



UOB Group

For the Nine Months / Third Quarter Ended 30 September 2018

Financial Highlights

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26 October 2018



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Highlights

Resilient earnings supported by strong balance sheet

9M18 earnings of \$3.09 billion ▲ 22% YoY

3Q18 earnings at \$1.04 billion ▲ 17% YoY; ▼ 4% QoQ

- Total income rose 9% to \$6.9 billion led by strong growth in both net interest income and net fee and commission income
- Assets quality stable with improved NPL ratio
- Return on risk-weighted assets at 2%
- CET1 at 14.1%; LCR at 142% and NSFR at 110%

New high nine months earnings surpassing \$3 billion

	9M18 \$m	9M17 \$m	YoY +/- \$m	% %	
Net interest income	4,612	4,067	544	13	▲
Net fee income	1,500	1,364	136	10	▲
Other Non-NII	789	900	(111)	(12)	▼
Total income	6,901	6,331	569	9	▲
Less: Total expenses	3,019	2,712	308	11	▲
Operating profit	3,881	3,619	262	7	▲
Less: Total allowances	265	587	(322)	(55)	▼
Add: Assoc & JV	106	88	18	20	▲
Net profit	3,092	2,535	557	22	▲

- Net interest income (NII) rose 13% lifted by higher net interest margin and healthy loan growth.
- Higher net fee income driven by strong growth in loan-related, fund management, credit card and wealth management fees.
- Lower Non-NII mainly due to lower net gains from investment securities and trading income.
- Expenses increased due to higher performance-related staff costs and IT-related investments.
- Allowances more than halved.

Third quarter earnings exceeding \$1 billion

	3Q18 \$m	3Q17 \$m	YoY +/- \$m	%
Net interest income	1,599	1,408	191	14 ▲
Net fee income	484	477	7	2 ▲
Other Non-NII	244	279	(35)	(13) ▼
Total income	2,327	2,164	163	8 ▲
Less: Total expenses	1,011	900	111	12 ▲
Operating profit	1,317	1,265	52	4 ▲
Less: Total allowances	95	221	(126)	(57) ▼
Add: Assoc & JV	25	29	(5)	(16) ▼
Net profit	1,037	883	154	17 ▲

- Higher net interest income driven by healthy loan growth and net interest margin uplift of 2bps.
- Higher net fee income due to broad-based growth in loan-related, credit card and trade-related fees.
- Expenses increased due to staff costs and IT investments.
- Allowances more than halved.

Net earnings 4% lower QoQ

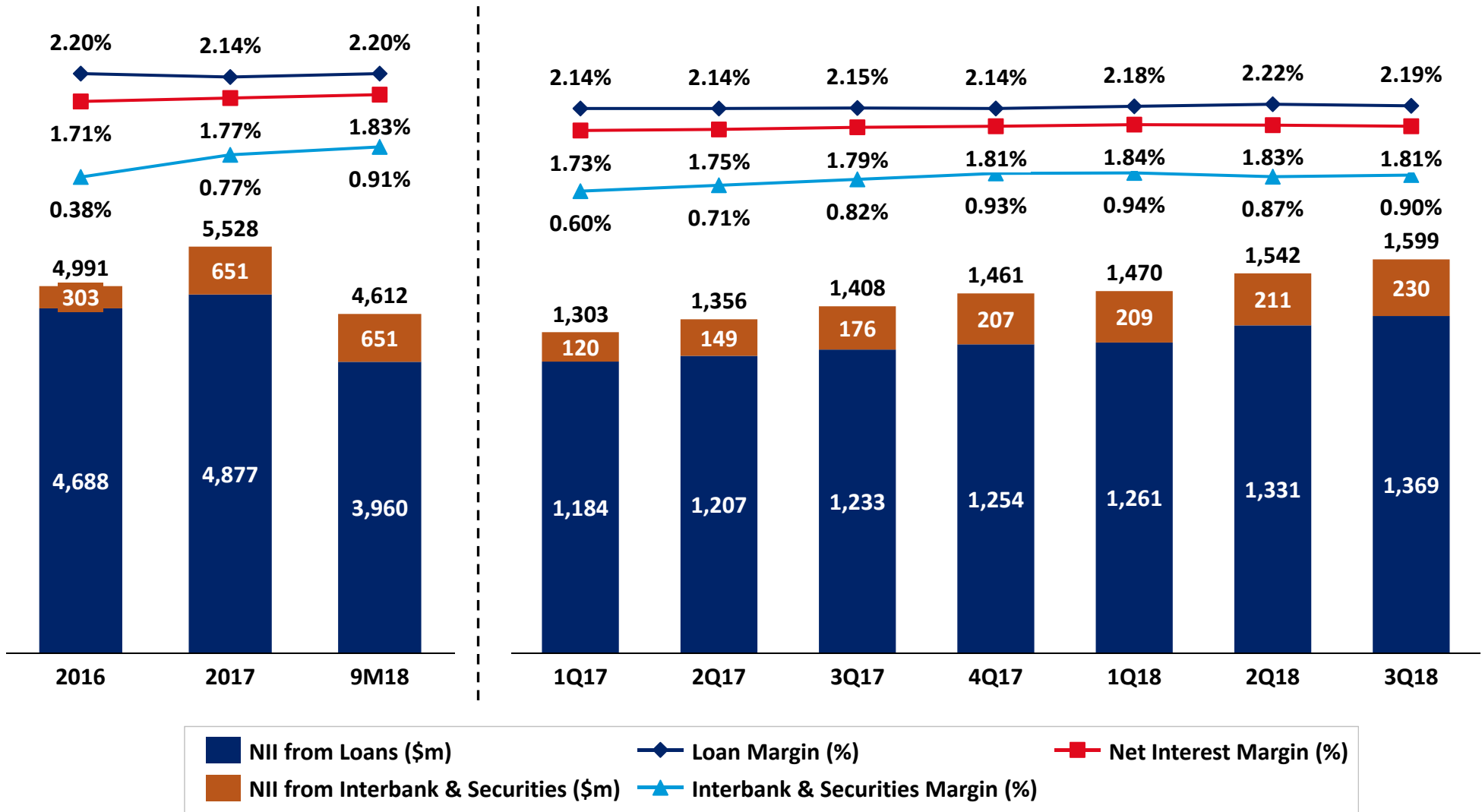
	3Q18 \$m	2Q18 \$m	QoQ +/- \$m	+ / (-) %
Net interest income	1,599	1,542	57	4 ▲
Net fee income	484	498	(14)	(3) ▼
Other Non-NII	244	302	(58)	(19) ▼
Total income	2,327	2,342	(15)	(1) ▼
Less: Total expenses	1,011	1,022	(11)	(1) ▼
Operating profit	1,317	1,320	(4)	(0) ▼
Less: Total allowances	95	90	5	5 ▲
Add: Assoc & JV	25	52	(28)	(53) ▼
Net profit	1,037	1,077	(39)	(4) ▼

Slight decline in net profit due to:

- Lower contributions from associates due to non-recurring gains LQ
- Allowances increased marginally by 5%.

Higher NII lifted by stable margin and loan growth

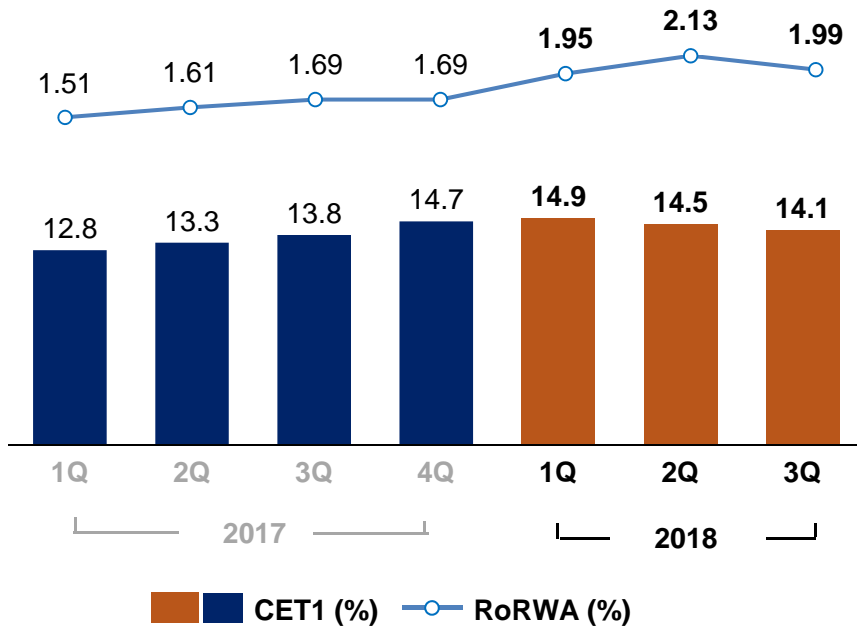
Net Interest Income (NII) and Margin



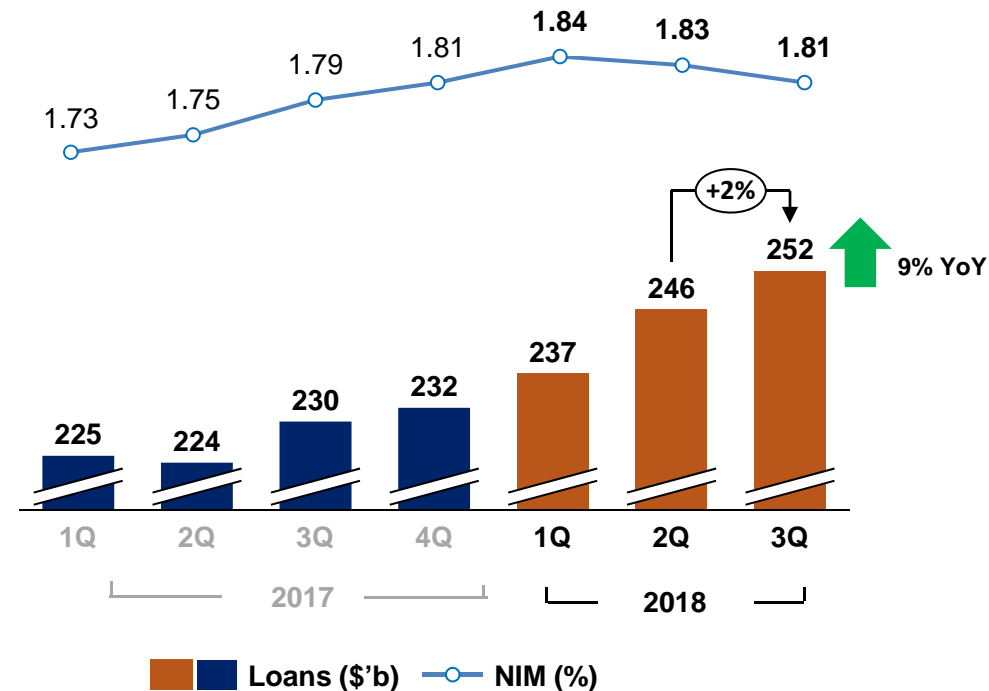
Leverage strong capital position to drive loan growth on the back of rising interest rate environment

Well positioned to tap on opportunities for NII growth

Strong capital base and improvement in RoRWA



Steady loan momentum and healthy NIM

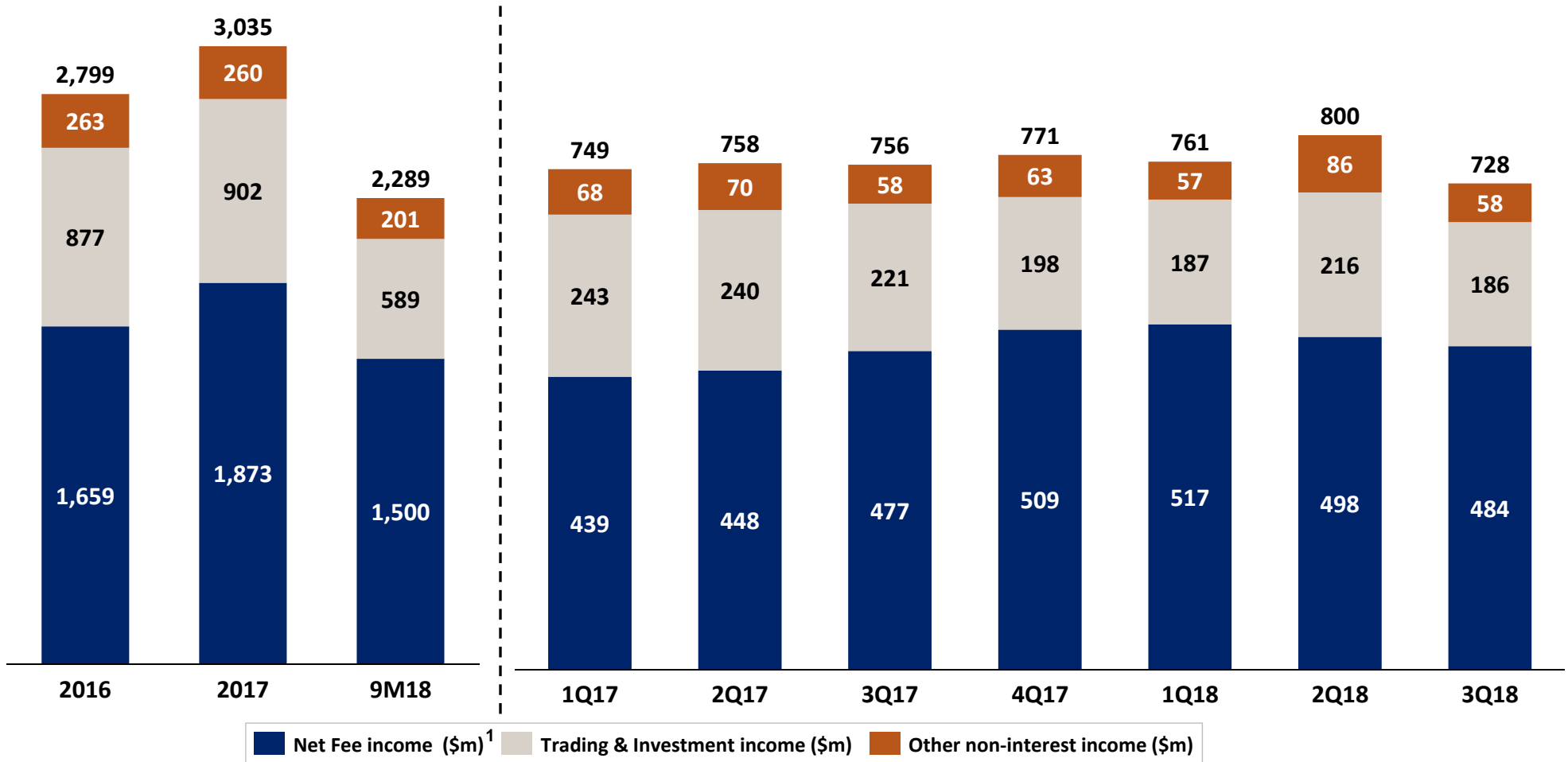


❖ **Strong capital** provided opportunities to capture higher loans growth.

- ❖ Competitive pricing for loan growth.
- ❖ Supported by **debt issuances and deposit growth** to maintain stable funding portfolio.

YoY Fee income continued to perform well

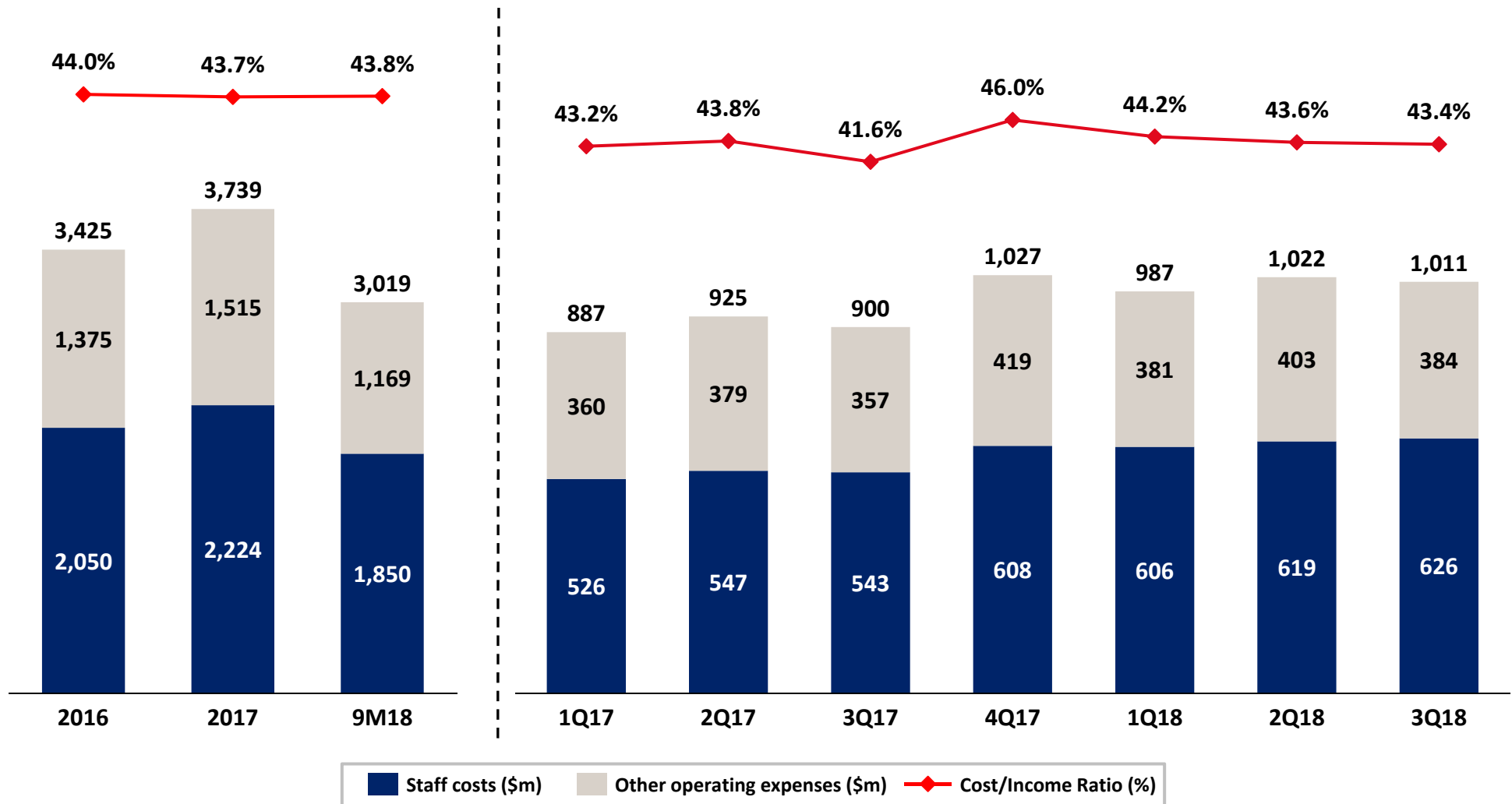
Non-Interest Income (Non-NII)



Note: 1. Expenses directly attributable to the fee income are presented net of fee income. Certain comparative figures have been restated to conform with the current period's presentation.

Cost/Income ratio improved QoQ to 43.4%

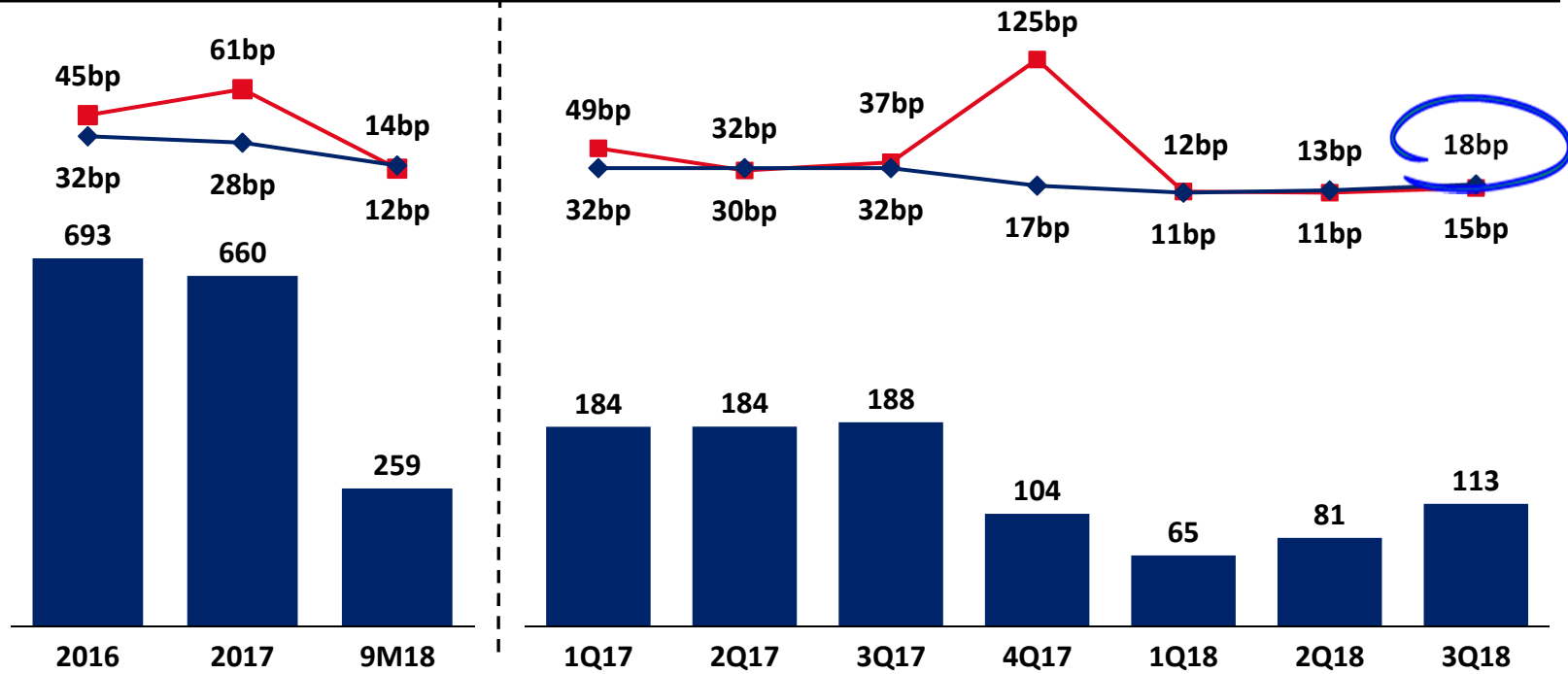
Operating Expenses and Cost / Income Ratio



Note: Expenses directly attributable to the fee income are presented net of fee income. Certain comparative figures have been restated to conform with the current period's presentation.

Total credit costs increased to 18 bps

Total Allowances on Loans



■ Total Allowances on Loans
 —■ Allowances for Impaired Loans / Average Gross Loans (basis points)
 —◆ Total Allowances on Loans / Average Gross Loans (basis points)

<u>Allowances on all exposures</u>	2016	2017	9M18	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
Allowances for Non-Impaired Loans and others (\$m)	(349)	(747)	25	(93)	12	(26)	(641)	(9)	27	8
Allowances for Impaired Loans and others (\$m)	942	1,475	239	279	168	247	781	88	64	87
Total Allowances (\$m)	594	727	265	186	180	221	140	80	90	95

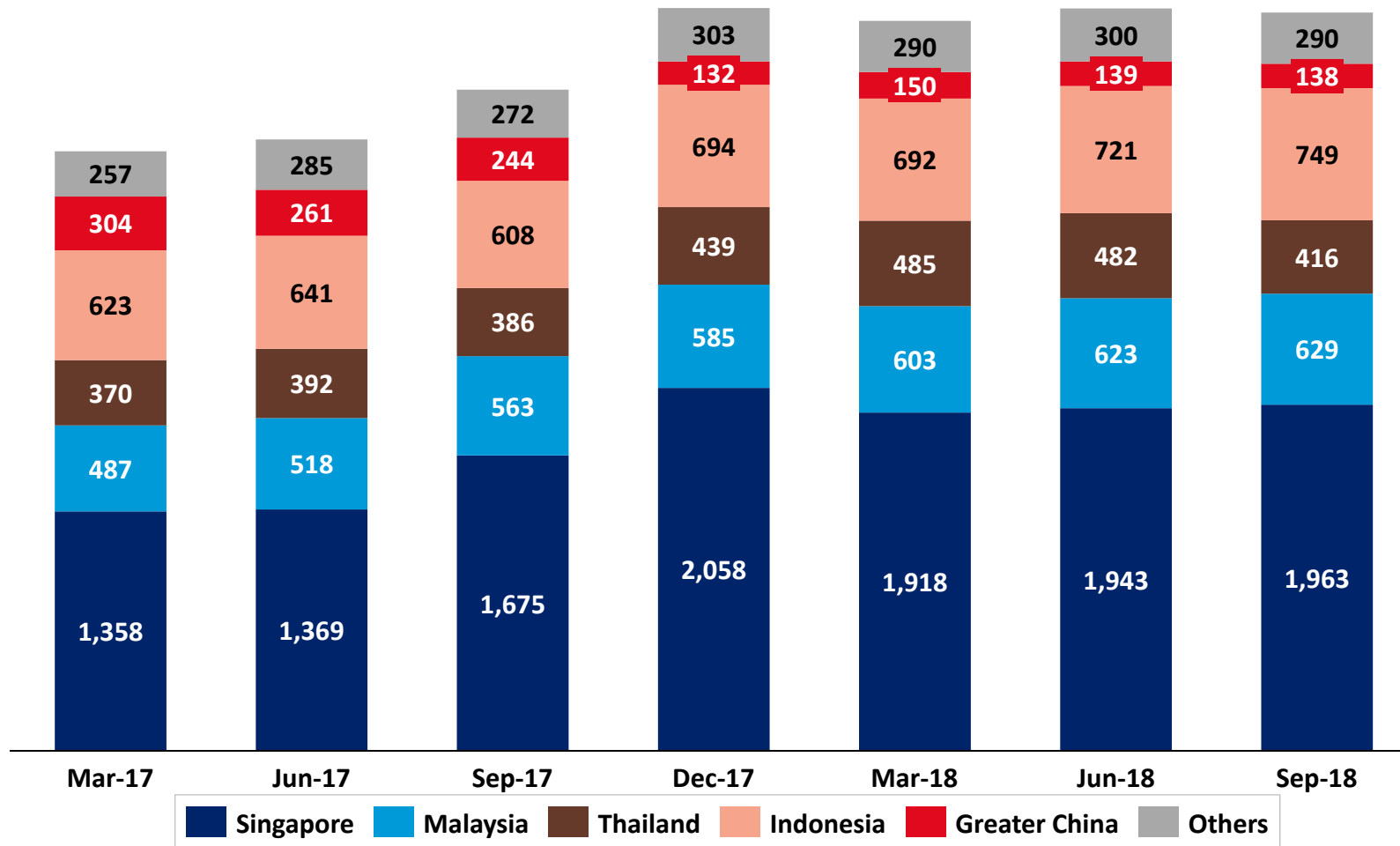
New NPA formation stayed at normalised level

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
NPA at start of period	3,480	3,543	3,587	3,919	4,389	4,323	4,404
New NPA	424	537	799	1,167	416	436	475
Upgrades, recoveries and translations	(293)	(255)	(369)	(354)	(310)	(212)	(398)
Write-offs	(68)	(238)	(98)	(343)	(172)	(143)	(107)
NPA at end of period	3,543	3,587	3,919	4,389	4,323	4,404	4,374

NPL ratio improved to 1.6%

NPL (\$m)	3,399	3,466	3,748	4,211	4,138	4,208	4,185
NPL Ratio	1.5%	1.5%	1.6%	1.8%	1.7%	1.7%	1.6%

NPL (\$m)

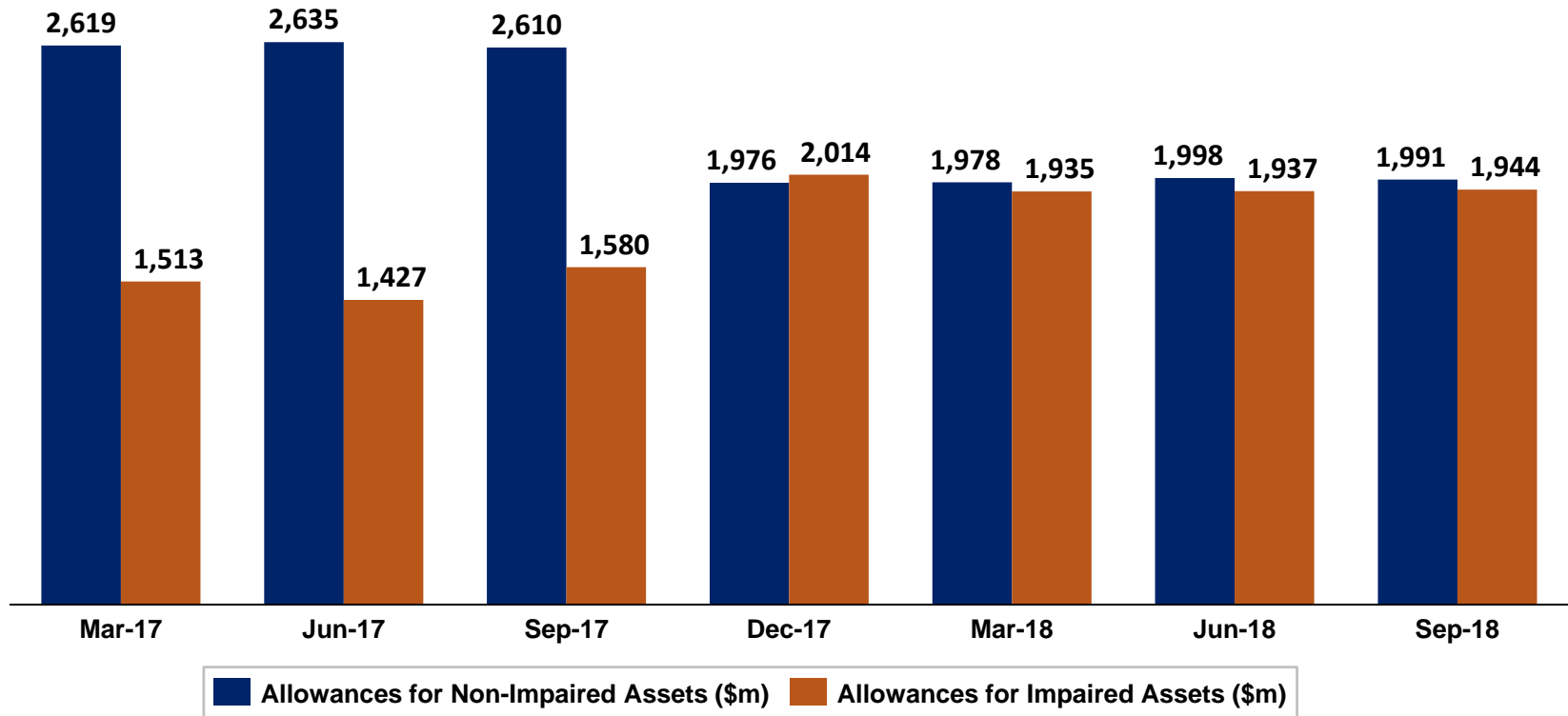


Note: Non-performing loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

Adequate NPA coverage

Total Allowances (\$m)	4,132	4,062	4,190	3,990	3,913	3,935	3,935
NPA coverage (%)	117	113	107	91	91	89	90
Unsecured NPA coverage (%)	232	232	223	187	190	190	189

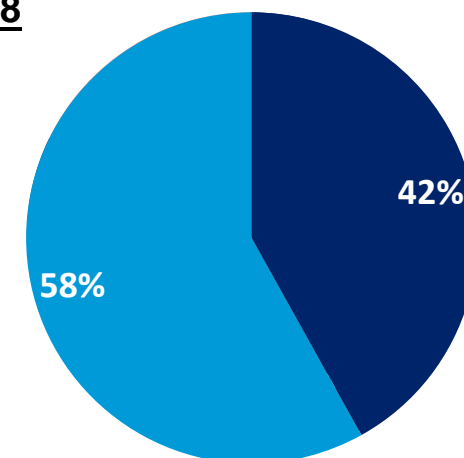
Total Allowances (\$m)



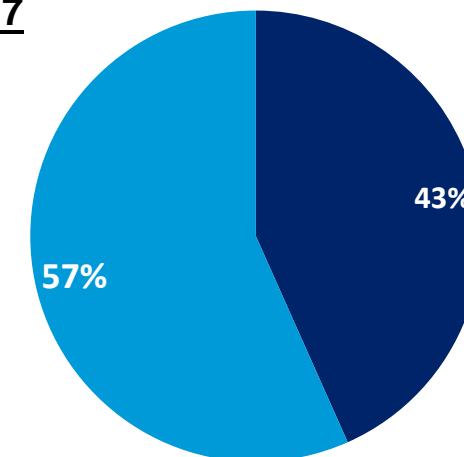
Strong capital supported broad-based loan growth across the Group

Gross Loans	Sep-18	Sep-17	+/(-)	Jun-18	+/(-)
	\$b	\$b	%	\$b	%
Singapore	133	127	5	131	2
Regional:	95	84	14	94	2
Malaysia	29	26	11	29	(0)
Thailand	16	14	13	16	4
Indonesia	11	11	(1)	11	2
Greater China	39	32	23	38	2
Others	27	23	15	25	5
Total	255	234	9	250	2

Sep-18



Sep-17

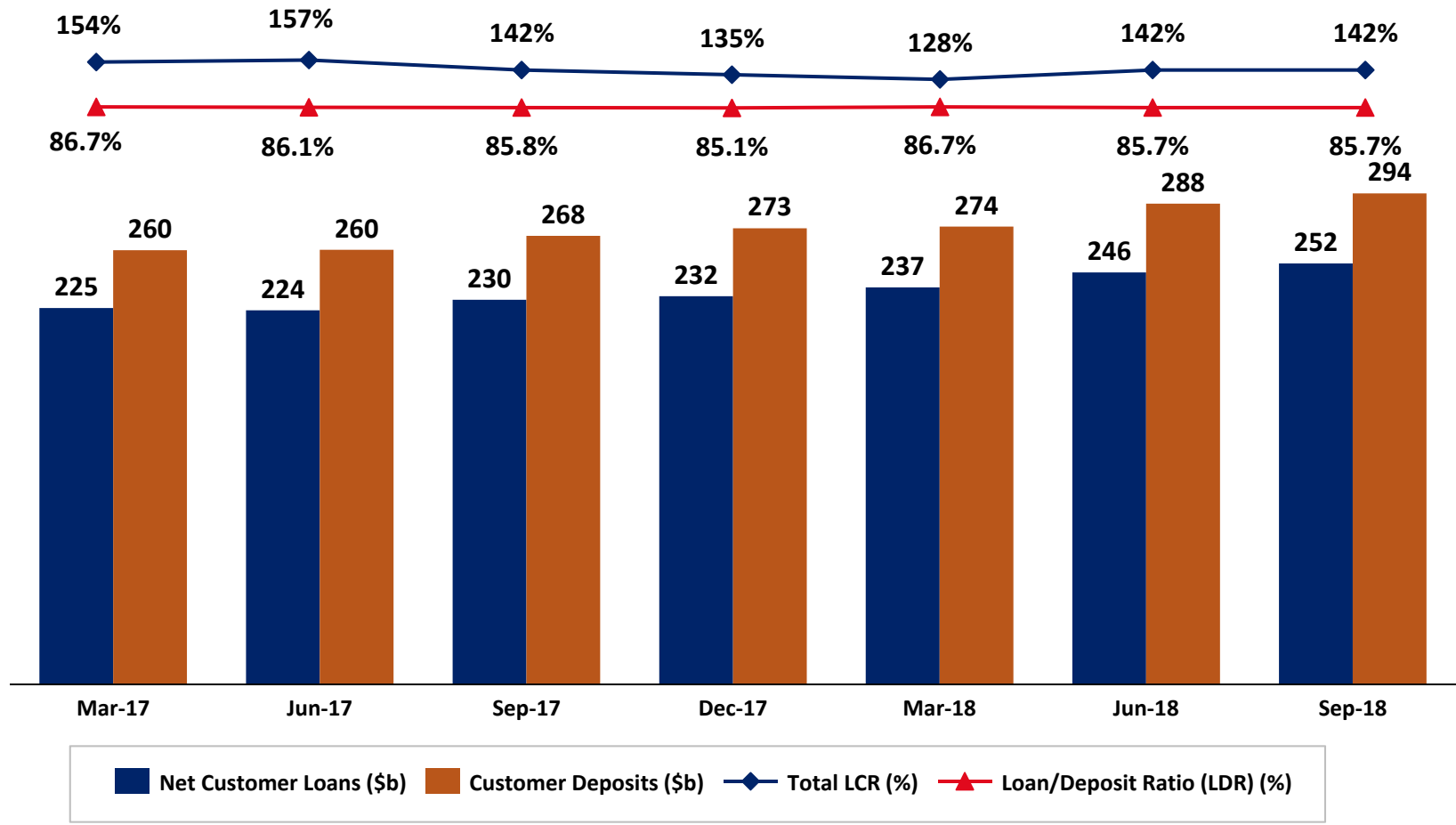


■ Group Retail ■ Group Wholesale

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).

Stable liquidity position with LCR at 142% and NSFR at 110%

Customer Loans and Deposits; LDR, LCR and NSFR

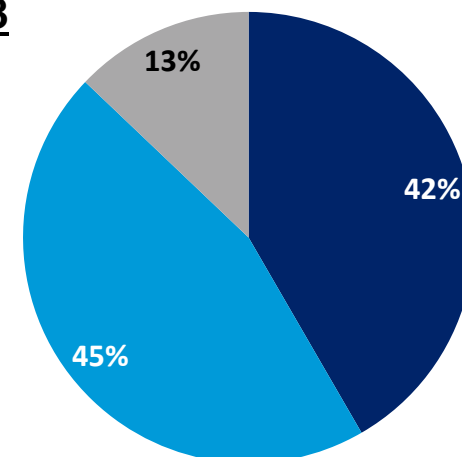


NSFR (%)	111	110	110
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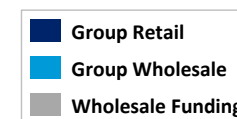
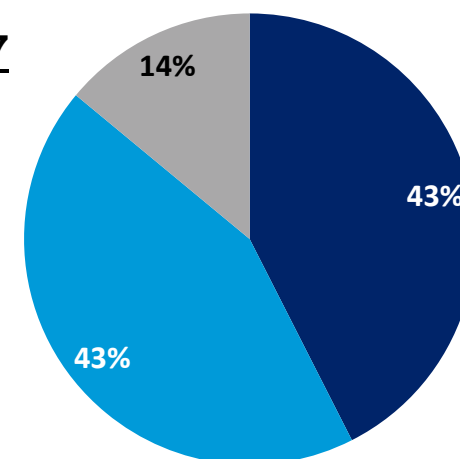
Strong funding position in anticipation of further interest rate hikes

Customer Deposits	Sep-18 \$b	Sep-17 \$b	+/(-) %	Jun-18 \$b	+/(-) %
Singapore	197	184	7	192	3
Regional:	75	67	12	74	1
Malaysia	30	28	8	30	(1)
Thailand	18	15	14	17	6
Indonesia	7	7	(1)	7	3
Greater China	20	16	21	20	0
Others	22	18	23	22	(0)
Total customer deposits	294	268	9	288	2
Wholesale funding	41	41	0	48	(15)
Total funding	334	309	8	335	(0)

Sep-18



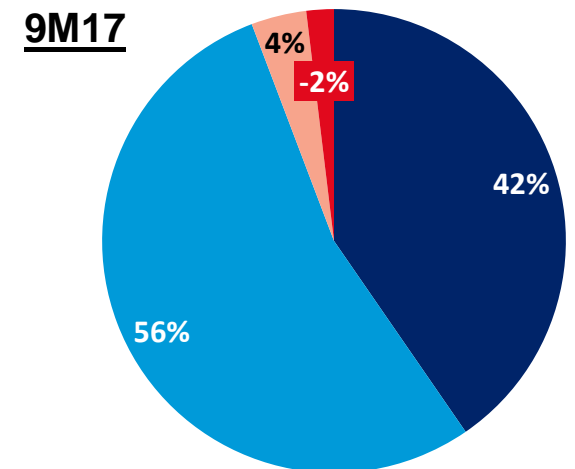
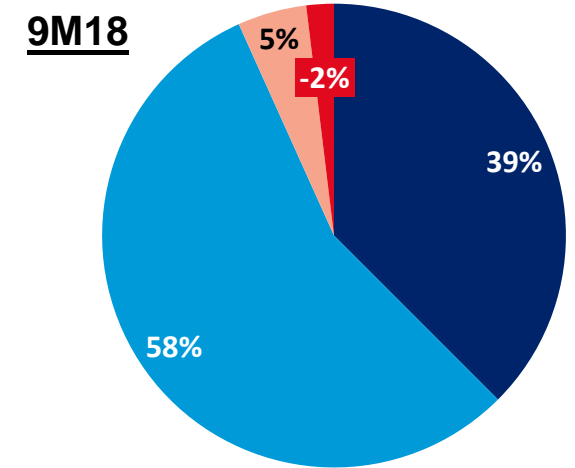
Sep-17



All business segments performed well

Segment Operating Profit

	9M18	9M17	+ / (-)
	\$m	\$m	%
Group Retail (GR)	1,528	1,503	2
Group Wholesale Banking (GWB)	2,248	2,028	11
Global Markets (GM)	174	161	8
Others *	(69)	(73)	6
Total	3,881	3,619	7

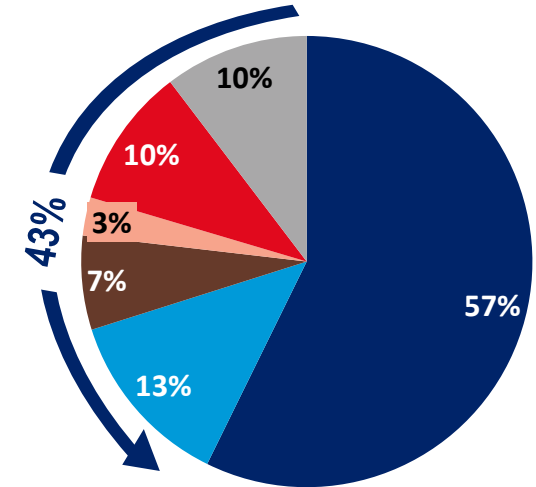


* Comprises Investment Management, Central Treasury and Corporate Functions

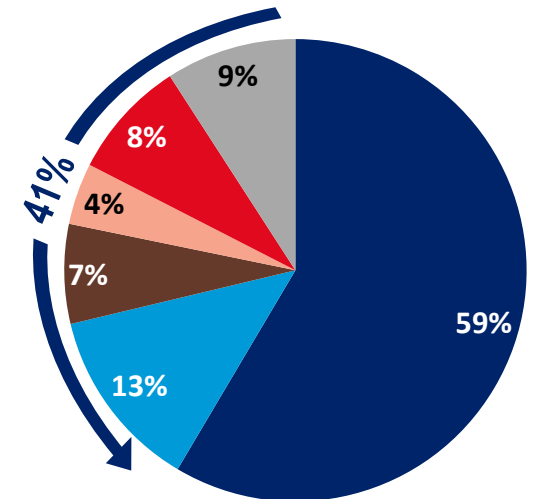
Regional operating profit up 11% YoY in constant currency

Operating Profit	9M18 \$m	9M17 \$m	+ / (-) %	At constant FX rate
				+ / (-) %
Singapore	2,201	2,139	3	3
Regional:	1,283	1,147	12	11
Malaysia	493	466	6	1
Thailand	297	255	17	13
Indonesia	105	121	(13)	(5)
Greater China	387	304	27	31
Others	398	334	19	22
Total	3,881	3,619	7	7

9M18

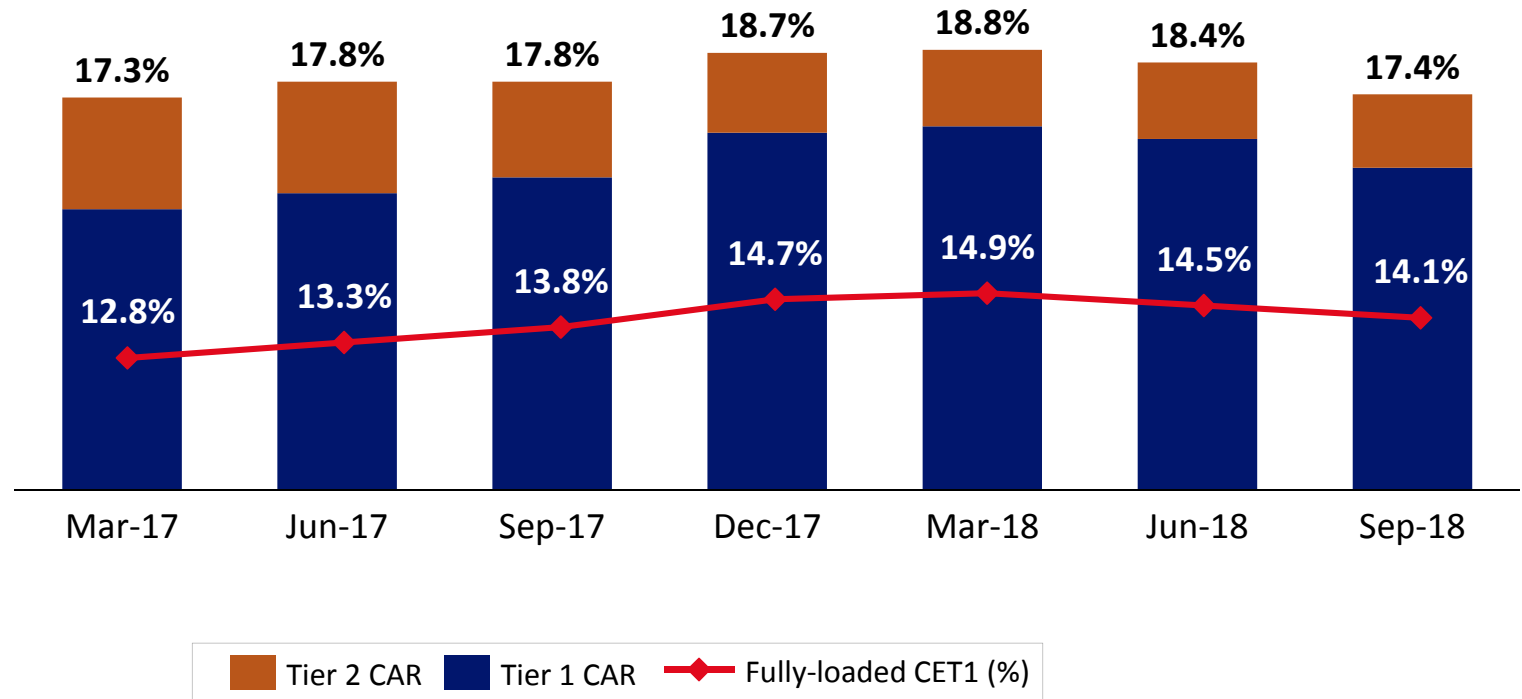


9M17



Strong capital and leverage ratio

Capital Adequacy Ratios (CAR)



RWA (\$b)	211	209	206	199	202	206	213
Leverage ratio (%)	7.6	7.8	7.7	8.0	8.2	7.7	7.4

Appendix :

Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

China exposure

Singapore – Key Financials

	9M18	9M17	+/(-)	3Q18	2Q18	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	2,631	2,233	18	912	887	3
Net fee income	908	840	8	289	302	(4)
Other non-interest income	372	564	(34)	114	154	(26)
Total income	3,911	3,637	8	1,315	1,342	(2)
Less: Expenses	1,710	1,498	14	572	581	(1)
Operating profit	2,201	2,139	3	743	761	(2)
Less: Total allowances	71	358	(80)	24	11	>100
Add: Assoc & JV	52	36	46	15	19	(24)
Profit before tax	2,183	1,816	20	734	770	(5)
Financial indicators (%)						
Net interest margin	1.49	1.35		1.49	1.51	
Cost/Income ratio	43.7	41.2		43.5	43.3	
Customer loans (net) - \$b	148.9	141.5	5%	148.9	146.2	2%
Loan/Deposit ratio	75.5	76.9		75.5	76.2	
NPL ratio ^	1.9	1.6		1.9	1.9	

^ Based on location where the non-performing loans and gross loans are booked.

Malaysia – Key Financials

	9M18	9M17	+/(-)	3Q18	2Q18	+/(-)
	RM'm	RM'm	%	RM'm	RM'm	%
Net interest income	1,635	1,602	2	566	543	4
Net fee income	450	445	1	136	145	(6)
Other non-interest income	265	218	22	83	78	6
Total income	2,350	2,265	4	785	766	2
Less: Expenses	880	804	9	298	291	2
Operating profit	1,470	1,461	1	487	475	3
Less: Total allowances	137	44	>100	55	45	22
Profit before tax	1,333	1,417	(6)	432	430	0
Profit before tax (S\$m)	447	452	(1)	144	145	(1)
<i>Average Exchange rate</i>	2.98	3.13		3.01	2.97	
<u>Financial indicators (%)</u>						
Net interest margin	2.09	2.17		2.04	2.07	
Cost/Income ratio	37.4	35.5		38.0	38.0	
Customer loans (net) - RM'b	88.7	81.4	9%	88.7	86.7	2%
Loan/Deposit ratio	97.9	94.7		97.9	96.8	
NPL ratio ^	1.8	1.8		1.8	1.8	

^ Based on location where the non-performing loans and gross loans are booked.

Thailand – Key Financials

	9M18	9M17	+ / (-)	3Q18	2Q18	+ / (-)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	12,568	11,532	9	4,310	4,189	3
Net fee income	3,655	3,496	5	1,263	1,158	9
Other non-interest income	802	711	13	263	283	(7)
Total income	17,025	15,739	8	5,836	5,630	4
Less: Expenses	9,907	9,463	5	3,404	3,351	2
Operating profit	7,118	6,275	13	2,432	2,279	7
Less: Total allowances	1,943	2,322	(16)	546	833	(34)
Profit before tax	5,175	3,953	31	1,886	1,446	30
Profit before tax (S\$m)	216	160	35	79	60	32
<i>Average Exchange rate</i>	<i>23.91</i>	<i>24.64</i>		<i>23.86</i>	<i>24.13</i>	
<u>Financial indicators (%)</u>						
Net interest margin	3.37	3.51		3.41	3.36	
Cost/Income ratio	58.2	60.1		58.3	59.5	
Customer loans (net) - THB'b	363.7	331.9	10%	363.7	356.7	2%
Loan/Deposit ratio	87.5	88.1		87.5	88.4	
NPL ratio ^	2.6	2.8		2.6	3.2	

^ Based on location where the non-performing loans and gross loans are booked.

Indonesia – Key Financials

	9M18	9M17	+/(–)	3Q18	2Q18	+/(–)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	2,487	2,462	1	823	861	(4)
Net fee income	576	561	3	210	188	12
Other non-interest income	393	334	18	162	102	59
Total income	3,456	3,357	3	1,195	1,151	4
Less: Expenses	2,349	2,187	7	822	776	6
Operating profit	1,107	1,169	(5)	373	375	(1)
Less: Total allowances	518	870	(40)	318	256	24
Profit/(loss) before tax	589	299	97	55	119	(54)
Profit/(loss) before tax (S\$m)	56	32	76	5	11	(58)
<i>Average Exchange rate</i>	<i>10,465</i>	<i>9,360</i>		<i>11,312</i>	<i>10,397</i>	
<u>Financial indicators (%)</u>						
Net interest margin	3.93	3.96		3.53	4.22	
Cost/Income ratio	68.0	65.1		68.8	67.4	
Customer loans (net) - IDR't	67.9	67.0	1%	67.9	66.0	3%
Loan/Deposit ratio	84.6	91.0		84.6	87.5	
NPL ratio ^	2.2	3.6		2.2	1.6	

^ Based on location where the non-performing loans and gross loans are booked.

Greater China – Key Financials

	9M18	9M17	+/(-)	3Q18	2Q18	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	320	294	9	113	103	10
Net fee income	123	86	44	37	40	(8)
Other non-interest income	216	175	24	67	87	(23)
Total income	659	555	19	217	231	(6)
Less: Expenses	273	250	9	88	91	(3)
Operating profit	387	304	27	129	139	(7)
Less: Total allowances	29	22	31	(8)	26	(>100)
Add: Assoc & JV	29	34	(13)	8	11	(26)
Profit before tax	387	316	22	145	124	16
<u>Financial indicators (%)</u>						
Net interest margin	0.89	1.02		0.86	0.84	
Cost/Income ratio	41.4	45.1		40.6	39.6	
Customer loans (net) - \$b	32.3	25.9	25%	32.3	32.1	1%
Loan/Deposit ratio	163.2	158.7		163.2	162.5	
NPL ratio ^	0.2	0.4		0.2	0.2	

^ Based on location where the non-performing loans and gross loans are booked.

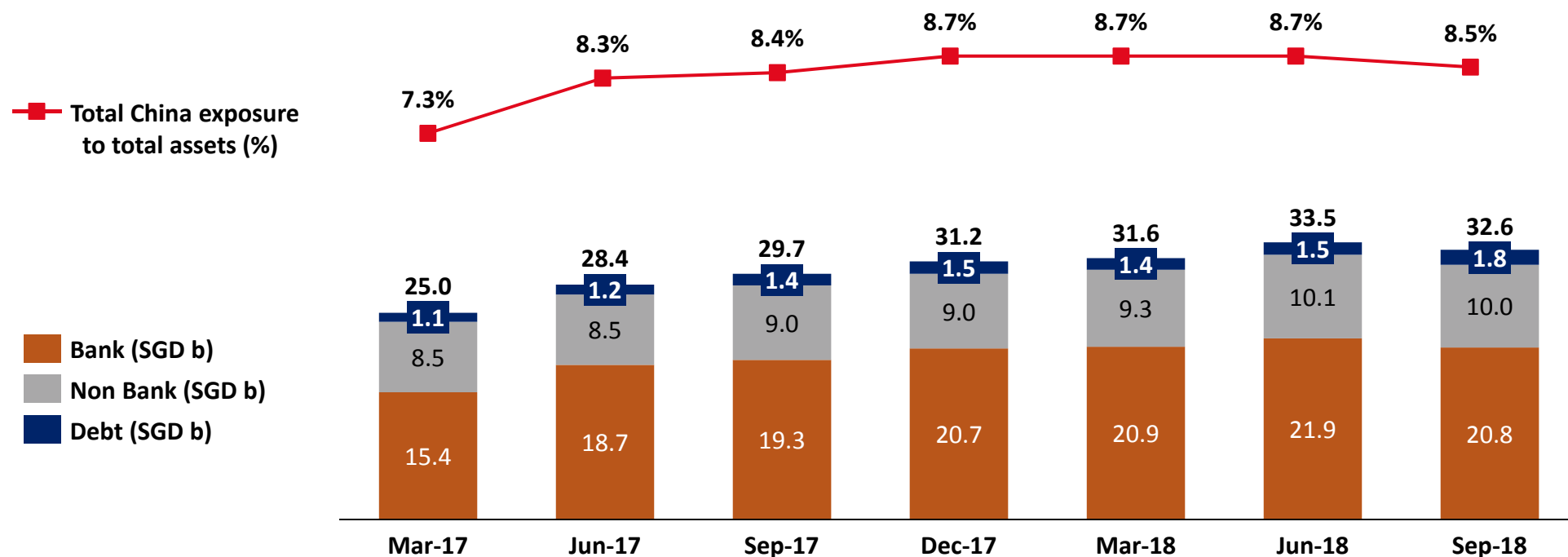
Exposure to China

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).