



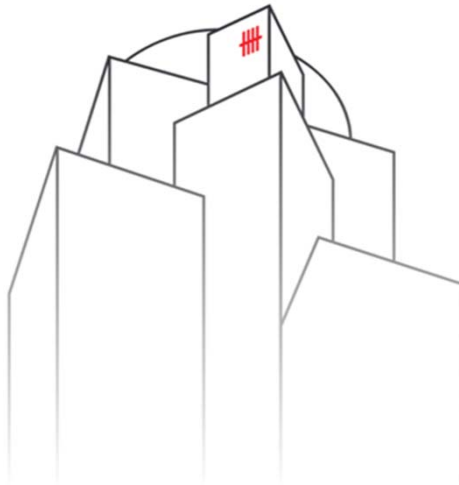
# UOB Group

For the Financial Year Ended / Fourth Quarter 31 December 2017

## Financial Highlights

Lee Wai Fai  
Group Chief Financial Officer

14 February 2018



*Disclaimer: This material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. This material should be considered with professional advice when deciding if an investment is appropriate. UOB Bank accepts no liability whatsoever with respect to the use of this document or its content.*

Private & Confidential

# 2017 and 4Q17 Highlights

**Performance backed by healthy growth momentum and strong balance sheet**

**Core dividends increased to 80 cents per annum**

**2017 NPAT of \$3.39b ↑ 9% YoY**

**4Q17 NPAT of \$855m ↑ 16% YoY; ↓ 3% QoQ**

## **Healthy revenue momentum**

- Higher net interest income from higher NIM and healthy loan growth
- Strong performance in wealth management, fund management and credit card businesses

## **Asset quality remains sound**

- Residual vulnerable exposures in O&G and shipping sectors were recognised as NPA
- Reversal of excess general allowance in 4Q17, factoring the requirement under SFRS(I) 9. while maintaining comfortable NPL coverage

## **Strong capital position and higher dividends**

- Encouraging performance and strong capital position
- Higher core dividend for 2017 of 80 cents and a special dividend of 20 cents

# Performance backed by healthy growth momentum and strong balance sheet

	2017	2016	YoY	
	\$m	\$m	\$m	+ / (-) %
Net interest income	5,528	4,991	537	11 ▲
Fee and commission income	2,161	1,931	231	12 ▲
Other non-interest income	1,162	1,140	22	2 ▲
<b>Total income</b>	<b>8,851</b>	<b>8,061</b>	<b>790</b>	<b>10 ▲</b>
Less: Total expenses	4,027	3,696	331	9 ▲
<b>Operating profit</b>	<b>4,824</b>	<b>4,365</b>	<b>459</b>	<b>11 ▲</b>
Less: Specific allowance	1,475	991	483	49 ▲
General allowance	(747)	(398)	(350)	(88) ▼
Add: Associates & joint ventures	110	6	104	>100 ▲
<b>Net profit before tax</b>	<b>4,207</b>	<b>3,777</b>	<b>430</b>	<b>11 ▲</b>
Less: Tax & non-controlling interests	816	681	136	20 ▲
<b>Net profit after tax</b>	<b>3,390</b>	<b>3,096</b>	<b>294</b>	<b>9 ▲</b>



favourable variance to earnings



unfavourable variance to earnings

## Growth in client franchise income

	4Q17	4Q16	YoY	
	\$m	\$m	\$m	+/(-) %
Net interest income	1,461	1,276	185	15 ▲
Fee and commission income	585	531	54	10 ▲
Other non-interest income	262	222	40	18 ▲
<b>Total income</b>	<b>2,307</b>	<b>2,028</b>	<b>278</b>	<b>14 ▲</b>
Less: Total expenses	1,102	957	145	15 ▲
<b>Operating profit</b>	<b>1,205</b>	<b>1,071</b>	<b>133</b>	<b>12 ▲</b>
Less: Specific allowance	781	441	341	77 ▲
General allowance	(641)	(310)	(331)	(>100) ▼
Add: Associates & joint ventures	22	(21)	44	>100 ▲
<b>Net profit before tax</b>	<b>1,087</b>	<b>920</b>	<b>167</b>	<b>18 ▲</b>
Less: Tax & non-controlling interests	231	181	51	28 ▲
<b>Net profit after tax</b>	<b>855</b>	<b>739</b>	<b>116</b>	<b>16 ▲</b>



favourable variance to earnings



unfavourable variance to earnings

## Net earnings decreased 3% due to higher performance-related staff costs and year-end seasonal expenses

	4Q17	3Q17	QoQ	
	\$m	\$m	\$m	+/(-) %
Net interest income	1,461	1,408	52	4 ▲
Fee and commission income	585	551	34	6 ▲
Other non-interest income	262	279	(18)	(6) ▼
<b>Total income</b>	<b>2,307</b>	<b>2,238</b>	<b>68</b>	<b>3 ▲</b>
Less: Total expenses	1,102	973	129	13 ▲
<b>Operating profit</b>	<b>1,205</b>	<b>1,265</b>	<b>(60)</b>	<b>(5) ▼</b>
Less: Specific allowance	781	247	534	>100 ▲
General allowance	(641)	(26)	(615)	(>100) ▼
Add: Associates & joint ventures	22	29	(7)	(23) ▼
<b>Net profit before tax</b>	<b>1,087</b>	<b>1,073</b>	<b>13</b>	<b>1 ▲</b>
Less: Tax & non-controlling interests	231	190	41	22 ▲
<b>Net profit after tax</b>	<b>855</b>	<b>883</b>	<b>(28)</b>	<b>(3) ▼</b>



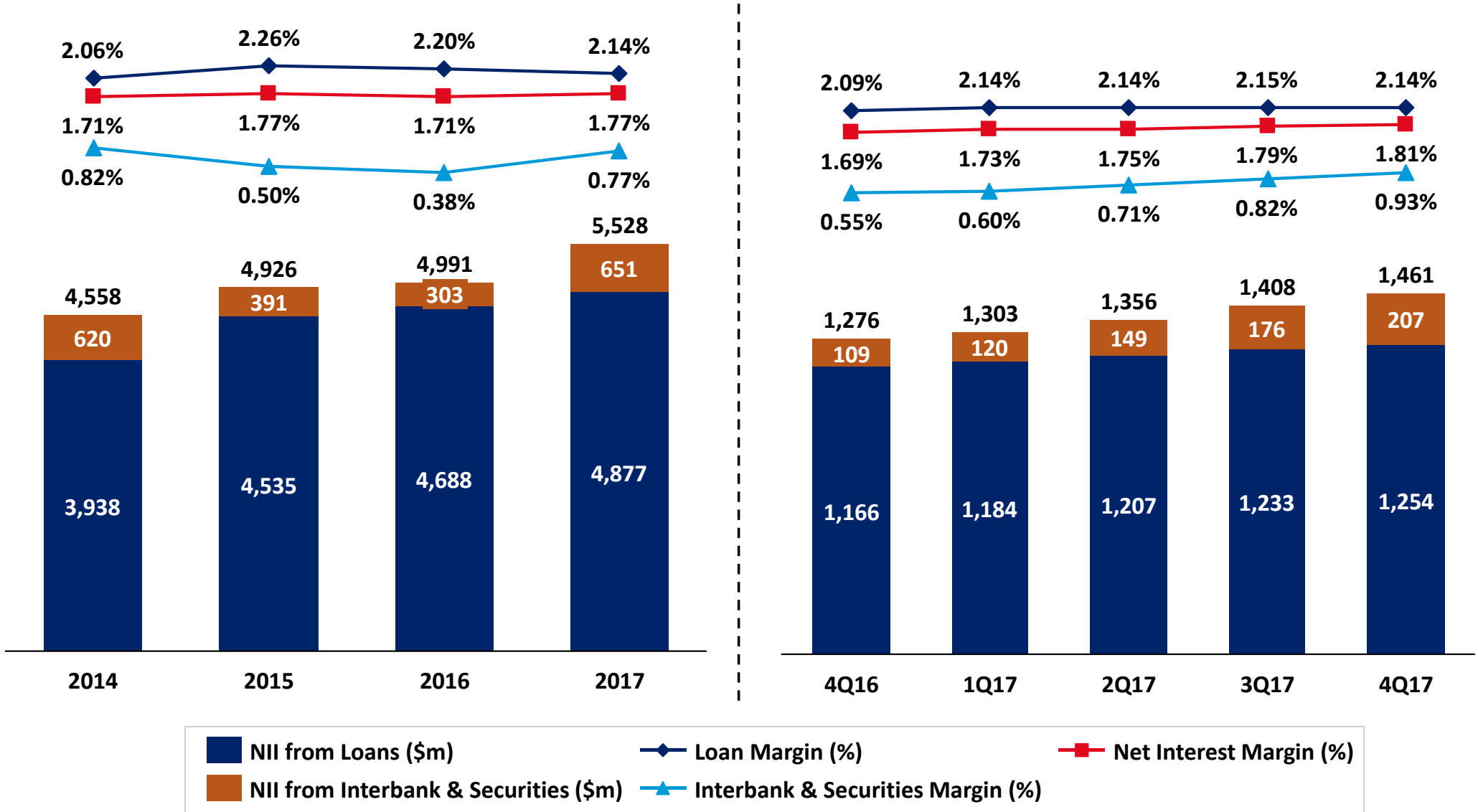
favourable variance to earnings



unfavourable variance to earnings

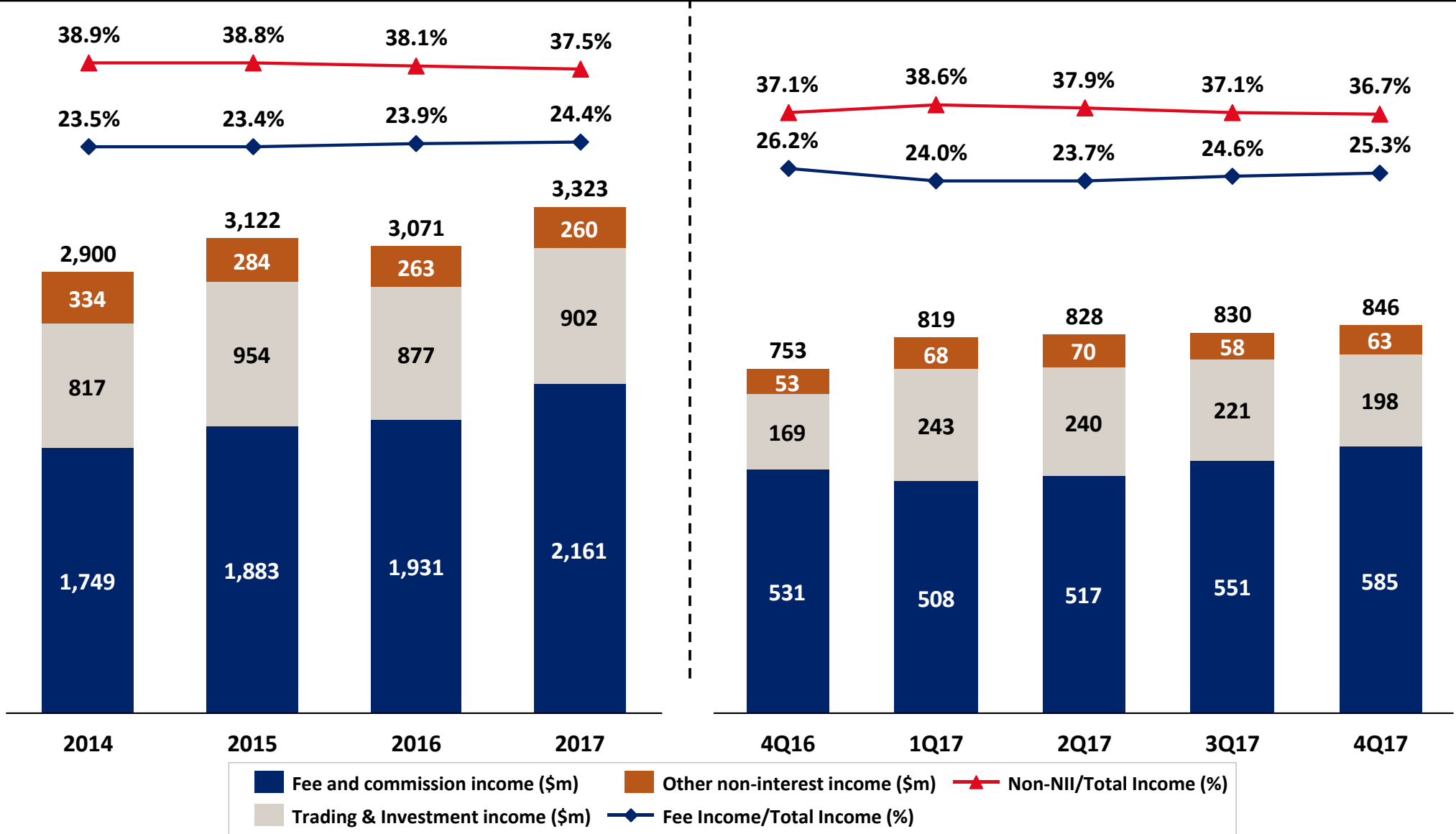
# NII rose 11% YoY supported by healthy loan growth and higher margin from active balance sheet management

## Net Interest Income (NII) and Margin



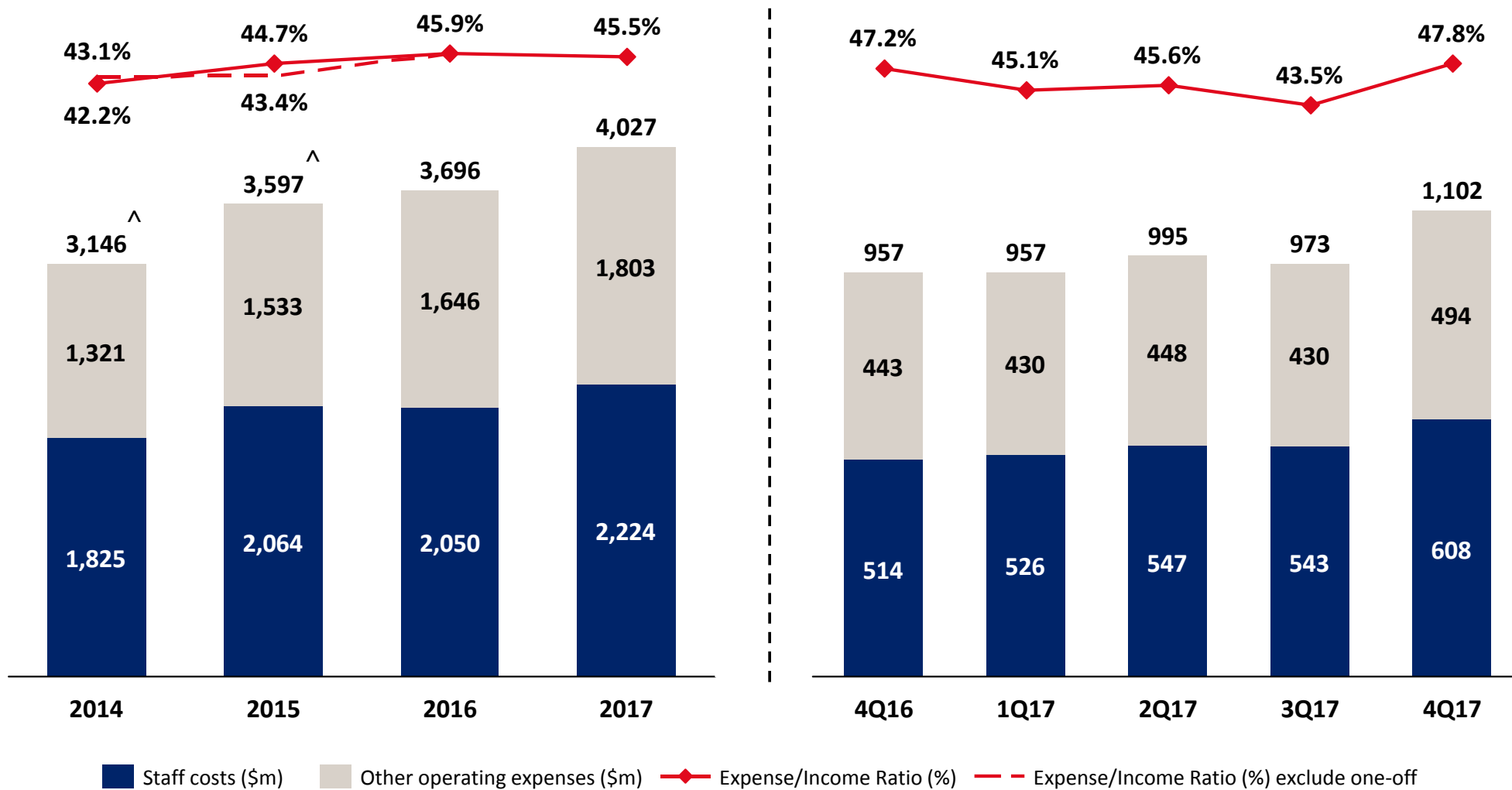
# Sustained momentum for fee income, up 12% YoY from strong performance in wealth management and fund management businesses

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



# Expense/income ratio increased QoQ with higher performance-related staff costs and year-end seasonal revenue-related expenses

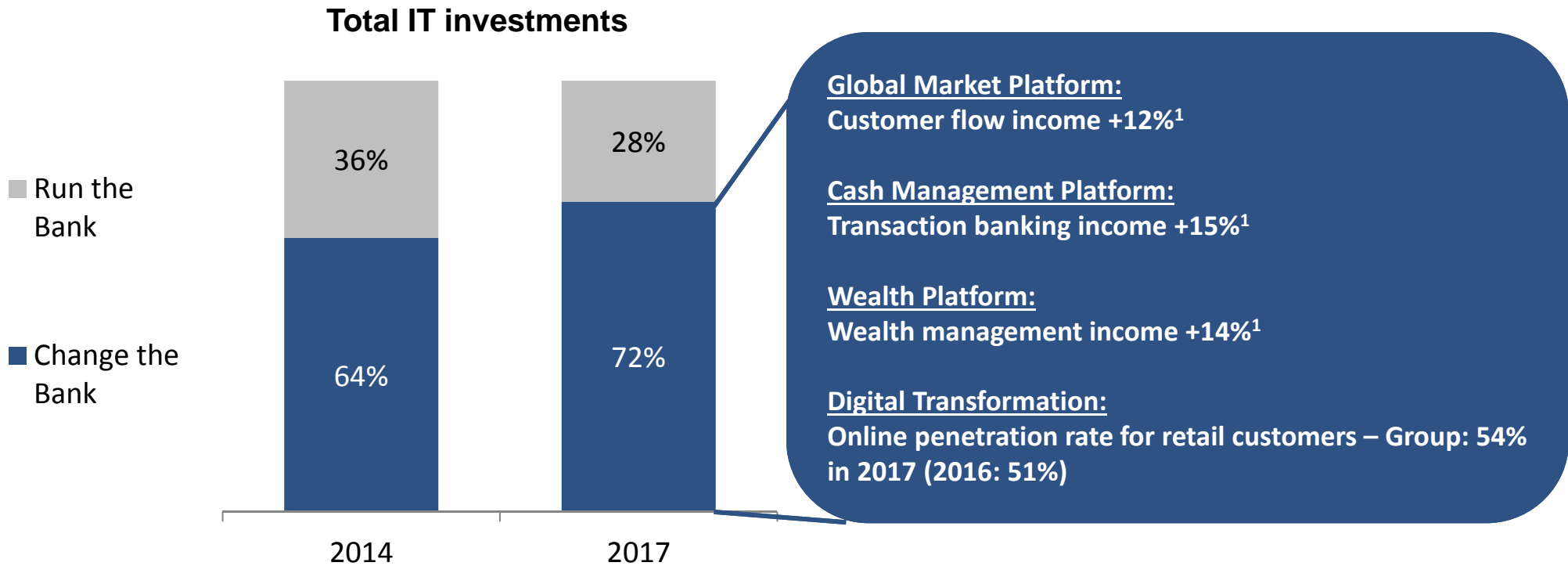
## Operating Expenses and Expense / Income Ratio



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



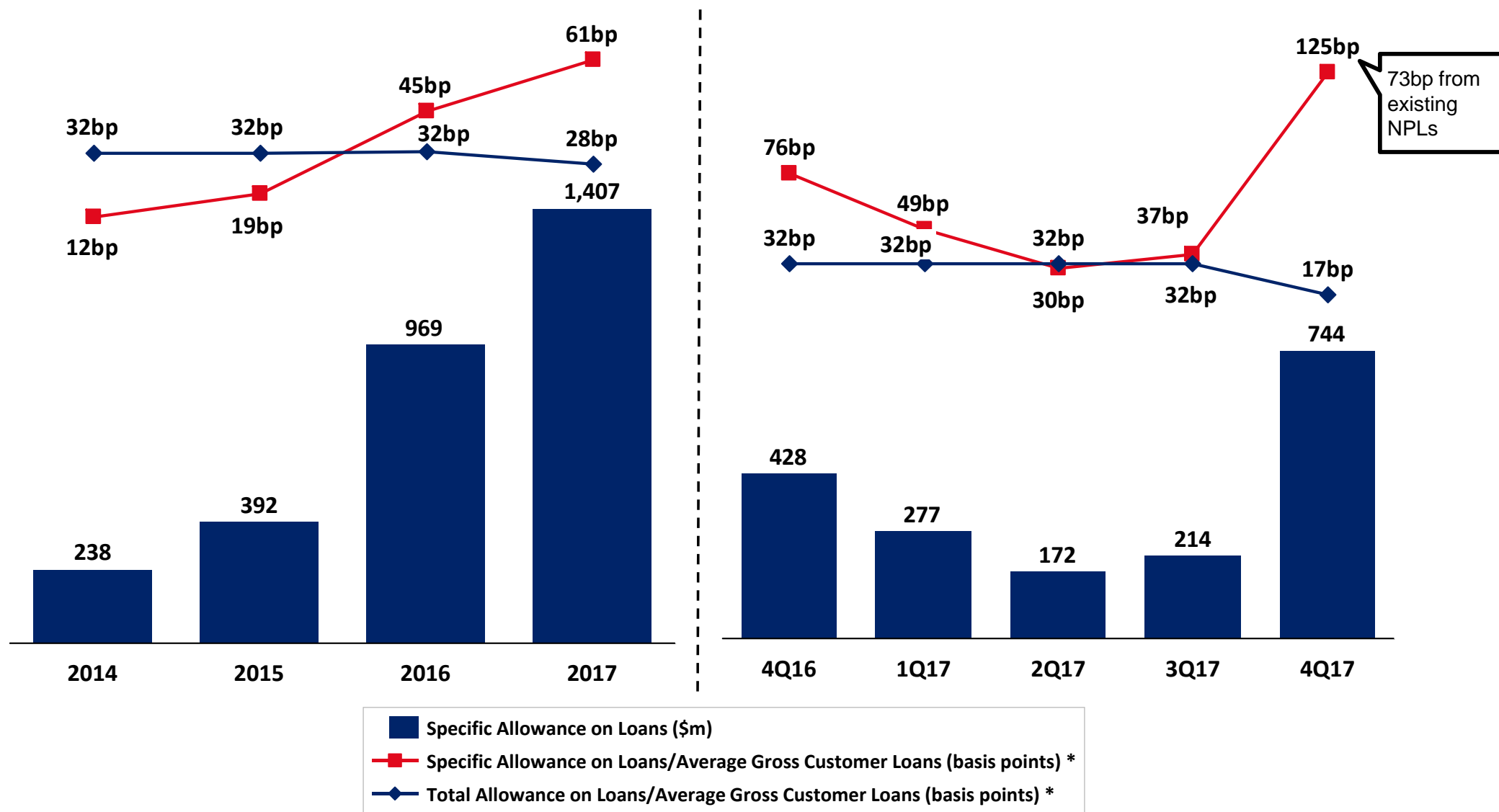
# IT Investments Shifting Towards “Changing the Bank”



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

# Higher specific allowance in 4Q17 due to accelerated recognition of NPL and further collateral haircuts on O&G and shipping exposures

## Allowance on Loans



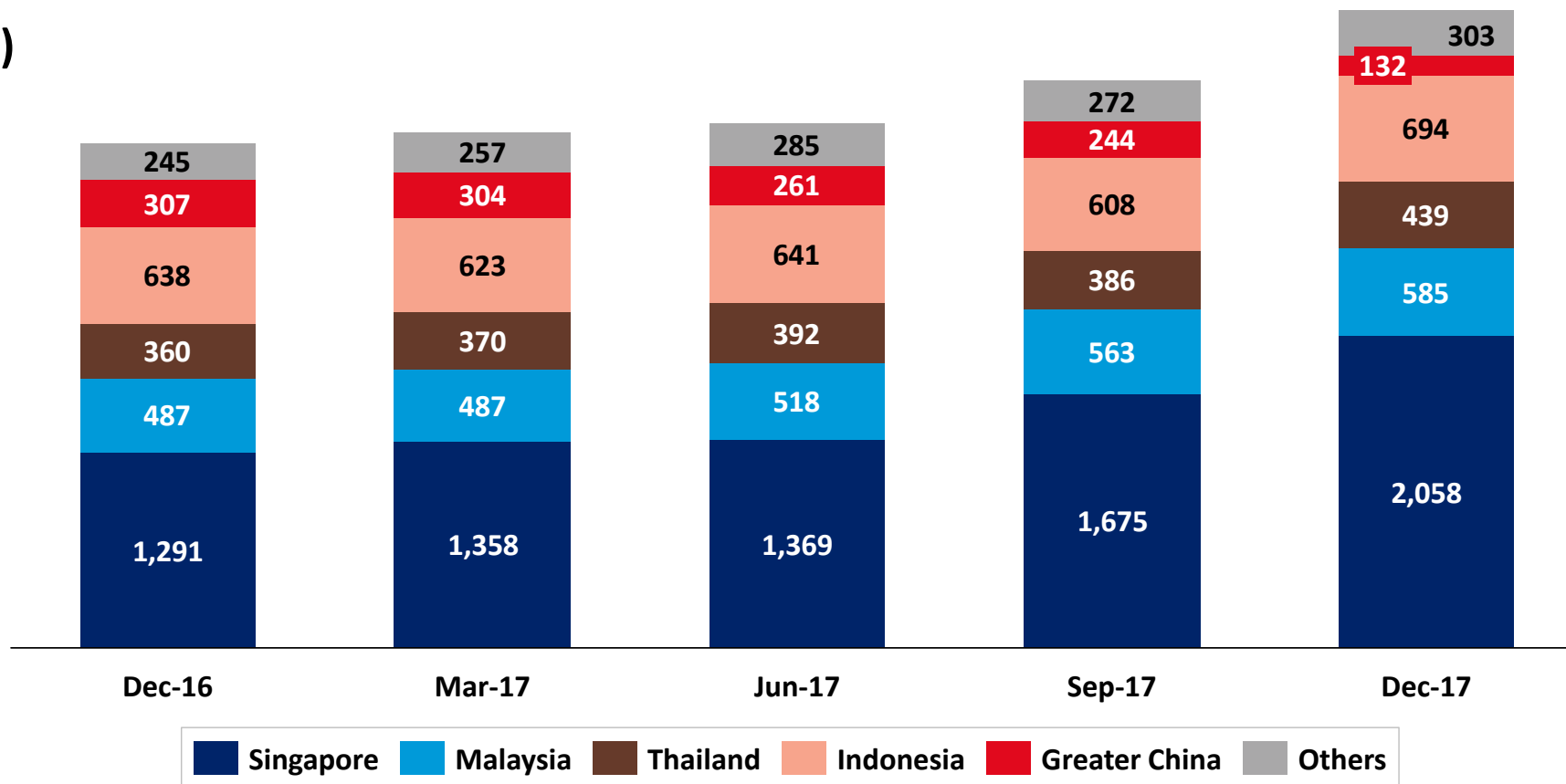
## New NPA formation peaked in 4Q17 due to accelerated recognition of NPA, mainly from the O&G and shipping sectors...

	4Q16	1Q17	2Q17	3Q17	4Q17
	\$m	\$m	\$m	\$m	\$m
<b>NPA at start of period</b>	3,632	3,480	3,543	3,587	3,919
New NPA	387	424	537	799	1,167
Upgrades, recoveries and translations	(320)	(293)	(255)	(369)	(354)
Write-offs	(219)	(68)	(238)	(98)	(343)
<b>NPA at end of period</b>	<b>3,480</b>	<b>3,543</b>	<b>3,587</b>	<b>3,919</b>	<b>4,389</b>

# ...accordingly, NPL ratio increased to 1.8%

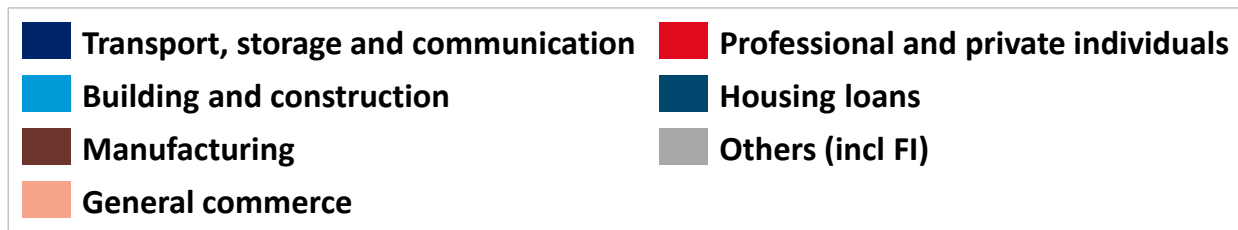
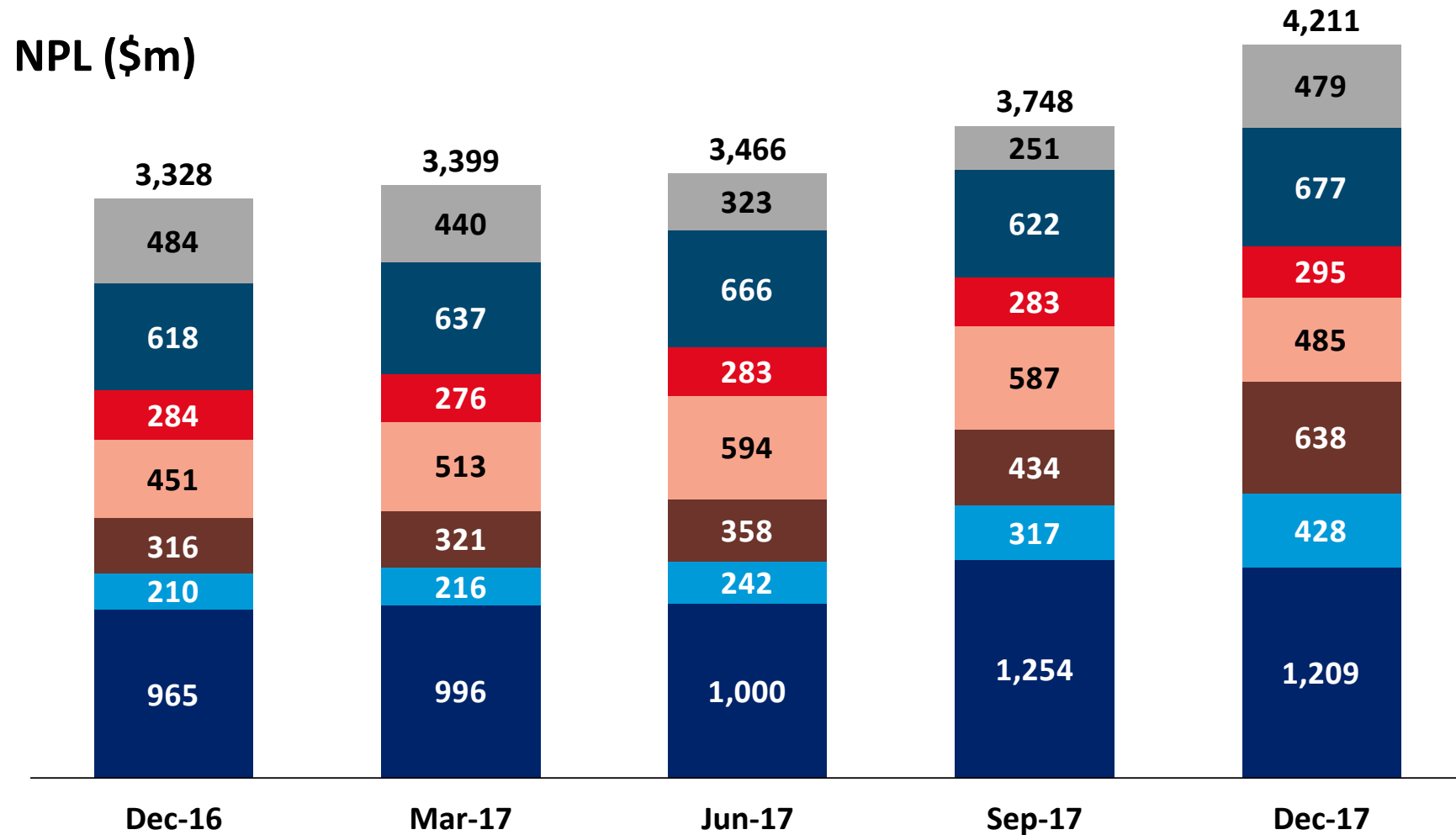
NPL (\$m)	3,328	3,399	3,466	3,748	4,211
NPL Ratio	1.5%	1.5%	1.5%	1.6%	1.8%
Special Mention (\$m)	3,339	3,043	2,714	2,337	2,114

NPL (\$m)

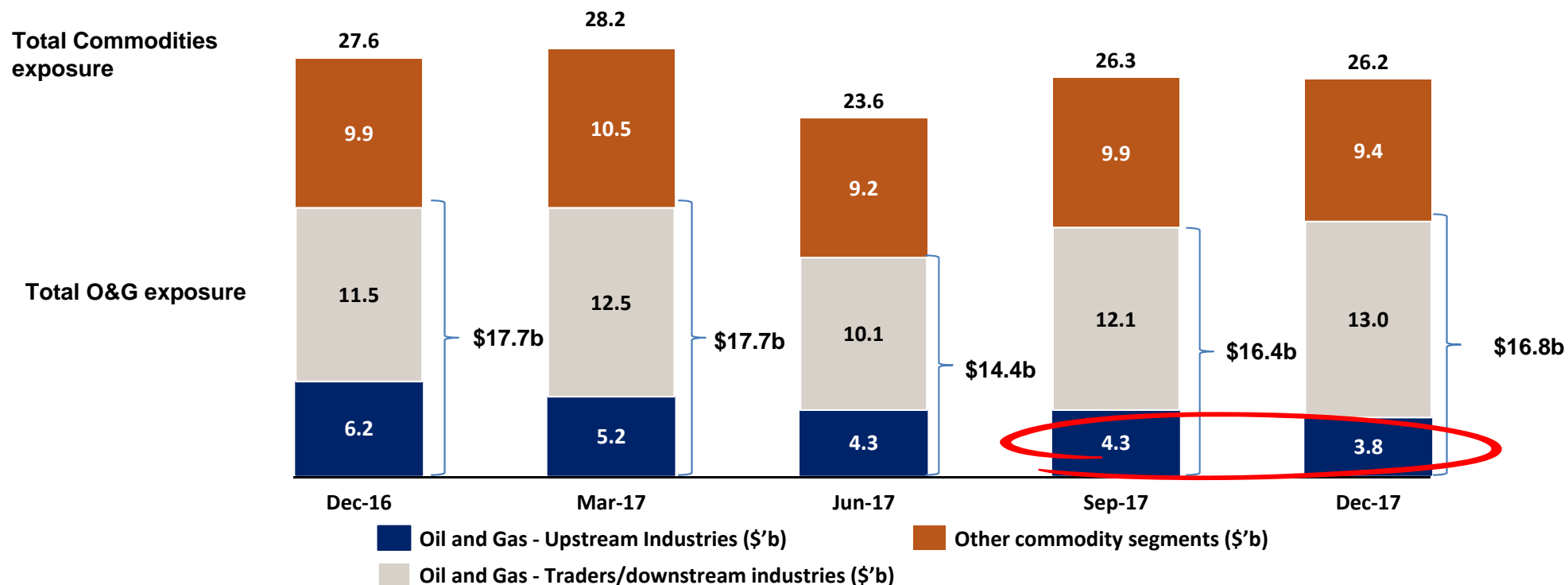


Note : Non-performing loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

# New O&G and shipping NPLs for the year mainly from manufacturing and transport industries



# Exposure in O&G upstream industries reduced QoQ



Breakdown of industries commodities exposure	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
<b>Total Commodities Exposure<sup>1</sup></b>	<b>SGD27.6b</b>	<b>SGD28.2b</b>	<b>SGD23.6b</b>	<b>SGD26.3b</b>	<b>SGD26.2b</b>
Less: Commodities - Contingent Liabilities	SGD9.6b	SGD8.8b	SGD7.1b	SGD8.5b	SGD8.7b
<b>Commodities - Outstanding Loans</b>	<b>SGD18.0b</b>	<b>SGD19.4b</b>	<b>SGD16.5b</b>	<b>SGD17.8b</b>	<b>SGD17.5b</b>

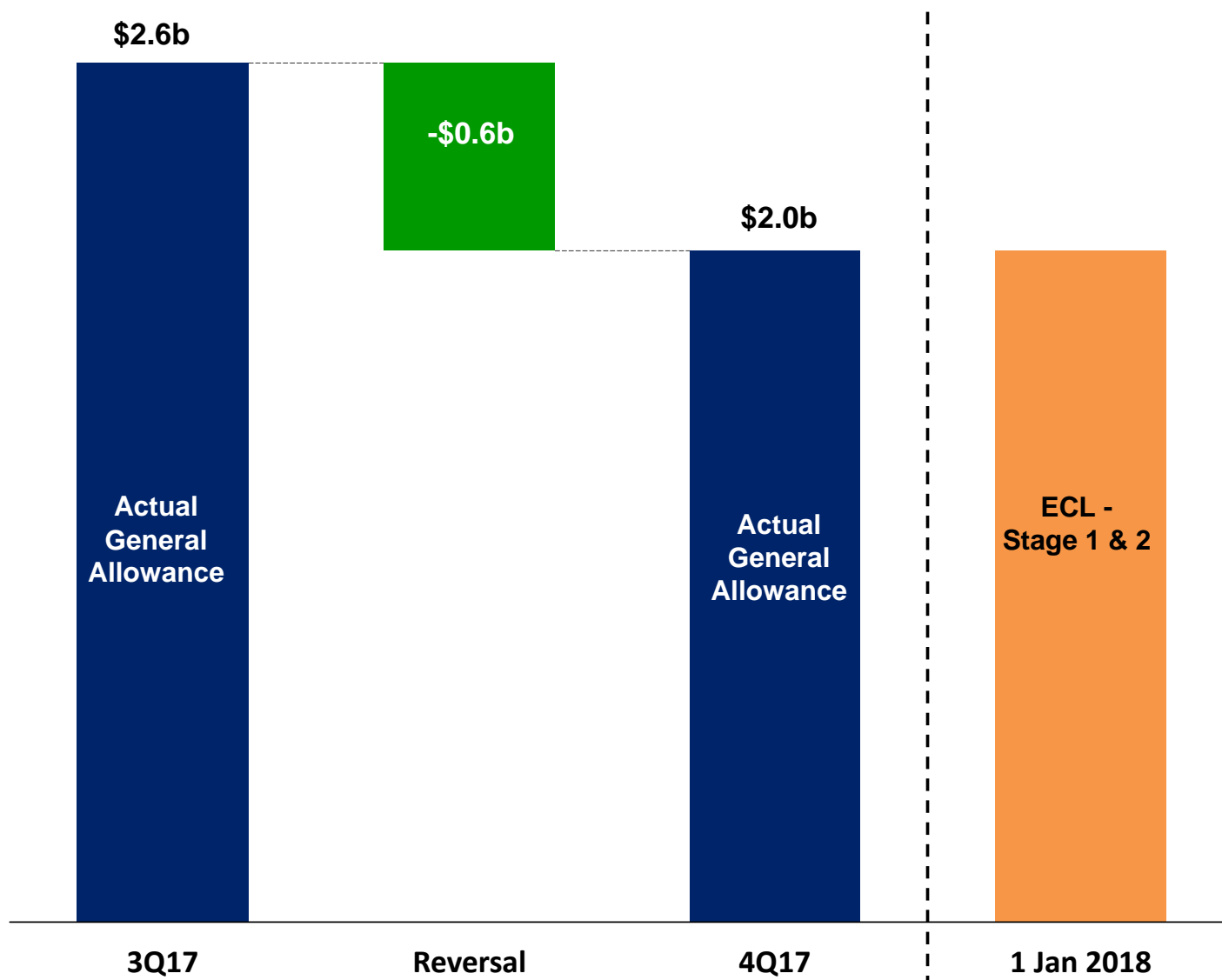
Of which O&G: SGD10.7b  
(5% of total loans)

- Total exposure, including off-balance sheet items, stood at SGD26.2b as of 31 December 2017.
- Mainly to traders and downstream segments.

## Notes:

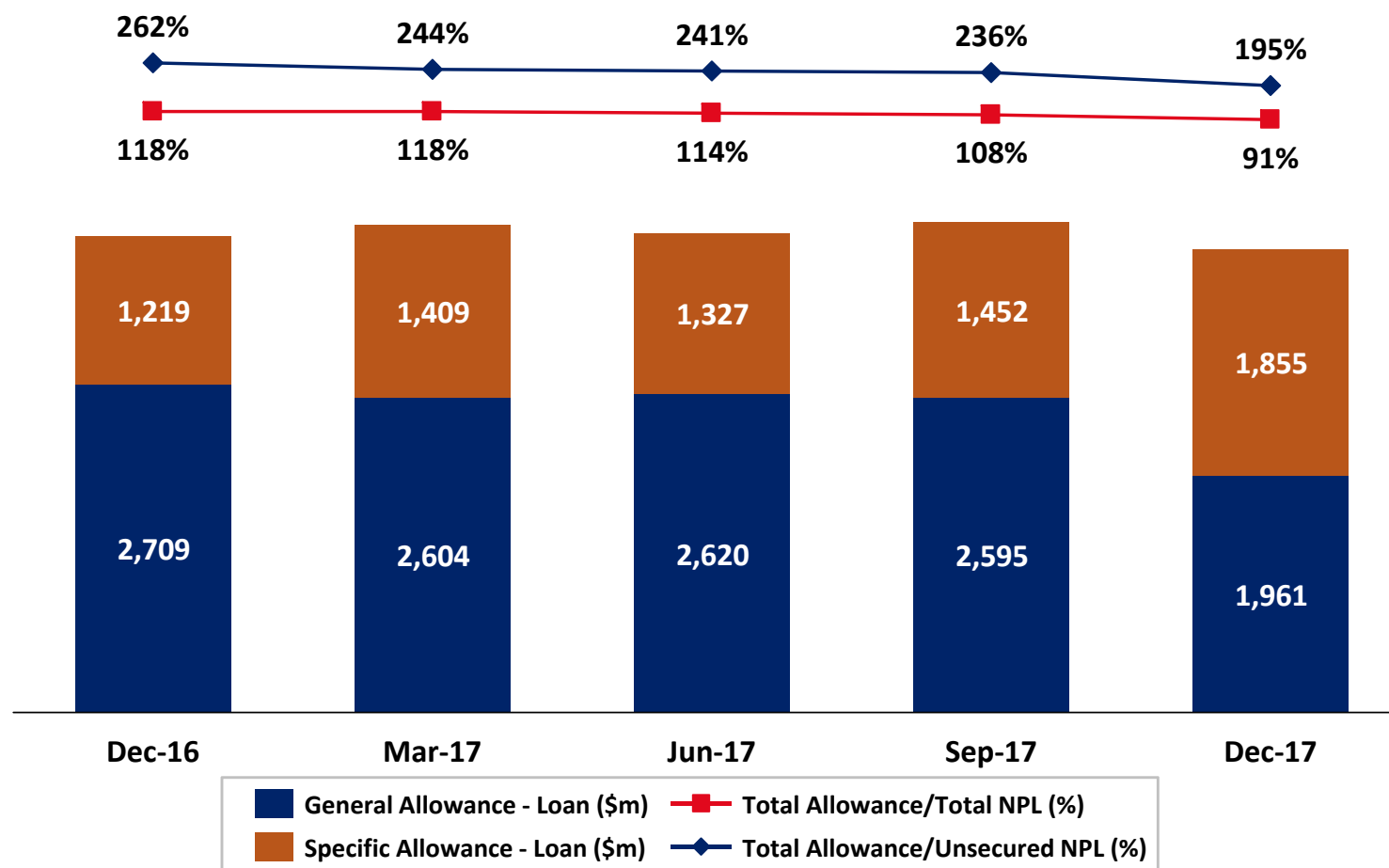
1. Total exposure comprises outstanding loans and contingent liabilities
2. Oil and gas upstream industries include offshore service companies.

# Reversal of excess general allowance of \$0.6 billion in 4Q17, factoring the requirement under SFRS(I) 9



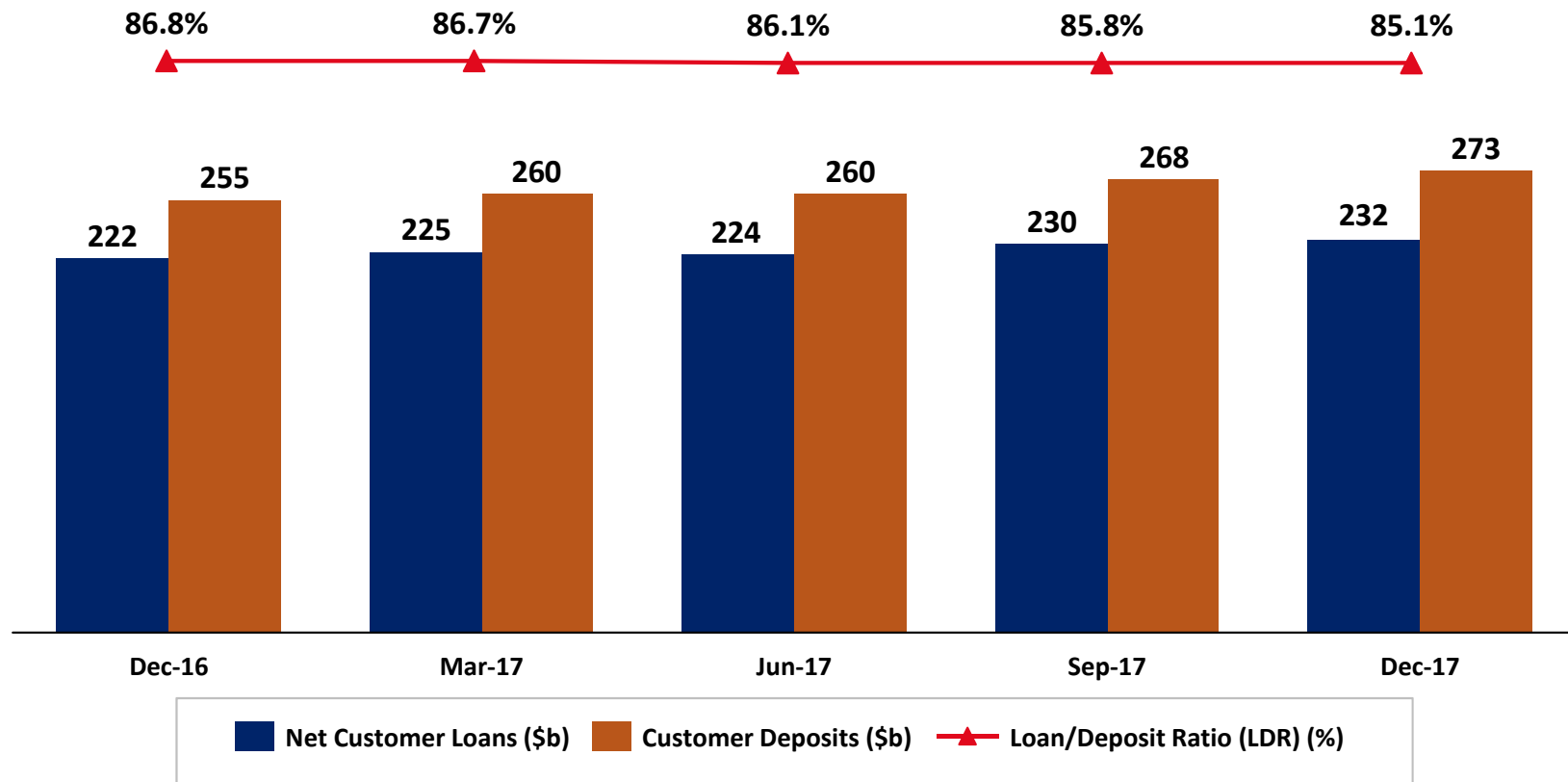
# Strong NPL coverage at 91% or 195% after taking collateral into account

Total Loan Allowance (\$m)	3,928	4,013	3,947	4,047	3,816
General Allowance / Gross Loan net of Specific Allowance Ratio (%)	1.2%	1.1%	1.2%	1.1%	0.8%





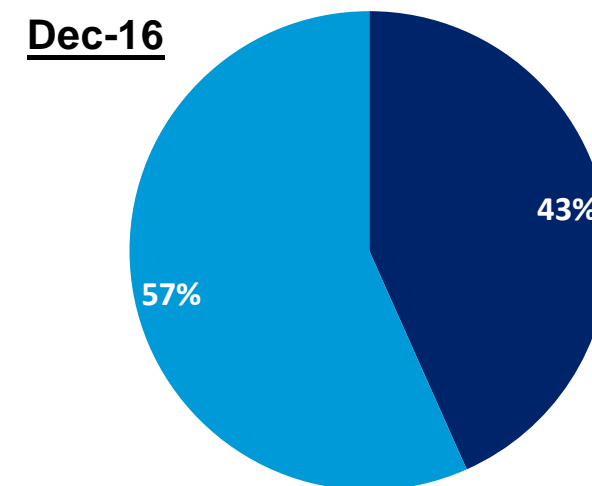
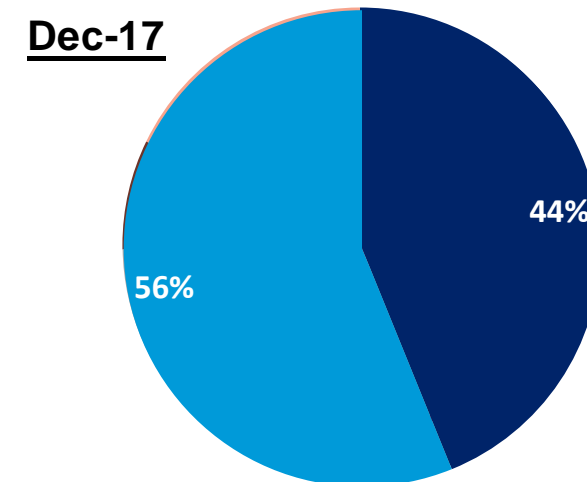
## Customer Loans and Deposits; LDR and LCR



SGD LDR (%)	89.7	87.8	89.9	91.9	92.3
USD LDR (%)	74.6	75.7	66.5	65.3	63.9
SGD LCR (%)	275	232	203	196	170
Total LCR (%)	162	154	157	142	135

# Loans up 5% YoY and 1% QoQ to \$236b

Gross Loans	Dec-17	Dec-16	+/(-)	Sep-17	+/(-)
	\$b	\$b	%	\$b	%
Singapore	128	126	2	127	0
Regional:	85	78	9	84	2
Malaysia	27	26	5	26	3
Thailand	15	13	13	14	4
Indonesia	11	12	(10)	11	(5)
Greater China	32	27	19	32	2
Others	23	22	6	23	1
<b>Total</b>	<b>236</b>	<b>226</b>	<b>5</b>	<b>234</b>	<b>1</b>



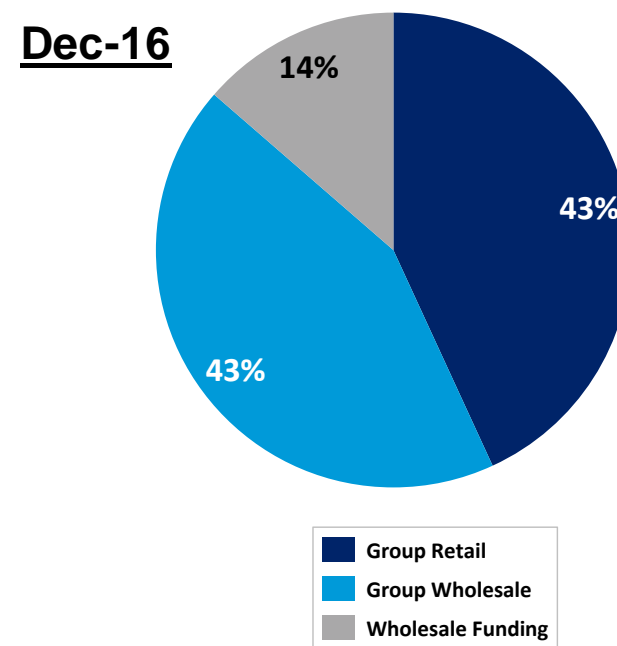
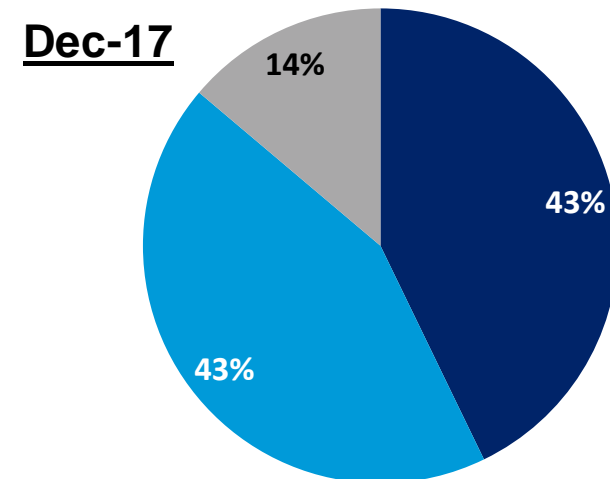
■ Group Retail
 ■ Group Wholesale

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

2. No significant currency translation impact.

# Funding increased by 6% or \$17b YoY with proactive liquidity and balance sheet management

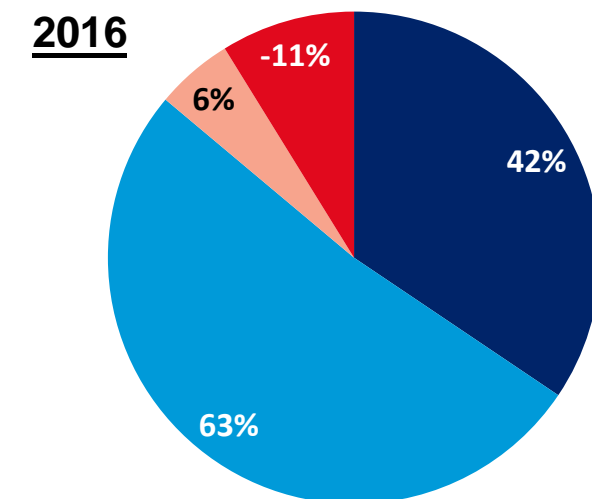
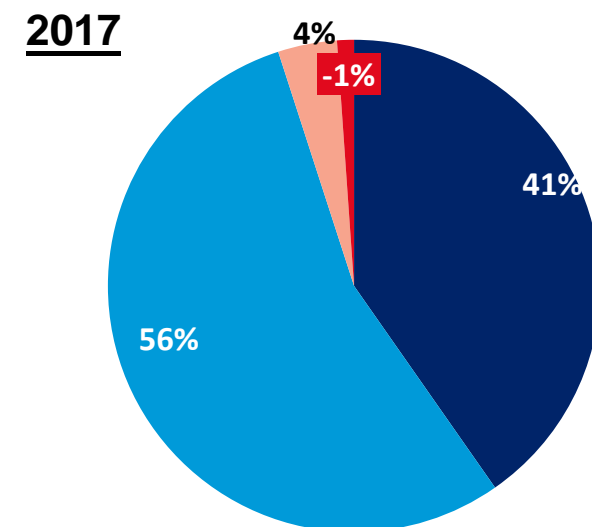
Customer Deposits	Dec-17 \$b	Dec-16 \$b	+/(-) %	Sep-17 \$b	+/(-) %
Singapore	185	179	4	184	1
Regional:	69	63	9	67	3
Malaysia	28	27	3	28	2
Thailand	16	13	17	15	1
Indonesia	7	8	(6)	7	(1)
Greater China	18	15	20	16	8
Others	19	14	40	18	8
<b>Total customer deposits</b>	<b>273</b>	<b>255</b>	<b>7</b>	<b>268</b>	<b>2</b>
Wholesale funding	40	40	(1)	41	(3)
<b>Total funding</b>	<b>312</b>	<b>295</b>	<b>6</b>	<b>309</b>	<b>1</b>



Note: No significant currency translation impact.

# Total operating profit increased 11% YoY mainly from Group Retail and Central Treasury

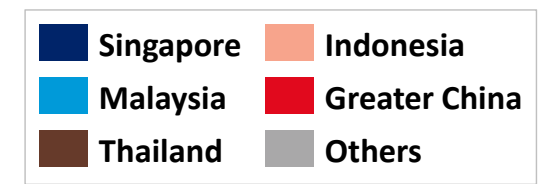
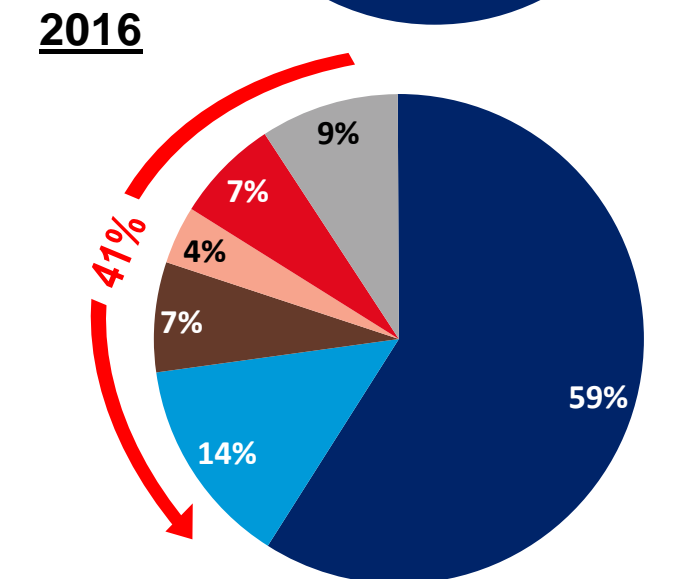
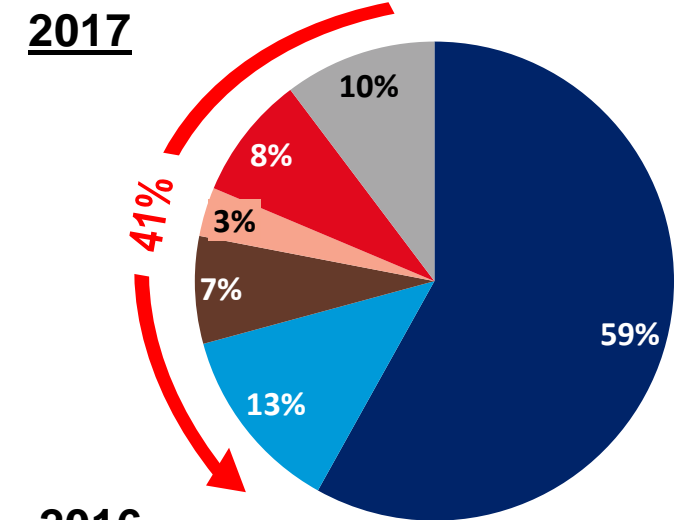
Segment Operating Profit	2017	2016	+ / (-)
	\$m	\$m	%
Group Retail (GR)	1,981	1,820	9
Group Wholesale Banking (GWB)	2,713	2,747	(1)
Global Markets (GM)	185	264	(30)
Others *	(56)	(466)	88
<b>Total</b>	<b>4,824</b>	<b>4,365</b>	<b>11</b>



\* Comprises Investment Management, Central Treasury and Corporate Functions

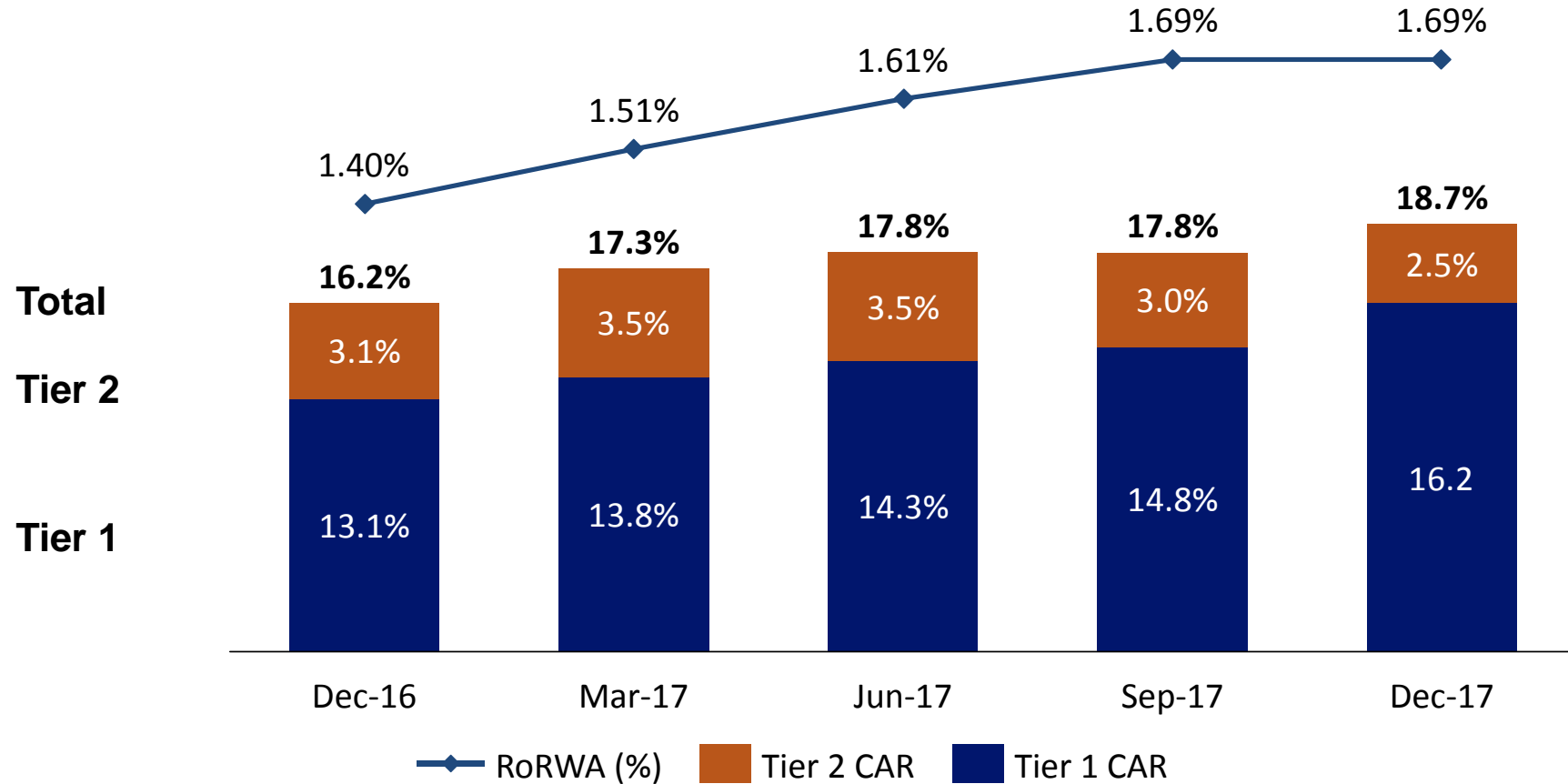
# Regional operating profit rose 11% YoY in constant currency terms

Operating Profit	2017	2016	+ / (-) %	At constant FX rate
	\$m	\$m		+ / (-) %
Singapore	2,834	2,568	10	10
Regional:	1,535	1,400	10	11
Malaysia	621	603	3	7
Thailand	350	316	11	7
Indonesia	156	170	(8)	(8)
Greater China	408	311	31	33
Others	454	397	15	15
<b>Total</b>	<b>4,824</b>	<b>4,365</b>	<b>11</b>	<b>11</b>



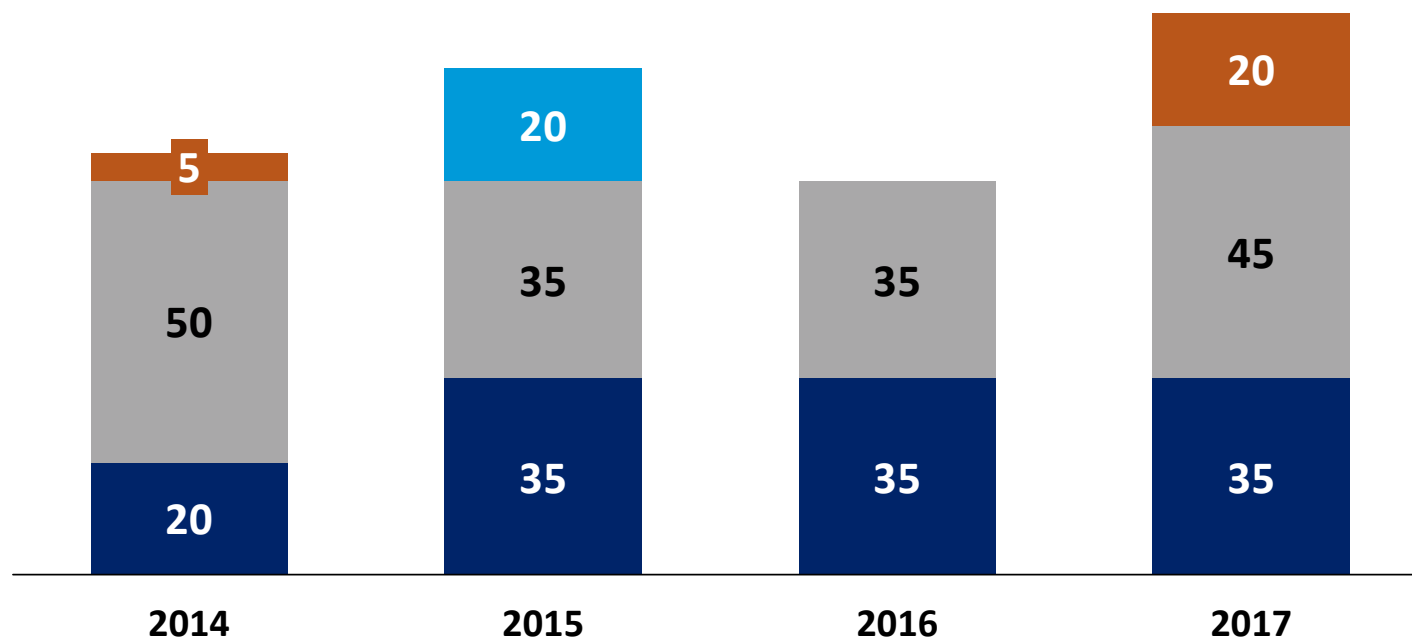
# Strong capital position through capital management initiatives

## Capital Adequacy Ratios (CAR)



RWA (\$b)	216	211	209	206	199
Fully-loaded CET1 (%)	12.1	12.8	13.3	13.8	14.7
Leverage ratio (%)	7.4	7.6	7.8	7.7	8.0

# Core dividends increased to 80 cents per annum



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

- Interim
- Final
- Special
- UOB 80th anniversary

	2014	2015	2016	2017
<b>Payout amount (\$m)</b>	1,201	1,444	1,135	1,661
<b>Payout ratio (%)</b>	37	45	37	49
<b>Payout ratio (%) (excluding special/one-off dividends)</b>	35	35	37	39



## Appendix :

### Netting of Fee Expenses

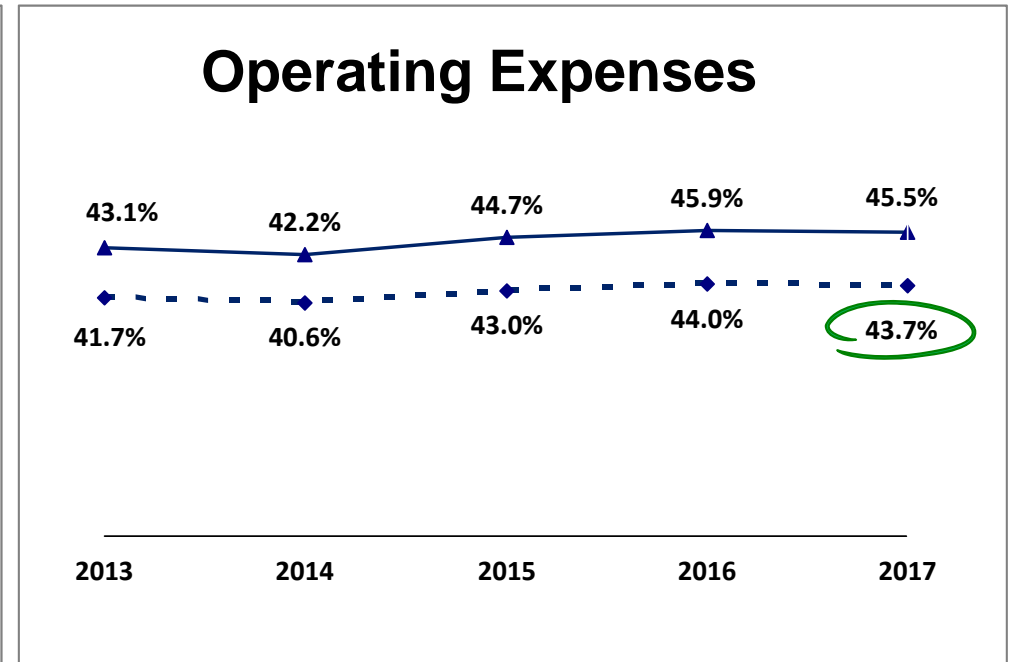
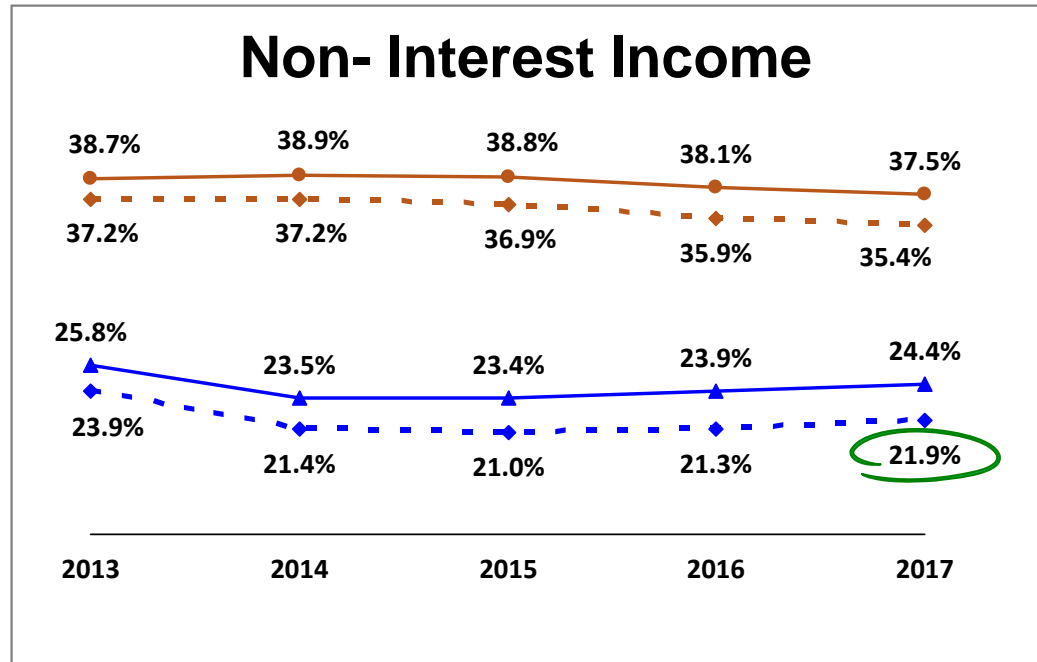
### Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China



# Netting of fee expenses wef 2018

If directly attributable expenses were netted against the related fees for 2017,  
 Fee income/ Total income ratio would decrease to 21.9% while Expense/Income ratio  
 would improve to 43.7%



- ▲ Fee income/Total income Ratio (Current)
- ◆ Net fee income/Total income Ratio (Proposed)
- Non-NII/Total Income Ratio (Current)
- ◆ Non-NII/Total Income Ratio (Proposed)

- ▲ Expense/Income Ratio (Current)
- ◆ Expense/Income Ratio (Proposed)

## Singapore – Key Financials

	2017	2016	+/(–)	4Q17	3Q17	+/(–)
	\$m	\$m	%	\$m	\$m	%
Net interest income	3,065	2,683	14	832	787	6
Fee & commission income	1,318	1,144	15	347	334	4
Other non-interest income	707	763	(7)	143	172	(17)
<b>Total income</b>	<b>5,090</b>	<b>4,590</b>	<b>11</b>	<b>1,321</b>	<b>1,293</b>	<b>2</b>
Less: Expenses	2,255	2,022	12	626	532	18
<b>Operating profit</b>	<b>2,834</b>	<b>2,568</b>	<b>10</b>	<b>695</b>	<b>761</b>	<b>(9)</b>
Less: Allowances	392	260	51	34	104	(68)
Add: Associates & JVs	49	55	(11)	13	12	12
<b>Profit before tax</b>	<b>2,491</b>	<b>2,364</b>	<b>5</b>	<b>675</b>	<b>668</b>	<b>1</b>
<b>Key ratios (%)</b>						
Net interest margin	1.38	1.28		1.46	1.41	
Non-NII/Total income	39.8	41.6		37.1	39.1	
Expense/Total income	44.3	44.0		47.4	41.2	
Loan/Deposit	76.6	78.5		76.6	76.9	

# Malaysia – Key Financials

	2017 RM'm	2016 RM'm	+/(-) %	4Q17 RM'm	3Q17 RM'm	+/(-) %
Net interest income	2,125	1,997	6	523	542	(4)
Fee & commission income	725	660	10	213	172	24
Other non-interest income	306	299	2	88	67	31
<b>Total income</b>	<b>3,156</b>	<b>2,956</b>	<b>7</b>	<b>824</b>	<b>781</b>	<b>6</b>
Less: Expenses	1,223	1,149	6	352	296	19
<b>Operating profit</b>	<b>1,933</b>	<b>1,807</b>	<b>7</b>	<b>472</b>	<b>485</b>	<b>(3)</b>
Less: Allowances	121	164	(26)	77	32	>100
<b>Profit before tax</b>	<b>1,812</b>	<b>1,643</b>	<b>10</b>	<b>395</b>	<b>453</b>	<b>(13)</b>
<b>Profit before tax (S\$m)</b>	<b>581</b>	<b>548</b>	<b>6</b>	<b>129</b>	<b>144</b>	<b>(11)</b>
<i>Average Exchange rate</i>	3.12	3.00		3.06	3.14	
<u>Key ratios (%)</u>						
Net interest margin	2.14	2.22		2.07	2.12	
Non-NII/Total income	32.7	32.4		36.5	30.6	
Expense/Total income	38.8	38.9		42.7	37.9	
Loan/Deposit	95.7	93.2		95.7	94.7	

## Thailand – Key Financials

	2017	2016	+/(–)	4Q17	3Q17	+/(–)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	15,587	14,371	8	4,055	4,019	1
Fee & commission income	6,353	5,948	7	1,761	1,623	9
Other non-interest income	982	830	18	271	284	(5)
<b>Total income</b>	<b>22,922</b>	<b>21,149</b>	<b>8</b>	<b>6,087</b>	<b>5,926</b>	<b>3</b>
Less: Expenses	14,321	13,099	9	3,761	3,638	3
<b>Operating profit</b>	<b>8,601</b>	<b>8,050</b>	<b>7</b>	<b>2,326</b>	<b>2,288</b>	<b>2</b>
Less: Allowances	3,244	3,116	4	922	739	25
<b>Profit before tax</b>	<b>5,357</b>	<b>4,934</b>	<b>9</b>	<b>1,404</b>	<b>1,549</b>	<b>(9)</b>
<b>Profit before tax (S\$m)</b>	<b>218</b>	<b>193</b>	<b>13</b>	<b>58</b>	<b>63</b>	<b>(9)</b>
<i>Average Exchange rate</i>	24.56	25.53		24.35	24.50	
<u>Key ratios (%)</u>						
Net interest margin	3.45	3.55		3.30	3.46	
Non-NII/Total income	32.0	32.0		33.4	32.2	
Expense/Total income	62.5	61.9		61.8	61.4	
Loan/Deposit	90.1	93.5		90.1	88.1	

## Indonesia – Key Financials

	2017	2016	+/(–)	4Q17	3Q17	+/(–)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	3,298	3,302	(0)	836	810	3
Fee & commission income	818	774	6	206	201	2
Other non-interest income	441	513	(14)	107	121	(12)
<b>Total income</b>	<b>4,557</b>	<b>4,589</b>	<b>(1)</b>	<b>1,149</b>	<b>1,132</b>	<b>2</b>
Less: Expenses	3,038	2,944	3	799	745	7
<b>Operating profit</b>	<b>1,519</b>	<b>1,645</b>	<b>(8)</b>	<b>350</b>	<b>387</b>	<b>(10)</b>
Less: Allowances	1,249	953	31	379	509	(26)
<b>Profit/(loss) before tax</b>	<b>270</b>	<b>692</b>	<b>(61)</b>	<b>(29)</b>	<b>(122)</b>	<b>76</b>
<b>Profit/(loss) before tax (S\$m)</b>	<b>29</b>	<b>71</b>	<b>(59)</b>	<b>(3)</b>	<b>(12)</b>	<b>78</b>
<i>Average Exchange rate</i>	9,237	9,721		10,677	9,917	
<u>Key ratios (%)</u>						
Net interest margin	3.96	4.45		3.98	3.78	
Non-NII/Total income	27.6	28.0		27.2	28.4	
Expense/Total income	66.7	64.2		69.5	65.8	
Loan/Deposit	83.5	88.1		83.5	91.0	

# Greater China – Key Financials

	2017	2016	+/(–)	4Q17	3Q17	+/(–)
	\$m	\$m	%	\$m	\$m	%
Net interest income	397	384	3	103	98	5
Fee & commission income	129	113	14	38	39	(4)
Other non-interest income	232	152	53	57	53	8
<b>Total income</b>	<b>757</b>	<b>648</b>	<b>17</b>	<b>198</b>	<b>190</b>	<b>4</b>
Less: Expenses	349	337	4	94	87	8
<b>Operating profit</b>	<b>408</b>	<b>311</b>	<b>31</b>	<b>104</b>	<b>103</b>	<b>0</b>
Less: Allowances	28	56	(51)	5	12	(54)
Add: Associates & JVs	38	46	(16)	5	11	(57)
<b>Profit before tax</b>	<b>419</b>	<b>300</b>	<b>40</b>	<b>103</b>	<b>102</b>	<b>1</b>
<u>Key ratios (%)</u>						
Net interest margin	1.02	1.10		0.99	0.99	
Non-NII/Total income	47.6	40.8		48.1	48.4	
Expense/Total income	46.1	52.1		47.5	45.6	
Loan/Deposit	151.1	145.9		151.1	158.7	

# Thank You

