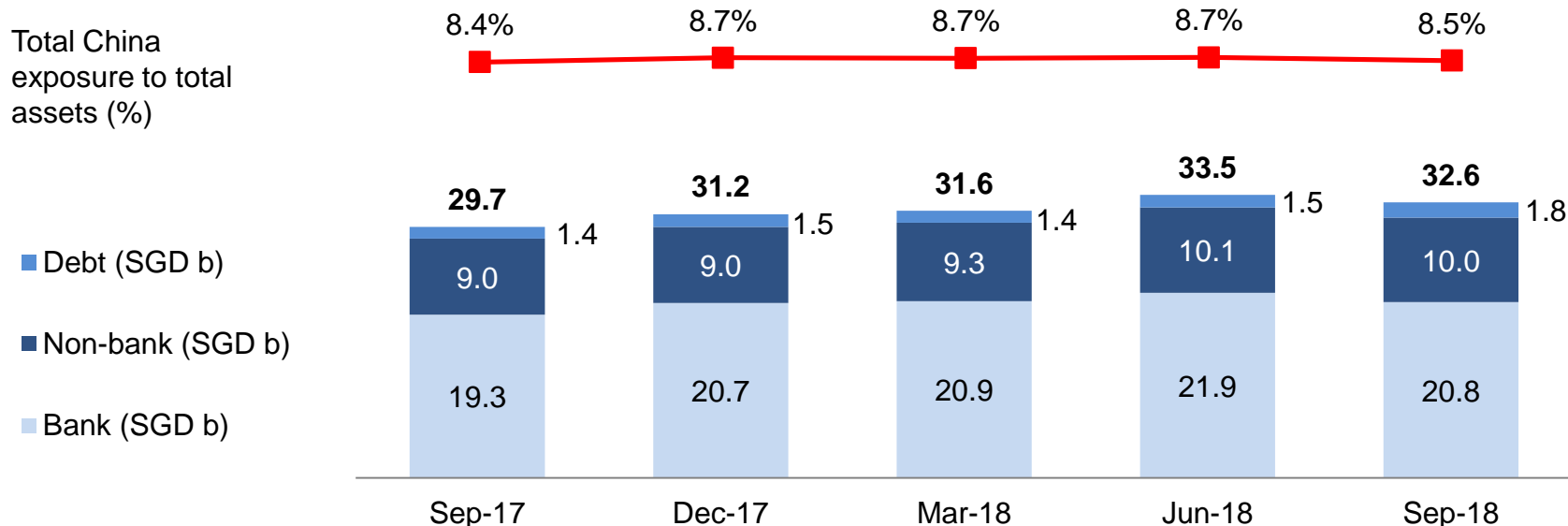
# Exposure to China

## Bank exposure as of 30 September 2018

- Bank exposure accounted for 65% of total exposure to China
- Top 5 domestic banks and 3 policy banks accounted for 70% of total bank exposure
- 99% with <1 year tenor
- Trade exposures mostly with bank counterparties, representing about half of bank exposure

## Non-bank exposure as of 30 September 2018

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio at 0.5%
- 50% denominated in RMB
- 50% with <1 year tenor



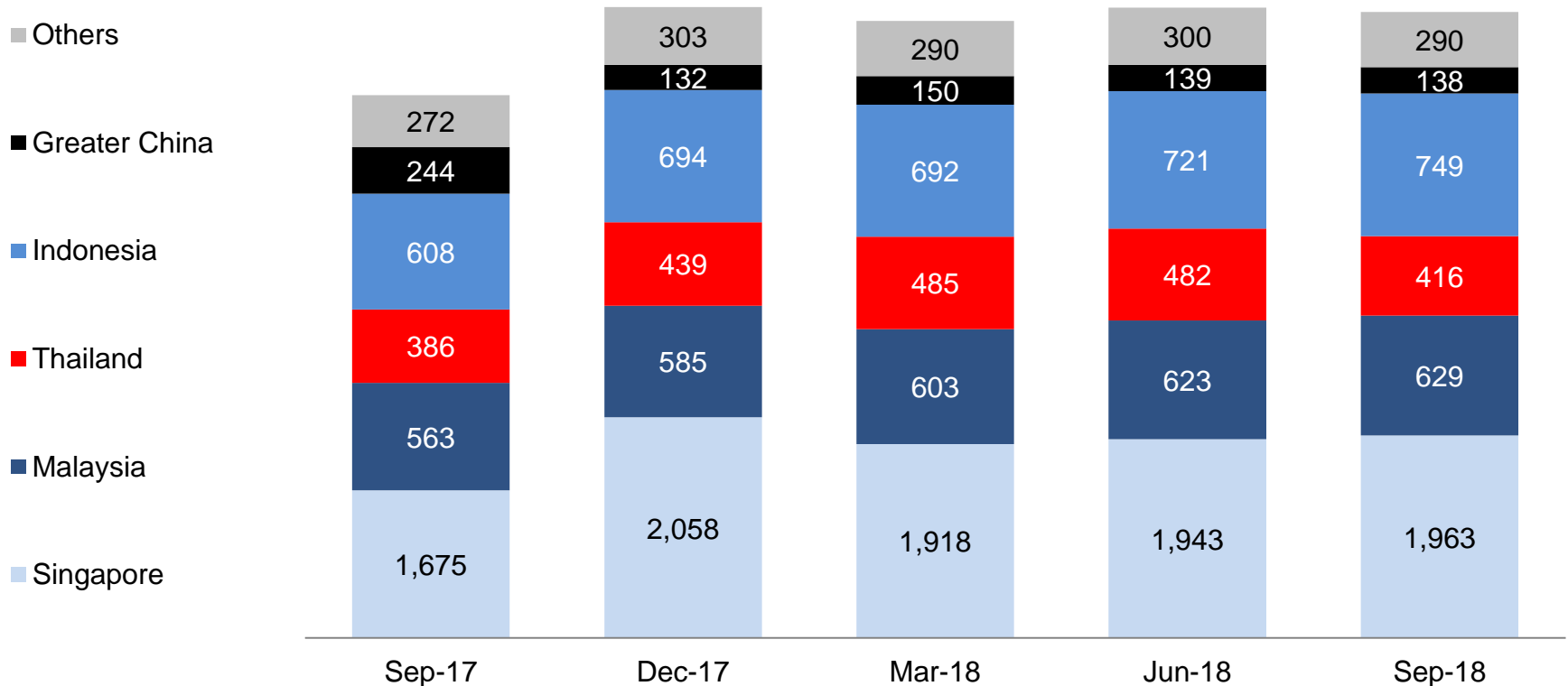
Note: Classification is according to where credit risks reside, largely represented by the borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

# Stable New NPA Formation

| (SGD m)                               | 3Q16  | 4Q16  | 1Q17  | 2Q17  | 3Q17  | 4Q17  | 1Q18  | 2Q18  | 3Q18  |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>NPA at start of period</b>         | 3,164 | 3,632 | 3,480 | 3,543 | 3,587 | 3,919 | 4,389 | 4,323 | 4,404 |
| New NPA                               | 780   | 387   | 424   | 537   | 799   | 1,167 | 416   | 436   | 475   |
| Upgrades, recoveries and translations | (201) | (320) | (293) | (255) | (369) | (354) | (310) | (212) | (398) |
| Write-offs                            | (111) | (219) | (68)  | (238) | (98)  | (343) | (172) | (143) | (107) |
| <b>NPA at end of period</b>           | 3,632 | 3,480 | 3,543 | 3,587 | 3,919 | 4,389 | 4,323 | 4,404 | 4,374 |

# NPL Ratio Improved to 1.6%

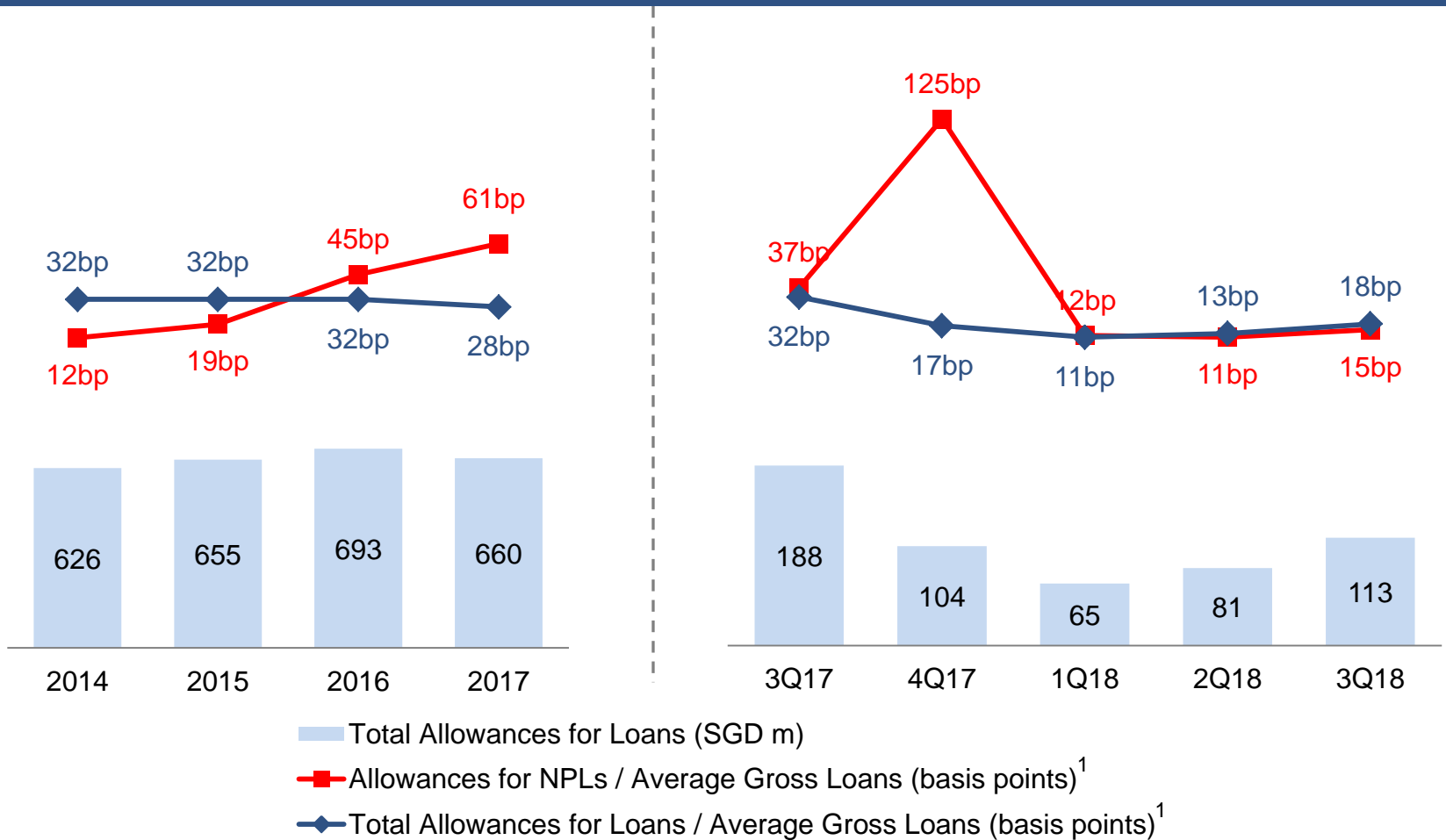
|              |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
| NPL ratio    | 1.6%  | 1.8%  | 1.7%  | 1.7%  | 1.6%  |
| NPLs (SGD m) | 3,748 | 4,211 | 4,138 | 4,208 | 4,185 |



Note: 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).

# Credit Costs Inching up to More Normalised Level

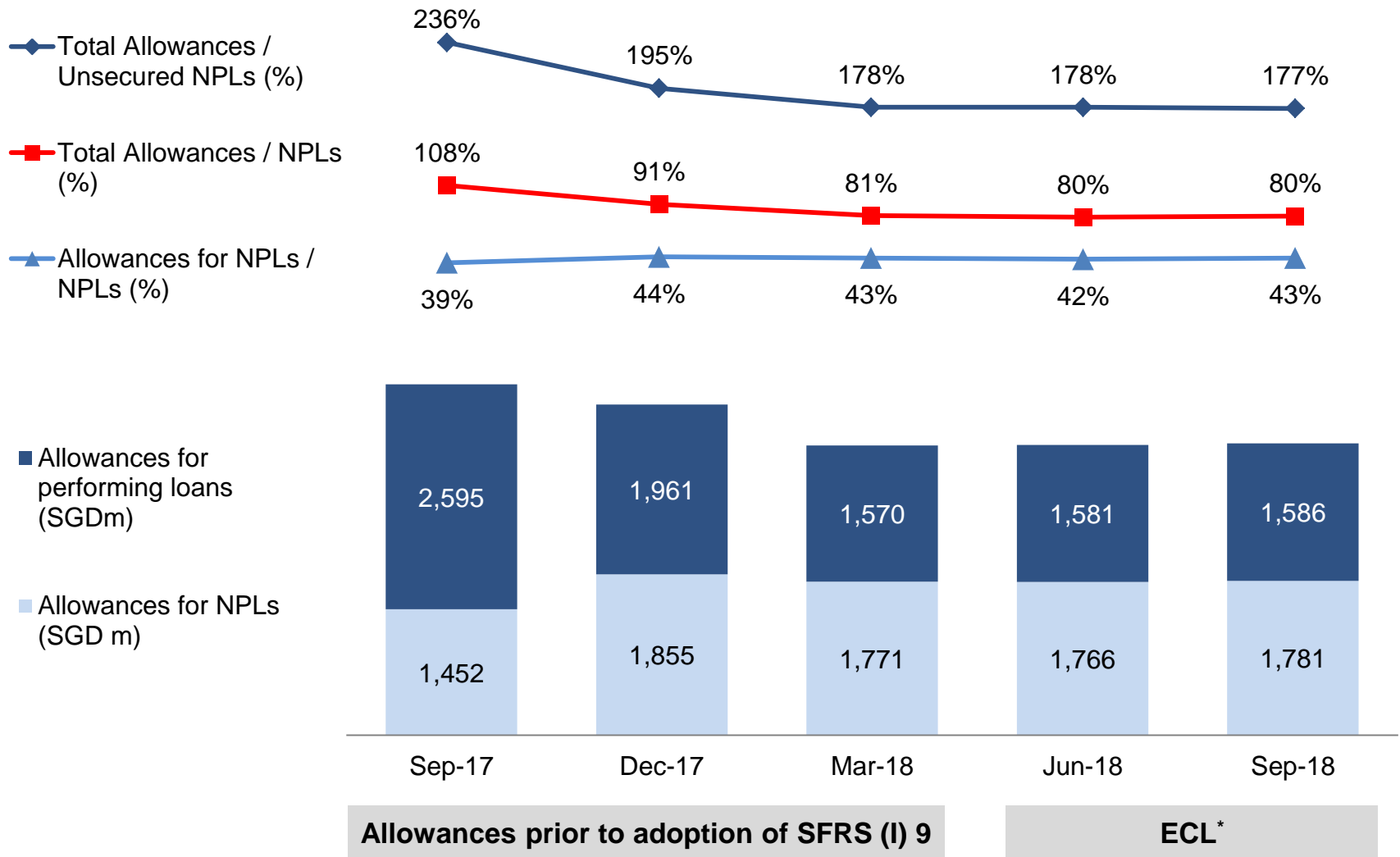
## Allowances for Loans



1. Computed on an annualised basis, where applicable.

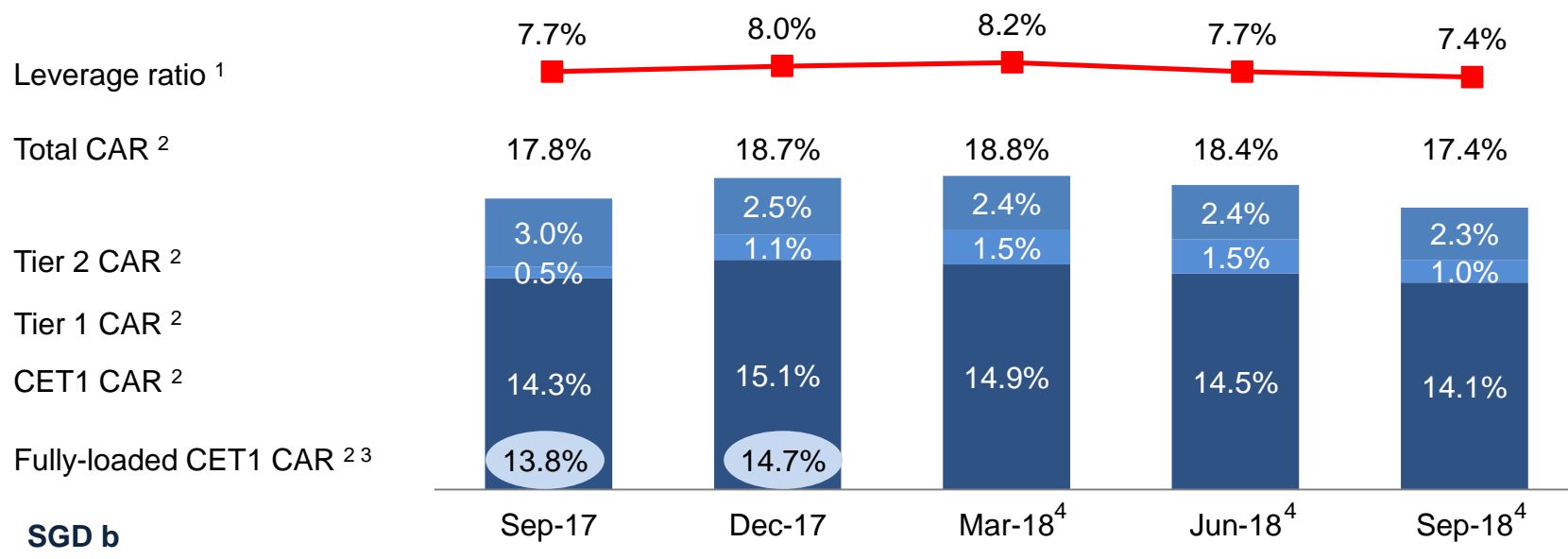


# Adequate NPL Reserve Coverage Ratios



\* ECL: Expected credit losses under Singapore Financial Reporting Standards (International) 9: Financial Instruments

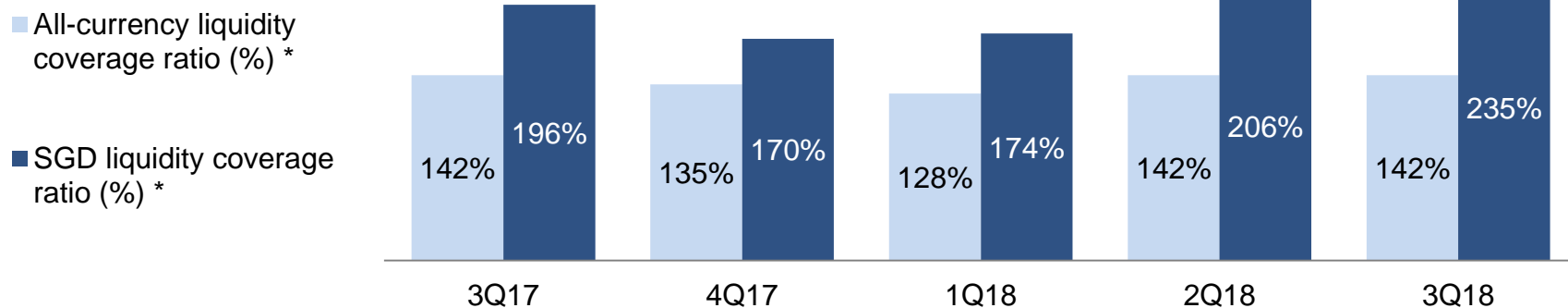
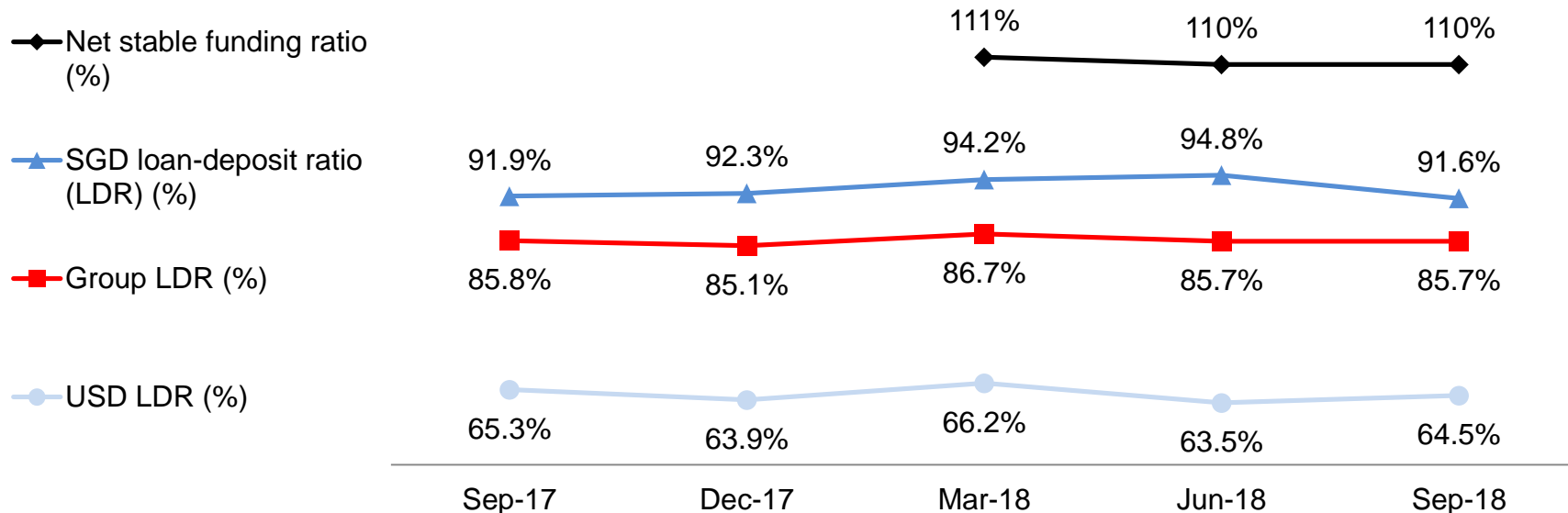
# Strong Capital and Leverage Ratios



| <b>SGD b</b>                 | Sep-17 | Dec-17 | Mar-18 <sup>4</sup> | Jun-18 <sup>4</sup> | Sep-18 <sup>4</sup> |
|------------------------------|--------|--------|---------------------|---------------------|---------------------|
| Common Equity Tier 1 Capital | 29     | 30     | 30                  | 30                  | 30                  |
| Tier 1 Capital               | 31     | 32     | 33                  | 33                  | 32                  |
| Total Capital                | 37     | 37     | 38                  | 38                  | 37                  |
| Risk-Weighted Assets         | 206    | 199    | 202                 | 206                 | 213                 |
| <i>Credit</i>                | 180    | 176    | 179                 | 182                 | 188                 |
| <i>Market</i>                | 13     | 9      | 9                   | 10                  | 10                  |
| <i>Operational</i>           | 14     | 14     | 14                  | 14                  | 15                  |

1. Leverage ratio is calculated based on the revised MAS Notice 637.
2. CAR: Capital adequacy ratio
3. Fully phased in, as per Basel III rules.
4. All capital ratios are fully-phased in from 2018 onwards.

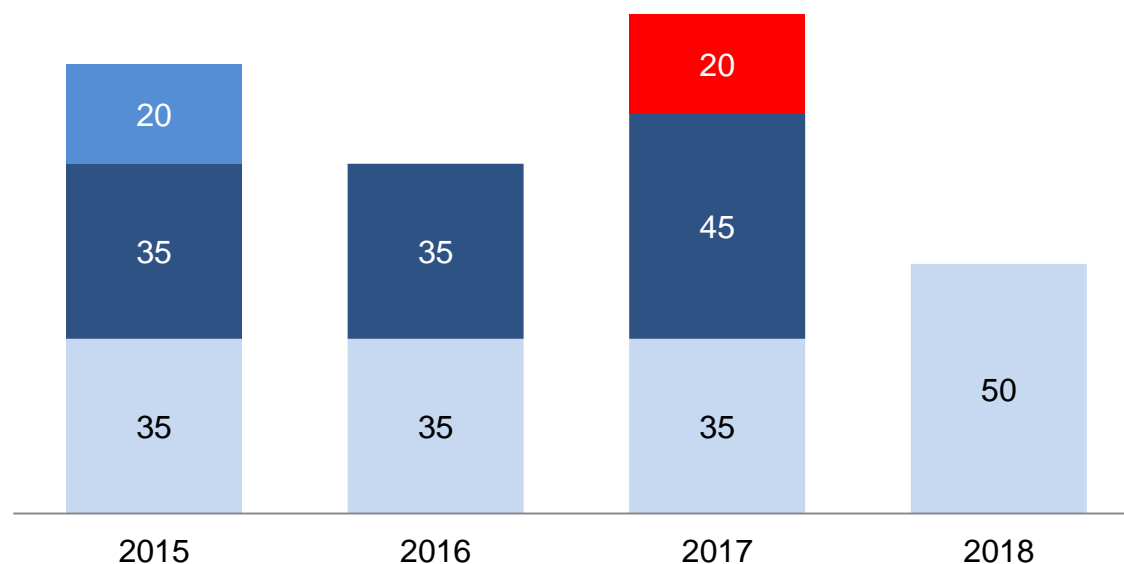
# Stable Liquidity and Funding Position



\* Liquidity coverage ratios are computed on a quarterly average basis

Note: Net stable funding ratio is a new regulatory requirement from 2018 onwards

# Higher Interim Dividend for 2018



| Net dividend per ordinary share (¢)                    | Interim | Final | Special | UOB 80th Anniversary |
|--|---------|-------|---------|----------------------|
| Payout amount (SGD m)                                  | 1,444   | 1,135 | 1,661   | 835                  |
| Payout ratio (%)                                       | 45      | 37    | 49      | 41                   |
| Payout ratio (excluding special/one-off dividends) (%) | 35      | 37    | 39      | 41                   |

**Note:** The Scrip Dividend Scheme was applied to UOB 80<sup>th</sup> Anniversary dividend for the financial year 2015; interim and final dividends for the financial year 2016; as well as interim, final and special dividends for the financial year 2017. The Scheme provides shareholders with the option to receive Shares in lieu of the cash amount of any dividend declared on their holding of Shares. For more details, please refer to [http://www.uobgroup.com/investor/stock/dividend\\_history.html](http://www.uobgroup.com/investor/stock/dividend_history.html).

# Thank You

