

# UOB Group

For the Nine Months / Third Quarter Ended  
30 September 2017

## Financial Highlights

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3 November 2017

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# 9M17 and 3Q17 Highlights

## Steady growth in client franchise income, supported by balance sheet growth

**9M17 NPAT of \$2.54b ↑8% YoY**

**3Q17 NPAT of \$883m, ↑12% YoY; ↑5% QoQ**

### Steady top lines growth

- Higher NIM on improved margins mainly contributed by active balance sheet management
- Strong growth in wealth management, fund management and credit card businesses

### Asset quality remains broadly stable

- New NPL formation from a large account in oil & gas sector this quarter
- Proactive management of oil & gas exposures which remained under stress, while the rest of the portfolio stays resilient
- Adequate levels of allowances had been set aside

### Balance sheet remains strong

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

# Steady growth in the client franchise income, supported by balance sheet growth

	9M17	9M16	YoY	
	\$m	\$m	\$m	+/(-) %
Net interest income	4,067	3,715	352	9 ▲
Fee and commission income	1,577	1,400	177	13 ▲
Other non-interest income	900	918	(18)	(2) ▼
<b>Total income</b>	<b>6,544</b>	<b>6,033</b>	<b>511</b>	<b>8 ▲</b>
Less: Total expenses	2,925	2,739	186	7 ▲
<b>Operating profit</b>	<b>3,619</b>	<b>3,293</b>	<b>325</b>	<b>10 ▲</b>
Less: Specific allowance	694	551	143	26 ▲
General allowance	(107)	(88)	(19)	(22) ▼
Add: Associates & joint ventures	88	27	61	>100 ▲
<b>Net profit before tax</b>	<b>3,120</b>	<b>2,857</b>	<b>262</b>	<b>9 ▲</b>
Less: Tax & non-controlling interests	585	500	85	17 ▲
<b>Net profit after tax</b>	<b>2,535</b>	<b>2,357</b>	<b>177</b>	<b>8 ▲</b>



favourable variance to earnings



unfavourable variance to earnings

# Steady contribution from client franchise income

	3Q17	3Q16	YoY	
	\$m	\$m	\$m	+/(-) %
Net interest income	1,408	1,230	179	15 ▲
Fee and commission income	551	492	59	12 ▲
Other non-interest income	279	318	(39)	(12) ▼
<b>Total income</b>	<b>2,238</b>	<b>2,040</b>	<b>199</b>	<b>10 ▲</b>
Less: Total expenses	973	918	55	6 ▲
<b>Operating profit</b>	<b>1,265</b>	<b>1,122</b>	<b>144</b>	<b>13 ▲</b>
Less: Specific allowance	247	299	(52)	(17) ▼
General allowance	(26)	(113)	88	77 ▲
Add: Associates & joint ventures	29	25	4	15 ▲
<b>Net profit before tax</b>	<b>1,073</b>	<b>962</b>	<b>112</b>	<b>12 ▲</b>
Less: Tax & non-controlling interests	190	171	19	11 ▲
<b>Net profit after tax</b>	<b>883</b>	<b>791</b>	<b>92</b>	<b>12 ▲</b>



favourable variance to earnings



unfavourable variance to earnings

# Robust quarterly performance, driven by higher NIM, client franchise's revenue momentum and cost discipline

	3Q17	2Q17	QoQ	
	\$m	\$m	\$m	+/(-) %
Net interest income	1,408	1,356	53	4 ▲
Fee and commission income	551	517	34	7 ▲
Other non-interest income	279	310	(31)	(10) ▼
<b>Total income</b>	<b>2,238</b>	<b>2,183</b>	<b>56</b>	<b>3 ▲</b>
Less: Total expenses	973	995	(21)	(2) ▼
<b>Operating profit</b>	<b>1,265</b>	<b>1,189</b>	<b>77</b>	<b>6 ▲</b>
Less: Specific allowance	247	168	79	47 ▲
General allowance	(26)	12	(38)	(>100) ▼
Add: Associates & joint ventures	29	24	5	20 ▲
<b>Net profit before tax</b>	<b>1,073</b>	<b>1,033</b>	<b>41</b>	<b>4 ▲</b>
Less: Tax & non-controlling interests	190	188	2	1 ▲
<b>Net profit after tax</b>	<b>883</b>	<b>845</b>	<b>38</b>	<b>5 ▲</b>



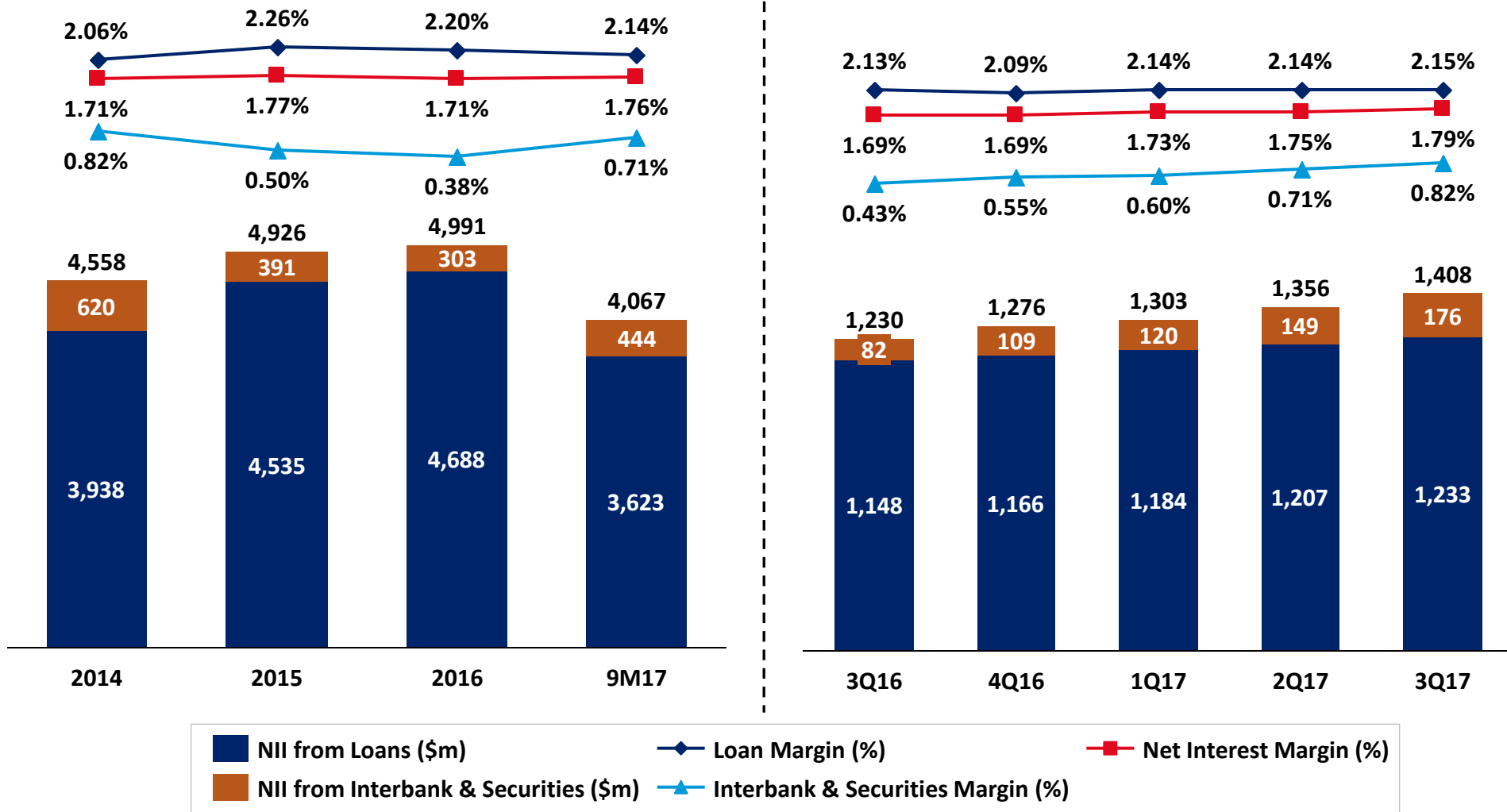
favourable variance to earnings



unfavourable variance to earnings

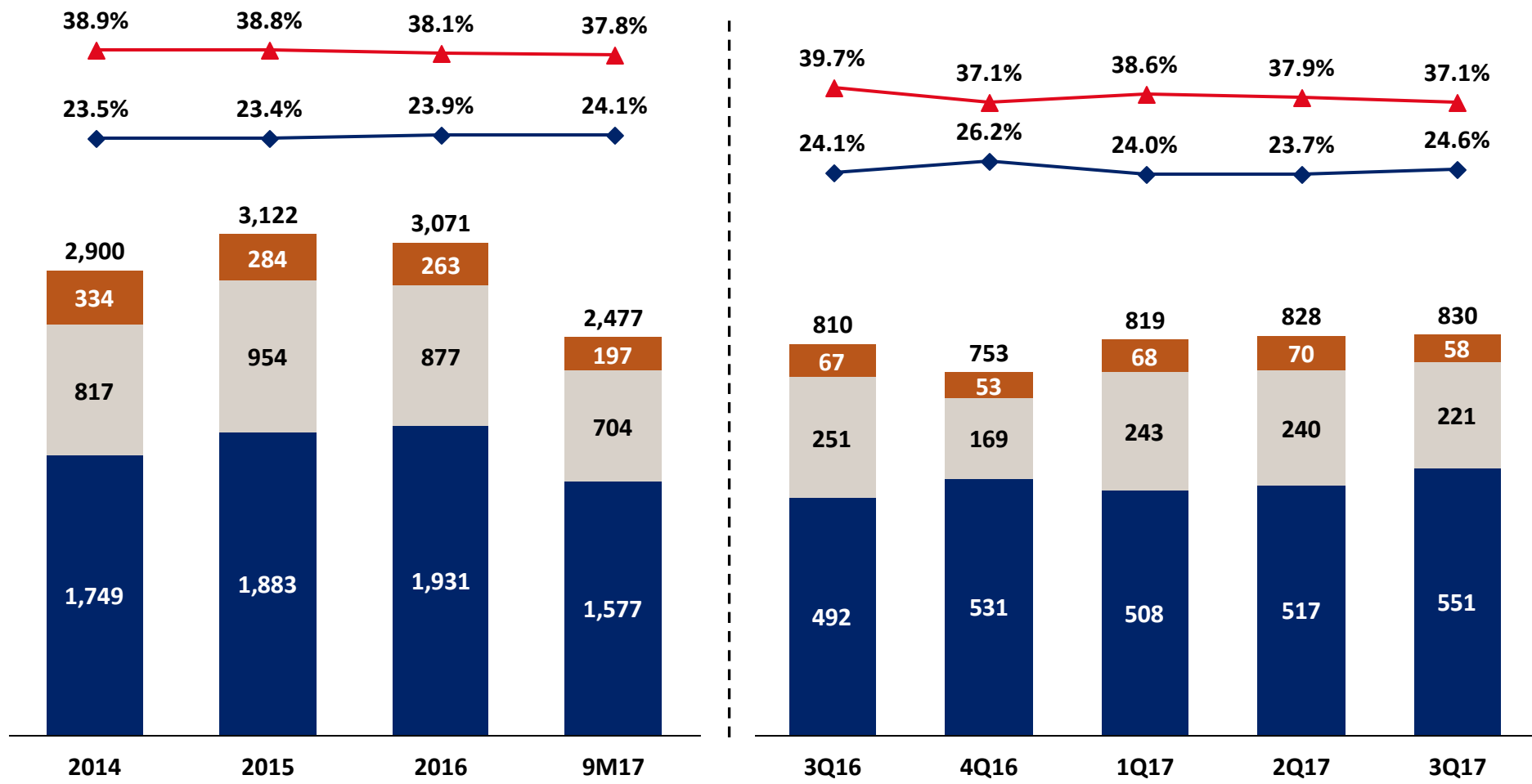
# NII rose 9% YoY supported by improved margins from active balance sheet management and loan growth

## Net Interest Income (NII) and Margin



# Strong growth in wealth management, fund management and credit card businesses

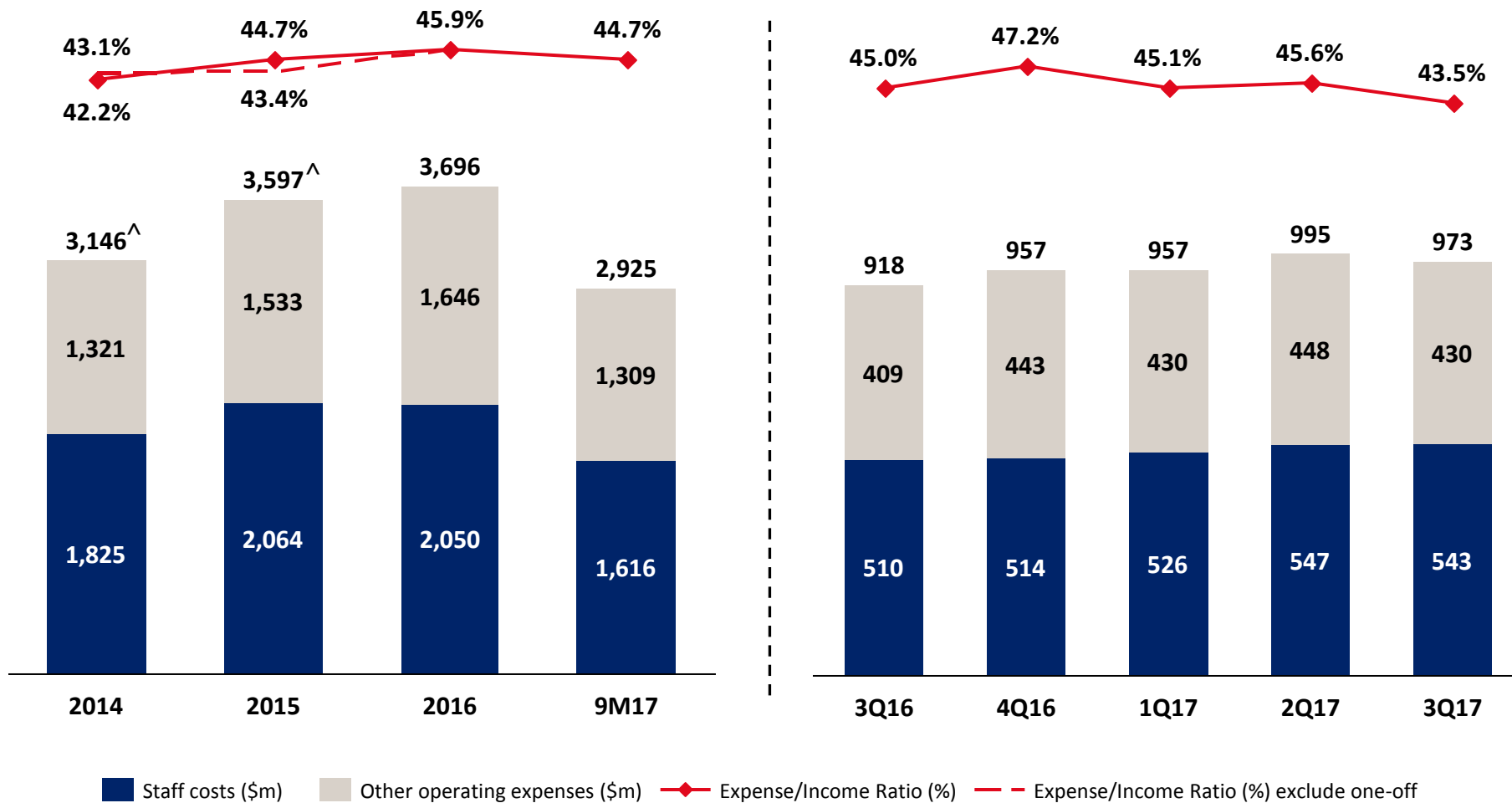
## Non-Interest Income (Non-NII) and Non-NII Ratio



■ Fee and commission income (\$m)   
 ■ Other non-interest income (\$m)   
 ▲ Non-NII/Total Income (%)  
■ Trading & Investment income (\$m)   
 ◆ Fee Income/Total Income (%)

# Expense/income ratio improved with disciplined cost management on the back of healthy income growth

## Operating Expenses and Expense / Income Ratio

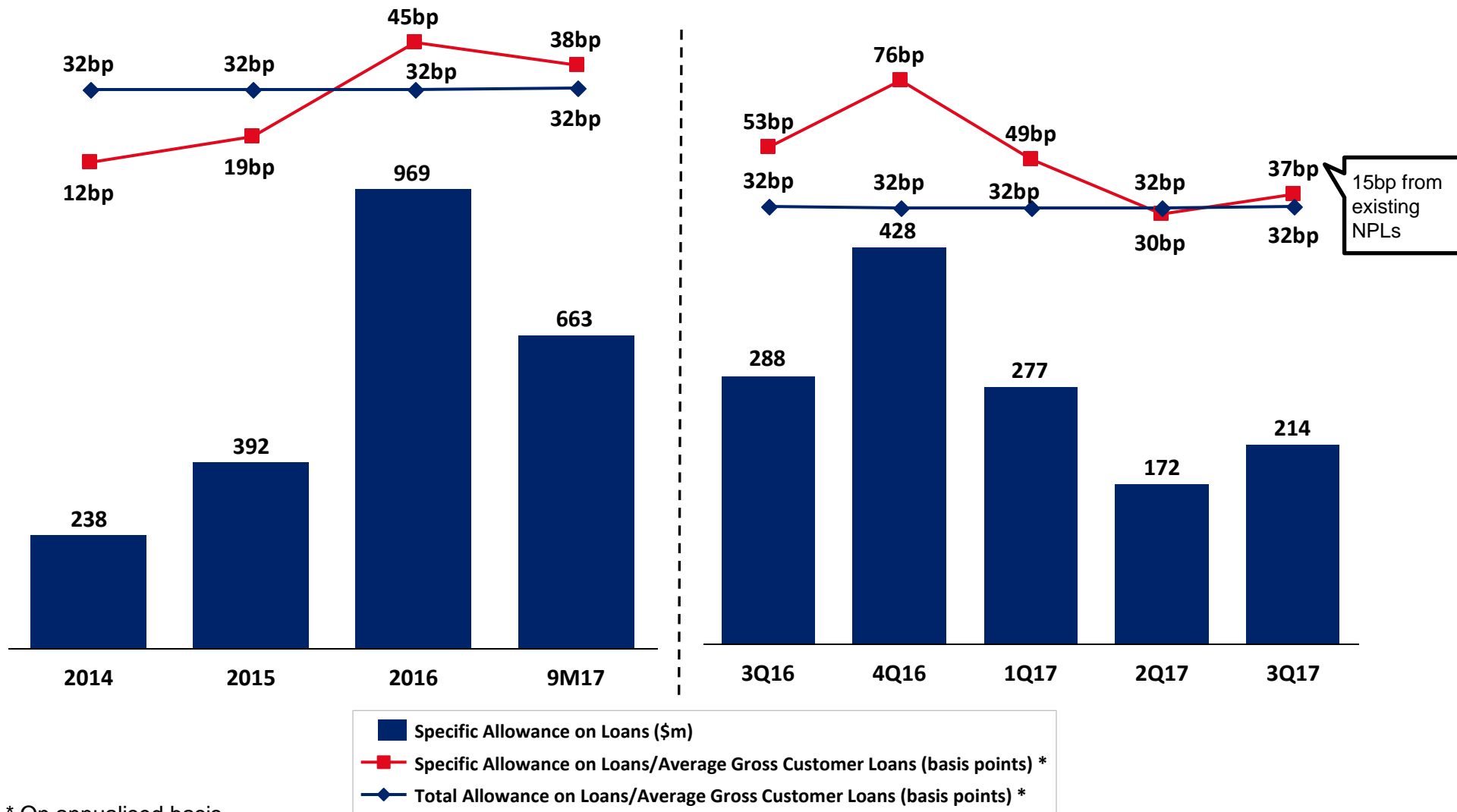


^ Included one-off expenses relating to SG50 and UOB80 commemorative events and brand campaign (2015: \$67m) and adjustment for prior year's bonus.



Higher specific allowance mainly from a large account in the oil & gas sector. Total credit costs on loans were kept at 32bps with a release in general allowance made in the past

## Allowance on Loans



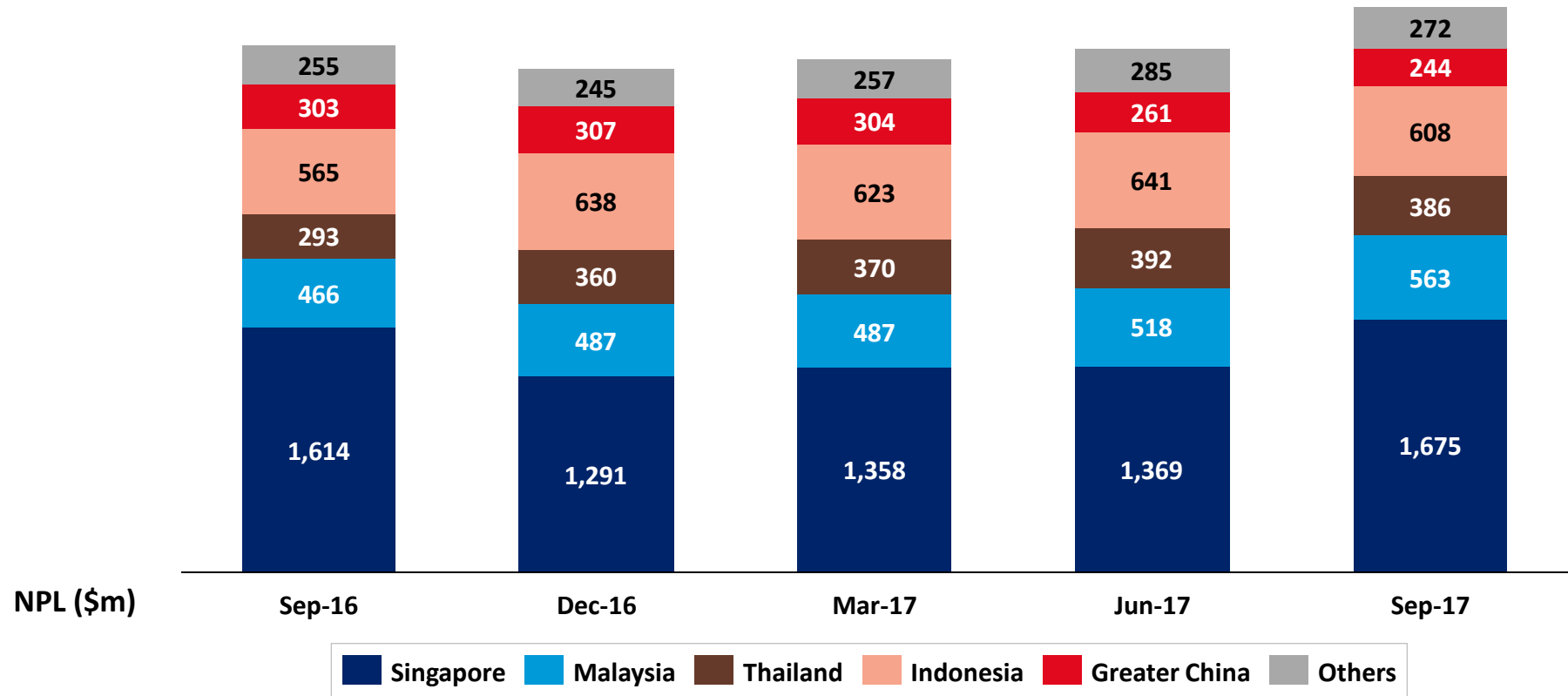
\* On annualised basis

## New formation of NPL was mainly from a large account in the oil and gas sector, which remained under stress

	3Q16	4Q16	1Q17	2Q17	3Q17
	\$m	\$m	\$m	\$m	\$m
<b>NPA at start of period</b>	3,164	3,632	3,480	3,543	3,587
New NPA	780	387	424	537	799
Upgrades, recoveries and translations	(201)	(320)	(293)	(255)	(369)
Write-offs	(111)	(219)	(68)	(238)	(98)
<b>NPA at end of period</b>	<b>3,632</b>	<b>3,480</b>	<b>3,543</b>	<b>3,587</b>	<b>3,919</b>

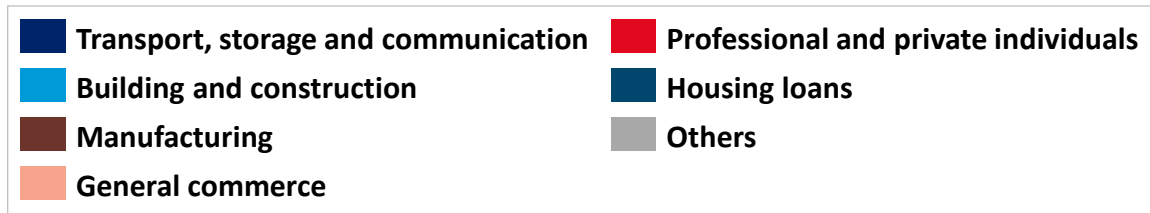
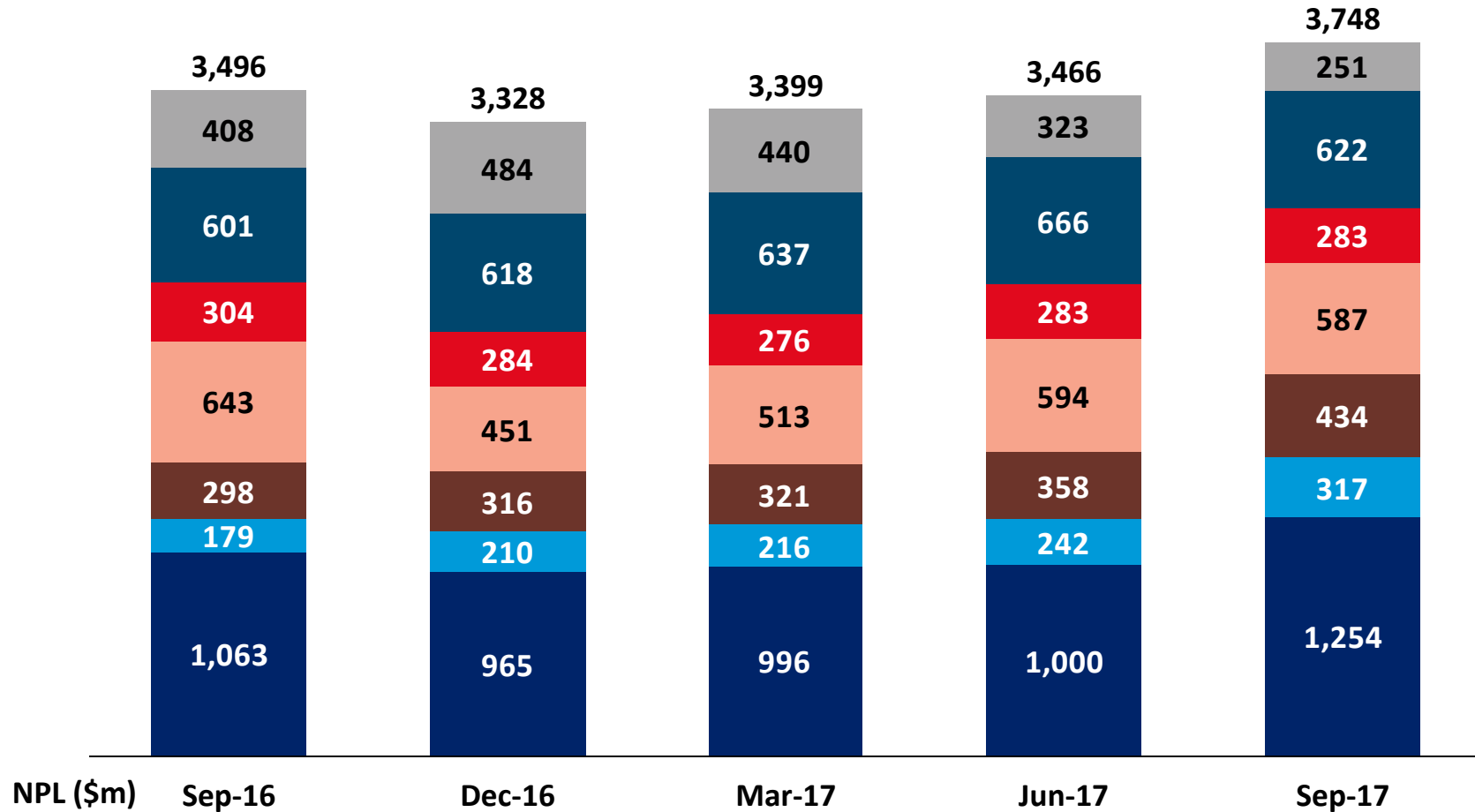
# NPL ratio rose to 1.6% mainly driven by a new NPL from oil & gas sector

NPL (\$m)	3,496	3,328	3,399	3,466	3,748
NPL Ratio	1.6%	1.5%	1.5%	1.5%	1.6%



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

# New NPLs mainly from transport, storage and communication industry



# Exposure to commodities

Sep 17	Oil and gas		Other commodity segments	Total
	Upstream industries <sup>2</sup>	Traders/ downstream industries		
Total exposure <sup>1</sup>	SGD4.3b	SGD12.1b	SGD9.9b	SGD26.3b
Outstanding loans	SGD3.7b	SGD7.2b	SGD6.9b	SGD17.8b

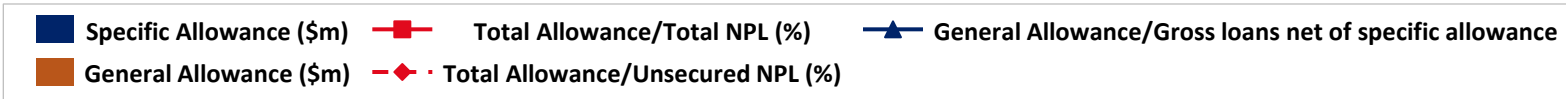
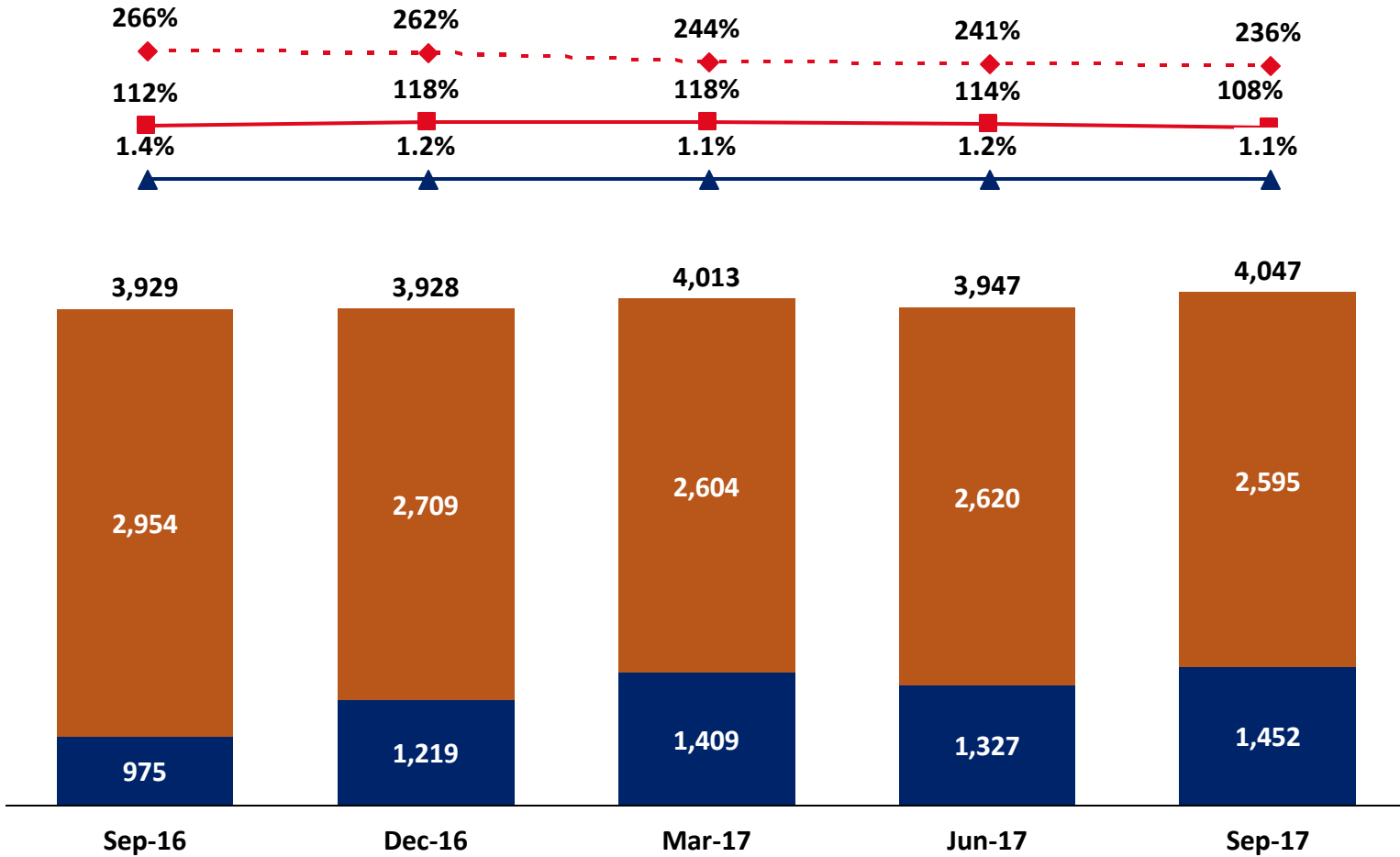
*5% of total loans*

*8% of total loans*

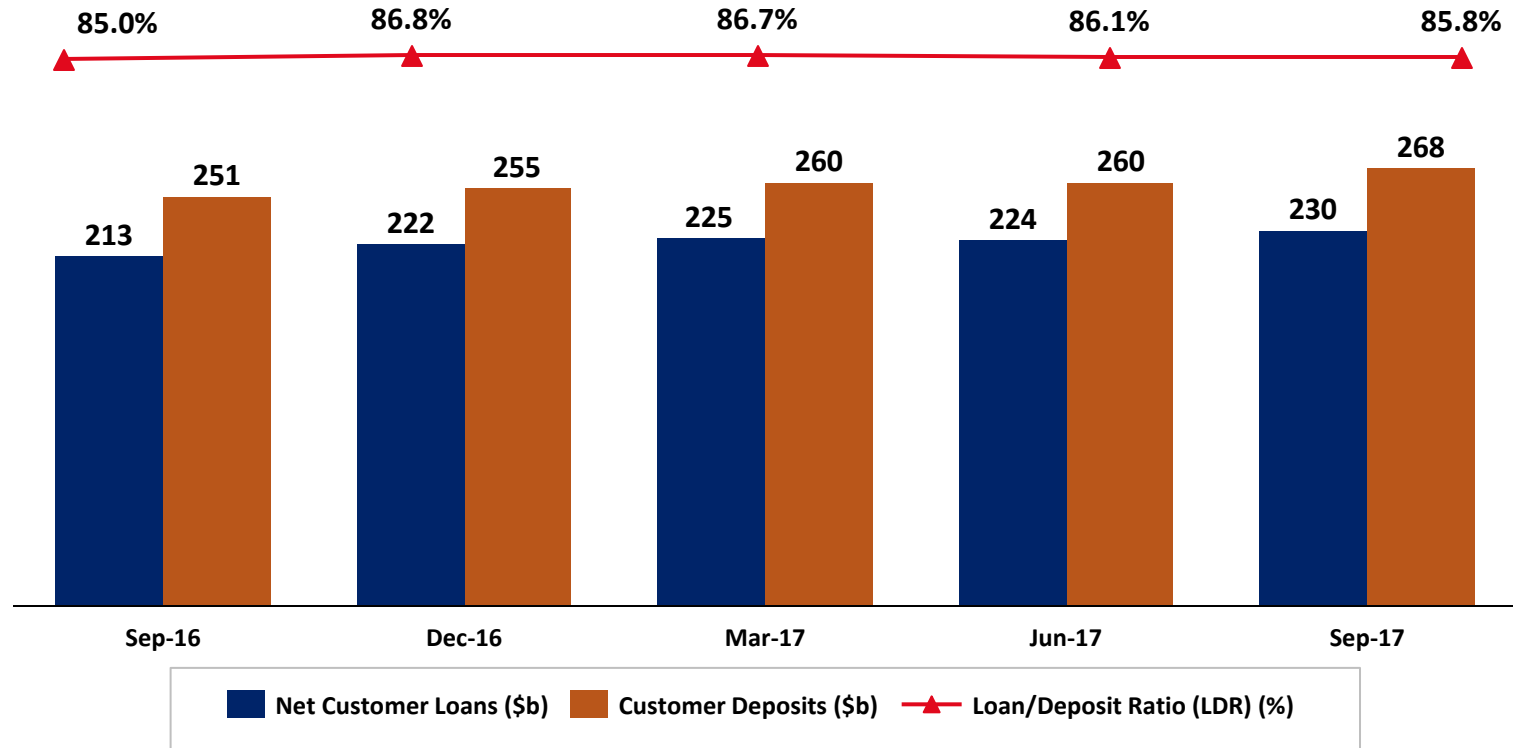
- Total exposure, including off-balance sheet items, stood at SGD26.3b as of 30 September 2017
- Mainly to traders and downstream segments
- Proactive monitoring, limit management and collateral enhancement

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

# Loan allowance coverage remains adequate



## Customer Loans and Deposits; LDR and LCR

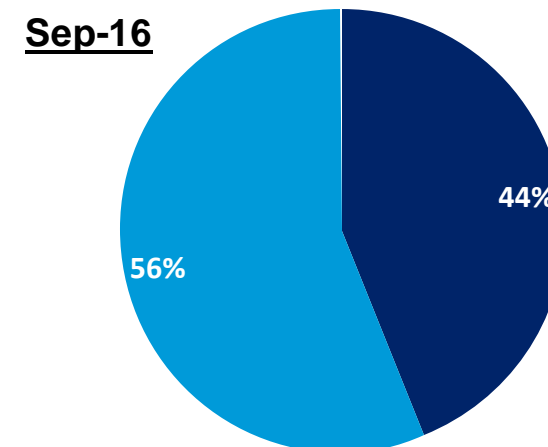
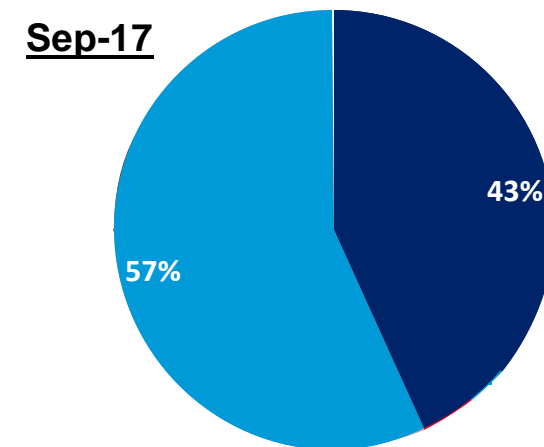


SGD LDR (%)	89.7	89.7	87.8	89.9	91.9
USD LDR (%)	68.3	74.6	75.7	66.5	65.3
SGD LCR (%) <sup>1</sup>	213	275	232	203	196
Total LCR (%) <sup>1</sup>	148	162	154	157	142

<sup>1</sup> Average for quarters

# Loans up 8% YoY and 3% QoQ to \$234b

Gross Loans	Sep-17	Sep-16	+ / (-)	Jun-17	+ / (-)
	\$b	\$b	%	\$b	%
Singapore	127	120	6	125	1
Regional:	84	76	10	79	5
Malaysia	26	26	2	26	0
Thailand	14	12	17	14	4
Indonesia	11	12	(3)	12	(2)
Greater China	32	26	21	28	13
Others	23	21	10	23	2
<b>Total</b>	<b>234</b>	<b>217</b>	<b>8</b>	<b>228</b>	<b>3</b>



■ Group Retail
 ■ Group Wholesale

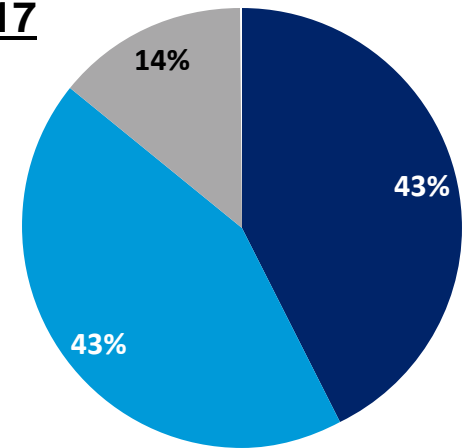
Notes: 1. Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).  
 2. No significant currency translation impact.



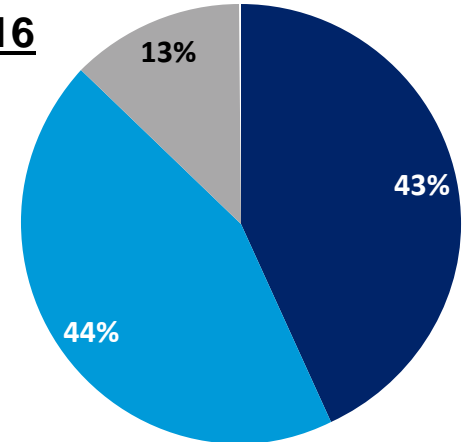
# Funding increased by 8% or \$23b YoY with proactive liquidity and balance sheet management

Customer Deposits	Sep-17 \$b	Sep-16 \$b	+/(-) %	Jun-17 \$b	+/(-) %
Singapore	184	179	3	180	2
Regional:	67	60	11	65	3
Malaysia	28	27	3	27	2
Thailand	15	13	22	14	8
Indonesia	7	7	6	8	(3)
Greater China	16	14	17	16	3
Others	18	12	46	15	15
<b>Total customer deposits</b>	<b>268</b>	<b>251</b>	<b>7</b>	<b>260</b>	<b>3</b>
Wholesale funding	41	35	17	40	1
<b>Total funding</b>	<b>309</b>	<b>286</b>	<b>8</b>	<b>300</b>	<b>3</b>

**Sep-17**



**Sep-16**

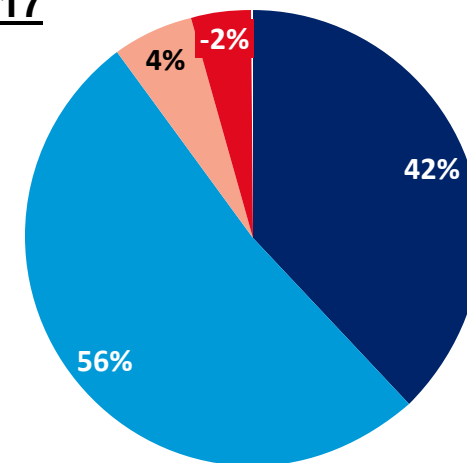


Note: No significant currency translation impact.

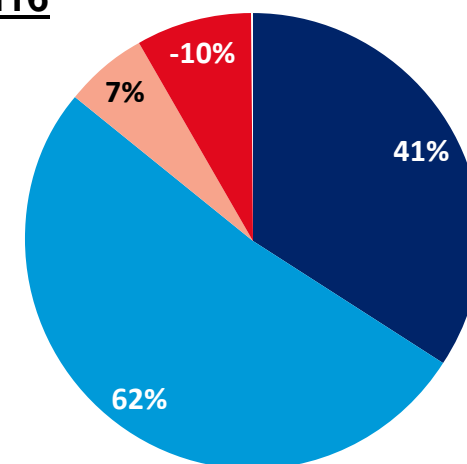
# Performance by business segment

Segment Operating Profit	9M17	9M16	+ / (-)
	\$m	\$m	%
Group Retail (GR)	1,503	1,358	11
Group Wholesale Banking (GWB)	2,029	2,037	(0)
Global Markets (GM)	160	218	(26)
Others *	(72)	(319)	77
<b>Total</b>	<b>3,619</b>	<b>3,293</b>	<b>10</b>

**9M17**



**9M16**



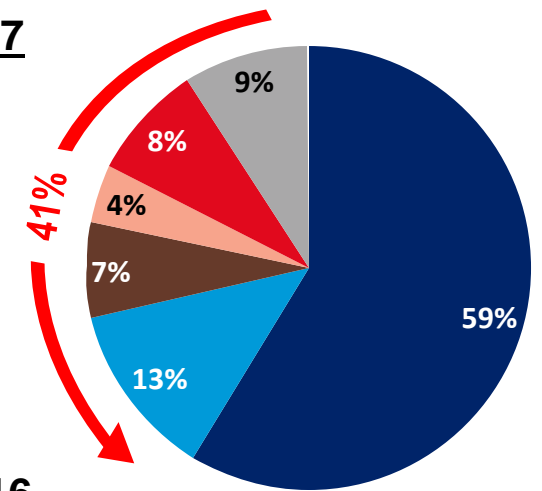
\* Comprises Investment Management, Central Treasury and Corporate Functions



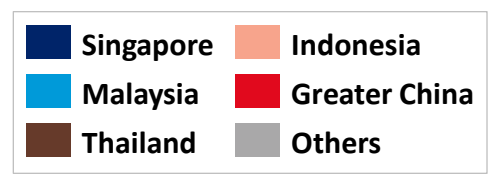
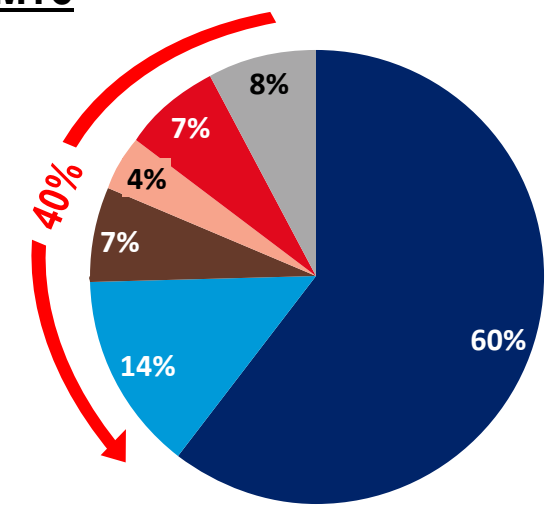
# Regional operating profit rose 11% YoY in constant currency terms

Operating Profit	9M17 \$m	9M16 \$m	+/(-) %	At constant FX rate
				+/(-) %
Singapore	2,139	1,969	9	9
Regional:	1,147	1,041	10	11
Malaysia	466	457	2	8
Thailand	255	228	12	7
Indonesia	121	130	(7)	(8)
Greater China	304	226	35	34
Others	334	284	18	17
<b>Total</b>	<b>3,619</b>	<b>3,293</b>	<b>10</b>	<b>10</b>

9M17



9M16

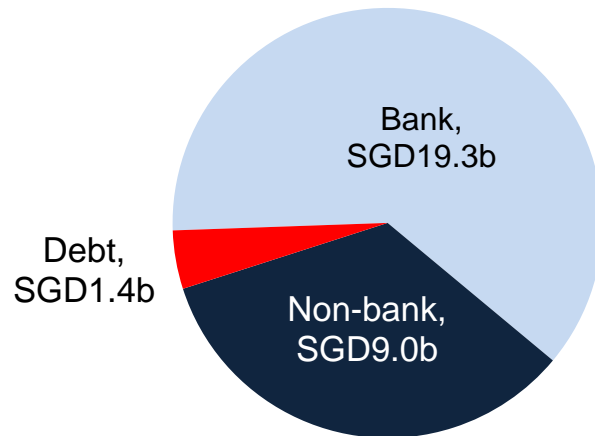


# Exposure to China

Sep 2017

SGD29.7b

or 8.4% of total assets



## Bank exposure in China

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

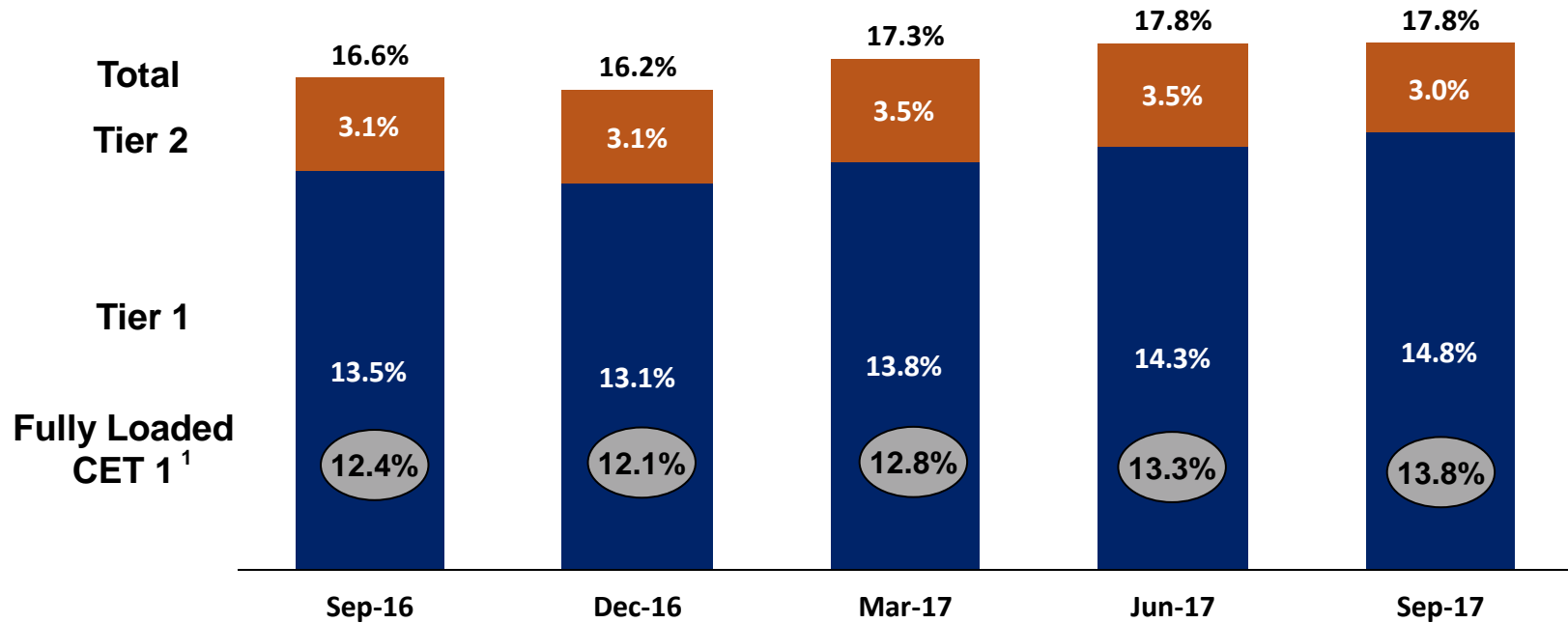
## Non-bank exposure in China

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- NPL ratio around 0.8%
- Around 43% with <1 year tenor
- Around half of loans denominated in RMB
- Minimal exposure to stockbroking companies linked to China's stock market
- No exposure to Qingdao fraud and local government financing vehicles

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

# Strong capital position augmented by various capital management initiatives

## Capital Adequacy Ratios (CAR)



CET1 Capital (\$b)	27	28	28	29	29
Tier 1 Capital (\$b)	28	28	29	30	31
Total Capital (\$b)	34	35	36	37	37
RWA (\$b)	205	216	211	209	206
Leverage ratio (%) <sup>2</sup>	7.5	7.4	7.6	7.8	7.7

Notes:

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

## Appendix :

# Performance of Major Territories

- Singapore
- Malaysia
- Thailand
- Indonesia
- Greater China

# Singapore – Key Financials

	9M17	9M16	+/(–)	3Q17	2Q17	+/(–)
	\$m	\$m	%	\$m	\$m	%
Net interest income	2,233	2,010	11	787	743	6
Fee & commission income	972	827	17	334	322	4
Other non-interest income	564	635	(11)	172	208	(17)
<b>Total income</b>	<b>3,769</b>	<b>3,472</b>	<b>9</b>	<b>1,293</b>	<b>1,272</b>	<b>2</b>
Less: Expenses	1,630	1,503	8	532	567	(6)
<b>Operating profit</b>	<b>2,139</b>	<b>1,969</b>	<b>9</b>	<b>761</b>	<b>706</b>	<b>8</b>
Less: Allowances	358	225	59	104	122	(15)
Add: Associates & JVs	36	39	(8)	12	13	(6)
<b>Profit before tax</b>	<b>1,816</b>	<b>1,783</b>	<b>2</b>	<b>668</b>	<b>597</b>	<b>12</b>
<b>Key ratios (%)</b>						
Net interest margin	1.35	1.29		1.41	1.35	
Non-NII/Total income	40.7	42.1		39.1	41.6	
Expense/Total income	43.2	43.3		41.2	44.5	
Loan/Deposit	76.9	75.0		76.9	77.7	

# Malaysia – Key Financials

	9M17	9M16	+/(–)	3Q17	2Q17	+/(–)
	RM'm	RM'm	%	RM'm	RM'm	%
Net interest income	1,602	1,495	7	542	538	1
Fee & commission income	512	475	8	172	162	6
Other non-interest income	218	232	(6)	67	71	(6)
<b>Total income</b>	<b>2,332</b>	<b>2,202</b>	<b>6</b>	<b>781</b>	<b>771</b>	<b>1</b>
Less: Expenses	871	846	3	296	296	-
<b>Operating profit</b>	<b>1,461</b>	<b>1,356</b>	<b>8</b>	<b>485</b>	<b>475</b>	<b>2</b>
Less: Allowances	44	132	(67)	32	(2)	>100
<b>Profit before tax</b>	<b>1,417</b>	<b>1,224</b>	<b>16</b>	<b>453</b>	<b>477</b>	<b>(5)</b>
<b>Profit before tax (\$m)</b>	<b>452</b>	<b>412</b>	<b>10</b>	<b>144</b>	<b>154</b>	<b>(6)</b>
<i>Average Exchange rate</i>	3.13	2.97		3.14	3.10	
<u>Key ratios (%)</u>						
Net interest margin	2.17	2.24		2.12	2.19	
Non-NII/Total income	31.3	32.1		30.6	30.2	
Expense/Total income	37.3	38.4		37.9	38.4	
Loan/Deposit	94.7	94.1		94.7	96.1	



# Thailand – Key Financials

	9M17	9M16	+/(–)	3Q17	2Q17	+/(–)
	THB'm	THB'm	%	THB'm	THB'm	%
Net interest income	11,532	10,664	8	4,019	3,814	5
Fee & commission income	4,592	4,337	6	1,623	1,579	3
Other non-interest income	711	659	8	284	301	(6)
<b>Total income</b>	<b>16,835</b>	<b>15,660</b>	<b>8</b>	<b>5,926</b>	<b>5,694</b>	<b>4</b>
Less: Expenses	10,560	9,795	8	3,638	3,391	7
<b>Operating profit</b>	<b>6,275</b>	<b>5,865</b>	<b>7</b>	<b>2,288</b>	<b>2,303</b>	<b>(1)</b>
Less: Allowances	2,322	2,145	8	739	900	(18)
<b>Profit before tax</b>	<b>3,953</b>	<b>3,720</b>	<b>6</b>	<b>1,549</b>	<b>1,403</b>	<b>10</b>
<b>Profit before tax (\$m)</b>	<b>160</b>	<b>145</b>	<b>11</b>	<b>63</b>	<b>57</b>	<b>11</b>
<i>Average Exchange rate</i>	24.64	25.74		24.50	24.70	
<u>Key ratios (%)</u>						
Net interest margin	3.51	3.53		3.46	3.57	
Non-NII/Total income	31.5	31.9		32.2	33.0	
Expense/Total income	62.7	62.5		61.4	59.6	
Loan/Deposit	88.1	92.7		88.1	91.8	

## Indonesia – Key Financials

	9M17	9M16	+/(-)	3Q17	2Q17	+/(-)
	IDR'b	IDR'b	%	IDR'b	IDR'b	%
Net interest income	2,462	2,449	1	810	824	(2)
Fee & commission income	612	568	8	201	223	(10)
Other non-interest income	334	411	(19)	121	113	7
<b>Total income</b>	<b>3,408</b>	<b>3,428</b>	<b>(1)</b>	<b>1,132</b>	<b>1,160</b>	<b>(2)</b>
Less: Expenses	2,239	2,162	4	745	753	(1)
<b>Operating profit</b>	<b>1,169</b>	<b>1,266</b>	<b>(8)</b>	<b>387</b>	<b>407</b>	<b>(5)</b>
Less: Allowances	870	616	41	509	206	>100
<b>Profit/(loss) before tax</b>	<b>299</b>	<b>650</b>	<b>(54)</b>	<b>(122)</b>	<b>201</b>	<b>(&gt;100)</b>
<b>Profit/(loss) before tax (S\$m)</b>	<b>32</b>	<b>67</b>	<b>(52)</b>	<b>(12)</b>	<b>21</b>	<b>(&gt;100)</b>
<i>Average Exchange rate</i>	9,360	9,731		9,917	9,570	
<u>Key ratios (%)</u>						
Net interest margin	3.96	4.49		3.78	4.01	
Non-NII/Total income	27.8	28.6		28.4	29.0	
Expense/Total income	65.7	63.1		65.8	64.9	
Loan/Deposit	91.0	92.0		91.0	89.7	

# Greater China – Key Financials

	9M17	9M16	+/(-)	3Q17	2Q17	+/(-)
	\$m	\$m	%	\$m	\$m	%
Net interest income	294	282	4	98	97	1
Fee & commission income	91	83	10	39	27	43
Other non-interest income	175	111	58	53	49	8
<b>Total income</b>	<b>560</b>	<b>475</b>	<b>18</b>	<b>190</b>	<b>173</b>	<b>10</b>
Less: Expenses	255	250	2	87	83	4
<b>Operating profit</b>	<b>304</b>	<b>226</b>	<b>35</b>	<b>103</b>	<b>90</b>	<b>15</b>
Less: Allowances	22	51	(57)	12	3	>100
Add: Associates & JVs	34	35	(3)	11	11	(5)
<b>Profit before tax</b>	<b>316</b>	<b>209</b>	<b>51</b>	<b>102</b>	<b>98</b>	<b>4</b>
<b>Key ratios (%)</b>						
Net interest margin	1.02	1.11		0.99	1.03	
Non-NII/Total income	47.5	40.7		48.4	44.2	
Expense/Total income	45.6	52.5		45.6	48.1	
Loan/Deposit	158.7	153.6		158.7	140.6	

# Thank You

