

UOB Group

For the First Half / Second Quarter Ended 30 June 2020

Financial Highlights

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Financial Highlights

2Q20 Key financial indicators

Income

\$2.26b

- 6% QoQ
- 12% YoY

Net profit after tax

\$703m

- 18% QoQ
- 40% YoY

Cost/Income ratio

46.0%

+ 0.9%pt QoQ
+ 2.3%pt YoY

Credit costs

67bps

+ 31bps QoQ
+ 59bps YoY

NPL ratio

1.6%

No change QoQ
+ 0.1%pt YoY

Customer loans

\$281b

+ 1% QoQ
+ 3% YoY

LCR ratio

136%

- 3%pt QoQ
- 11%pt YoY

CET 1 ratio

14.0%

- 0.1%pt QoQ
+ 0.1%pt YoY

Maintains strong balance sheet position amid challenging economic conditions

- 2Q20 NPAT at \$703m, down 18% QoQ; 1H20 NPAT at \$1.56b, down 30% YoY
- Performance impacted by declining margins from significant rate cuts across regional markets, lower fees and additional ECL allowance set aside as economic outlook deteriorated
- NPL ratio stable, total credit costs on loans increased to 67bps this quarter due to ECL allowance of \$0.4b set aside for non-impaired assets. Allowance coverage improved to 96% or 230% with collaterals
- Customer loan growth slowed to 1% QoQ and 3% YoY with focus on high quality loans
- Stable funding with loan-to-deposit ratio at 85.8%; LCR for the quarter at 136% and NSFR at 119%
- CET1 ratio remained strong at 14.0%

First half and second quarter earnings fell on declining margins and higher allowance set aside amid global economic uncertainties

	1H20	1H19	YoY	2Q20	2Q19	YoY	1Q20	QoQ
	\$m	\$m	+/(-)%	\$m	\$m	+/(-)%	\$m	+/(-)%
Net interest income	3,049	3,241	(6)	1,456	1,653	(12)	1,593	(9)
Net fee income	960	1,005	(4)	445	527	(15)	515	(14)
Others	657	743	(12)	359	403	(11)	298	20
Total income	4,667	4,989	(6)	2,260	2,583	(12)	2,407	(6)
Less: Total expenses	2,126	2,203	(3)	1,040	1,129	(8)	1,086	(4)
Operating profit	2,541	2,787	(9)	1,220	1,453	(16)	1,320	(8)
Less: Impairment charge	682	144	>100	396	51	>100	286	39
Add: Assoc & JV	40	17	>100	22	(0)	>100	18	26
Net profit	1,558	2,219	(30)	703	1,168	(40)	855	(18)

Operating profit declined sharply in Singapore, overseas diversification of franchise provided stability



	1H20 \$m	1H19 \$m	YoY +/(-)%	2Q20 \$m	1Q20 \$m	QoQ +/(-)%
Operating Profit						
Singapore	1,316	1,650	(20)	603	713	(15)
Southeast Asia	663	586	13	318	345	(8)
Malaysia	351	308	14	156	195	(20)
Thailand	189	194	(2)	97	93	4
Indonesia	103	70	46	58	45	30
Vietnam	15	9	75	6	9	(37)
Others	5	4	11	2	3	(32)
North Asia	291	305	(5)	179	112	60
Greater China	266	291	(9)	164	102	61
Others	25	15	74	15	10	49
Rest of the world	271	246	10	120	151	(21)
Total	2,541	2,787	(9)	1,220	1,320	(8)

- ❖ **Singapore:**
 - YoY and QoQ results were impacted by NIM compression from falling benchmark interest rates
- ❖ **Southeast Asia**
 - QoQ drop due to movement restrictions weighing on customer activities,
 - YoY, MY and ID benefited from lower cost of funds and improved trading and investment income. VN franchise continued to show good momentum
- ❖ **North Asia**
 - YoY, CN benefited from lower cost of funds while QoQ from improved trading income
 - HK YoY was impacted by unrealized losses arising from market uncertainties. QoQ results benefited from lower funding cost and improved investment income
- ❖ **Rest of the world**
 - Cayman: YoY impacted by unrealized gains on investments. QoQ drop due to reversal of unrealized gains TQ.

Business segment performance shows resilience

	1H20 \$m	1H19 \$m	YoY + / (-) %	2Q20 \$m	1Q20 \$m	QoQ + / (-) %
Operating Profit						
Group Retail	1,036	1,061	(2)	480	556	(14)
Group Wholesale Banking	1,559	1,570	(1)	820	740	11
Global Markets	286	161	78	175	110	59
Others *	(341)	(6)	(>100)	(255)	(86)	(>100)
Total	2,541	2,787	(9)	1,220	1,320	(8)

Retail



Retail's income marginally lower YoY as margin compression partly moderated healthy volume growth. QoQ drop due to lower interest income and fees

+9% YoY
Assets under management at \$129 billion

Wholesale



Wholesale's income relatively stable YoY. QoQ benefitted from volume growth and higher loan-related fees

28%
Cross-border income against total Wholesale income

Global Markets



Global Markets' income benefitted YoY and QoQ from sharp downward movement in interest rates during the early part of 2020

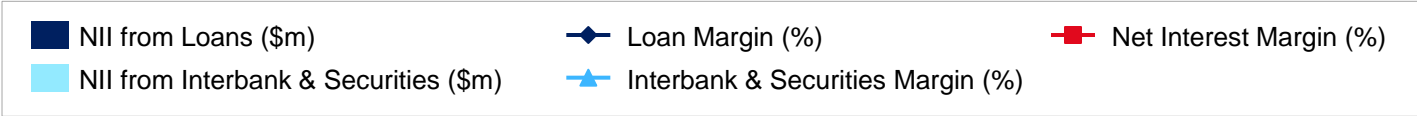
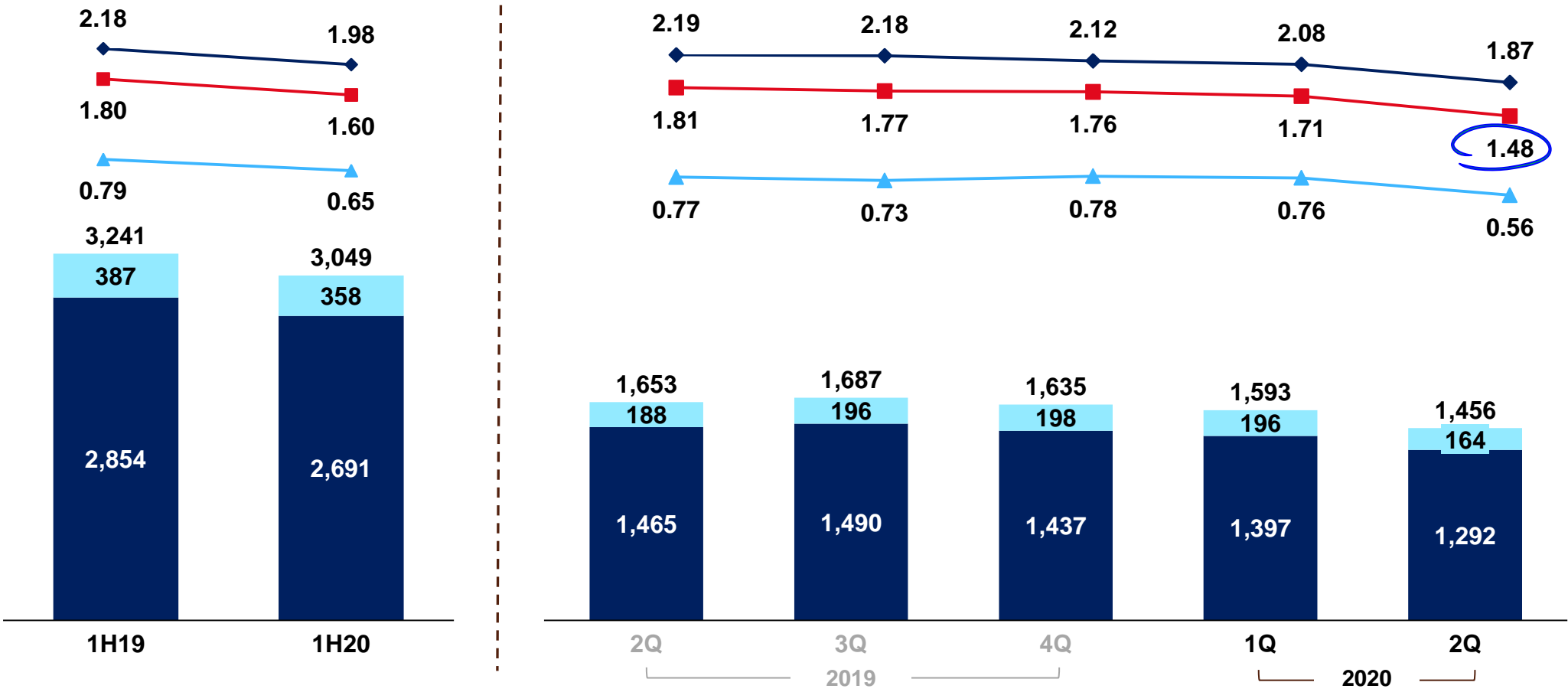
+6% YoY
Treasury customer flow

* Comprises Investment Management, Central Treasury, Corporate Functions and Banknotes

QoQ NIM down 23 bps to 1.48% on the back of steep benchmark rate decline across the regional markets



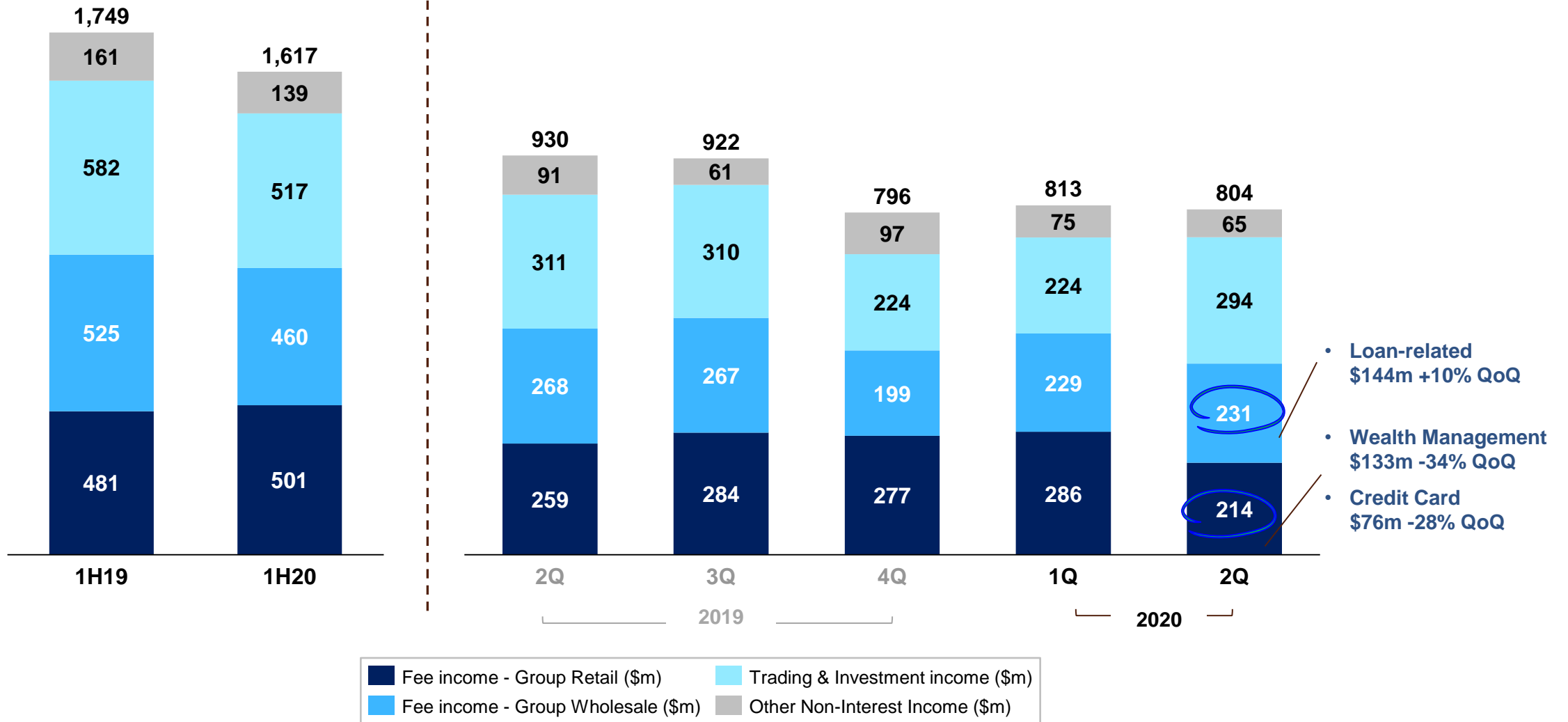
Net Interest Income (NII) and Margin



Fee income decreased 14% QoQ on lower wealth management and credit card fees as sales and transactions reduced



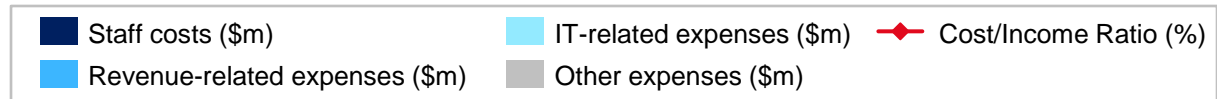
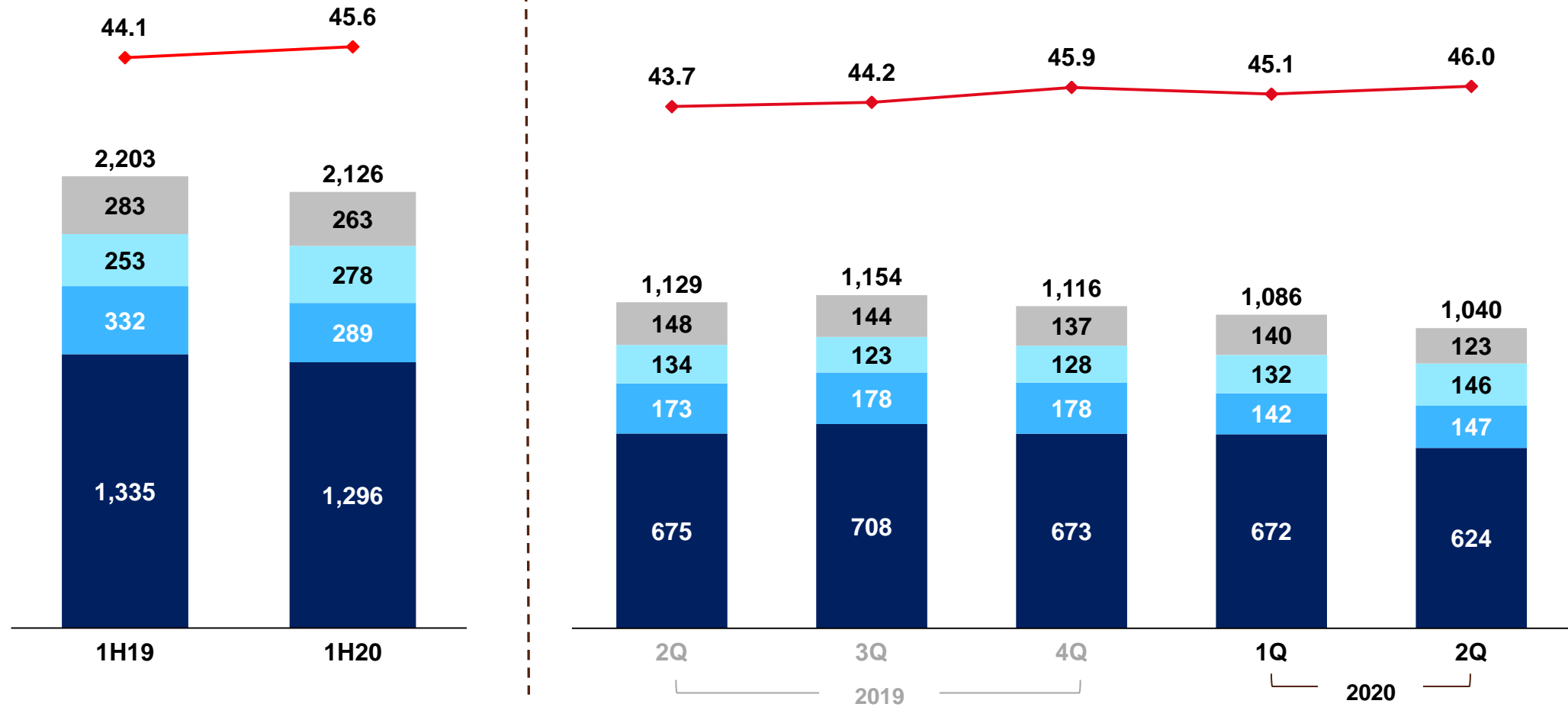
Non-Interest Income



Operating expenses continued to fall QoQ and YoY from lower staff costs and discretionary spend



Expenses and Cost / Income Ratio

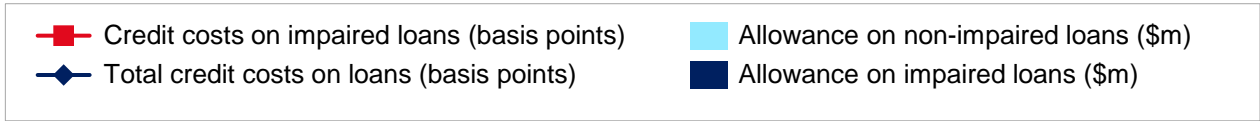
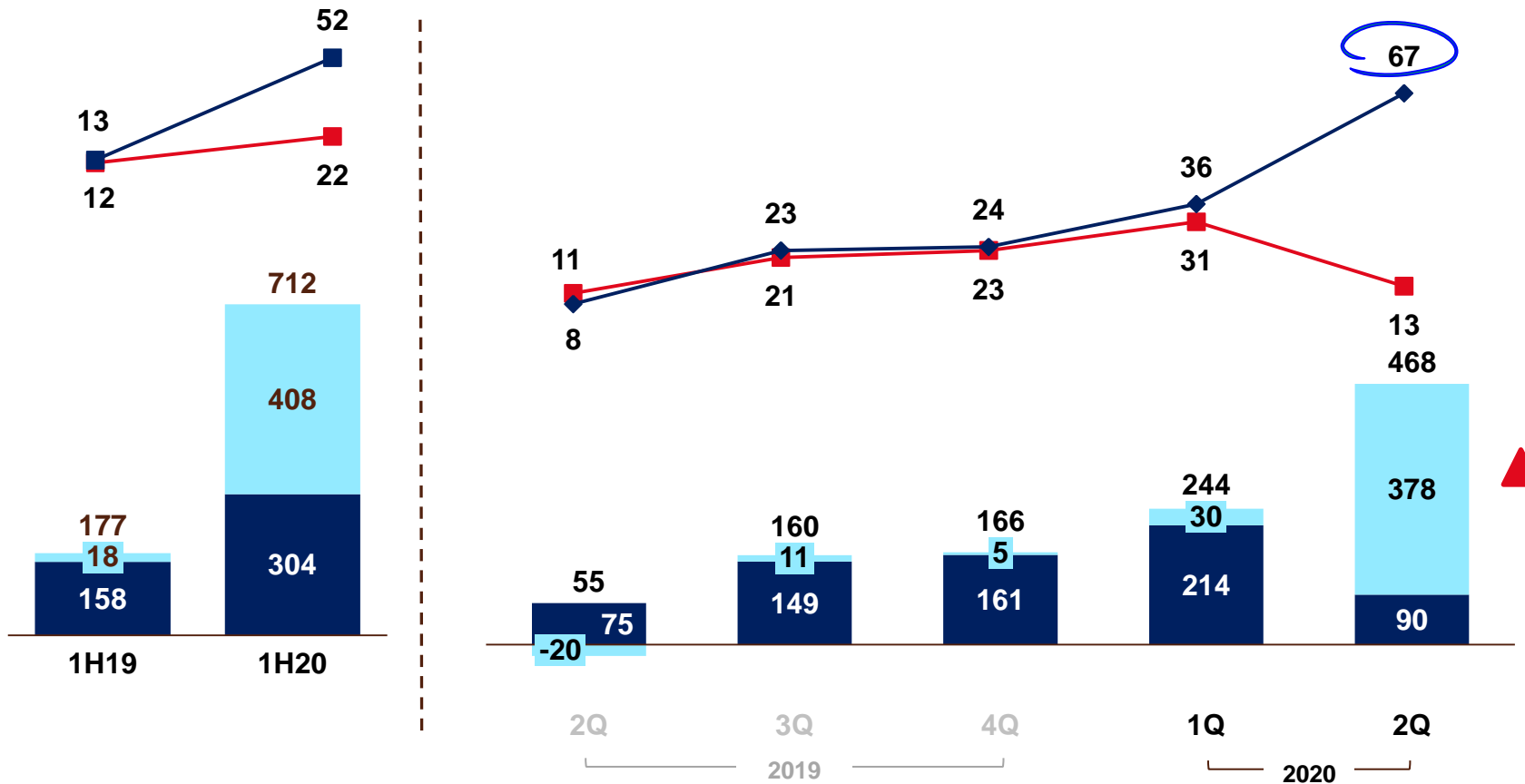


Lower NPA formation this quarter, NPL ratio unchanged at 1.6%

(\$m)	2019			2020	
	2Q	3Q	4Q	1Q	2Q
NPAs at start of period	4,215	4,185	4,350	4,297	4,590
<u>Non-individuals</u>					
New NPAs	357	180	437	573	131
Upgrades and recoveries	(182)	(38)	(400)	(101)	(126)
Write-offs	(229)	(26)	(81)	(208)	(42)
	4,161	4,301	4,307	4,561	4,553
Individuals	24	49	(10)	29	75
NPAs at end of period	4,185	4,350	4,297	4,590	4,628
NPL Ratio (%)	1.5	1.5	1.5	1.6	1.6

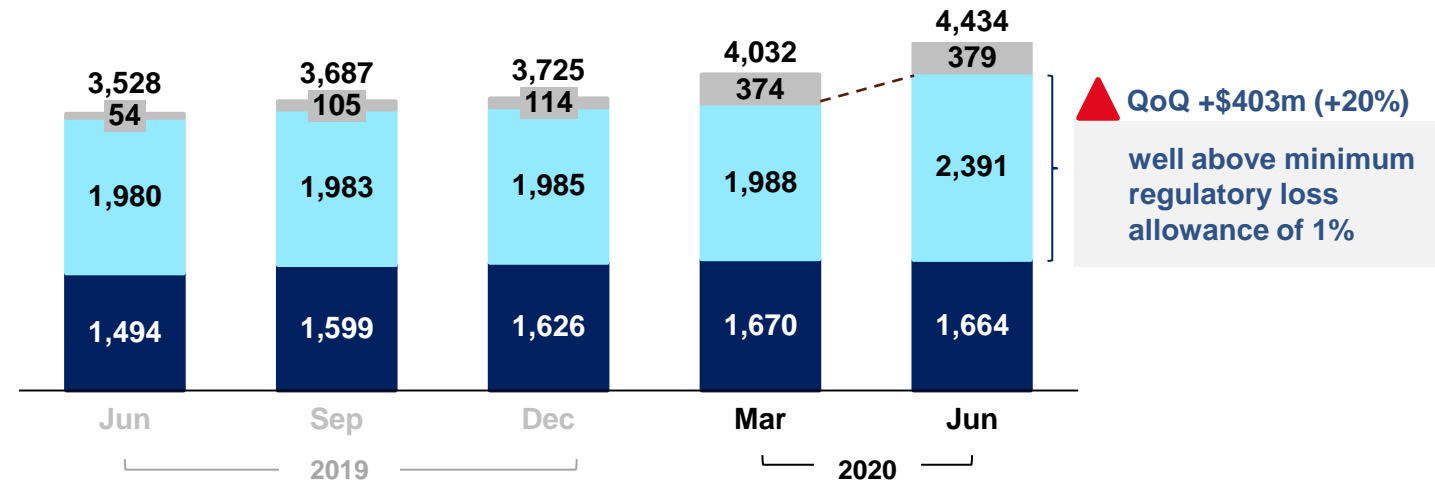
2Q20 total credit costs at 67bps mainly from allowance set aside for non-impaired loans as macroeconomic outlook deteriorated

Total Allowance on Loans

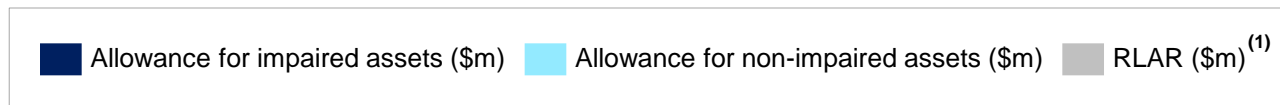


Increase allowance for non-impaired assets in anticipation of future credit emergence

Allowance Coverage



NPA coverage (%) ⁽²⁾	84	85	87	88	96
Unsecured NPA coverage (%) ⁽²⁾	191	210	202	206	230



Notes: (1) Regulatory loss allowance reserve (RLAR) is a non-distributable reserve appropriated through retained earnings to meet MAS Notice No. 612 Credit Files, Grading and Provisioning requirements.
 (2) Includes RLAR as part of total allowance.

Loan growth slowed to 1% QoQ and 3% YoY, focus on high quality loans

	Jun-20 \$b	Mar-20 \$b	Jun-19 \$b	QoQ +/(-)%	YoY +/(-)%
Gross Loans					
Singapore	142	141	142	0	0
Southeast Asia	64	63	61	2	6
Malaysia	30	30	29	0	3
Thailand	21	20	18	5	14
Indonesia	11	11	11	4	0
Vietnam	2	2	1	(2)	35
Others	1	1	1	(2)	(20)
North Asia	47	48	46	(2)	2
Greater China	44	45	43	(2)	3
Others	3	3	3	(0)	(16)
Rest of the world	28	26	25	5	13
Total	281	278	273	1	3

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

Healthy deposit growth with CASA ratio at 49.6%, continue to focus on stability of funding



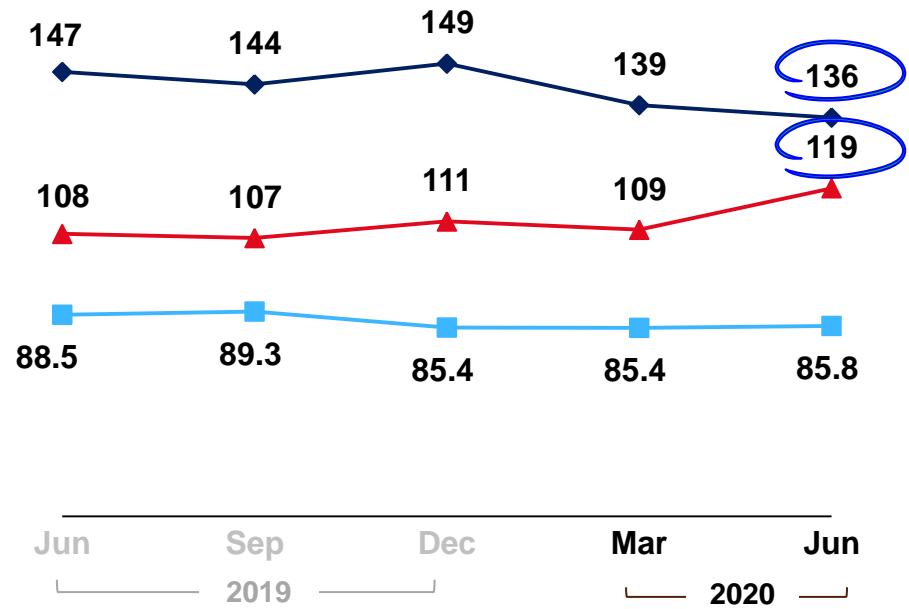
	Jun-20	Mar-20	Jun-19	QoQ	YoY
	\$b	\$b	\$b	+/(-)%	+/(-)%
Singapore	217	216	203	0	7
Southeast Asia	65	62	59	4	9
Malaysia	30	30	30	1	1
Thailand	23	22	20	5	12
Indonesia	8	7	7	16	10
Vietnam	3	3	1	(5)	>100
Others	0	0	0	(5)	17
North Asia	20	23	21	(11)	(5)
Greater China	20	23	21	(12)	(4)
Others	0	0	0	67	(14)
Rest of the world	21	21	21	1	0
Total Customer Deposits	323	322	305	0	6
Wholesale funding ⁽¹⁾	50	48	52	5	(3)
Total funding	373	370	356	1	5
CASA/Deposit Ratio (%)	49.6	47.0	43.1	2.6	6.5

Note: (1) Comprises debt issuances, perpetual capital securities and interbank liabilities.

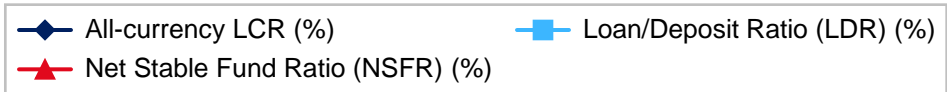
Maintain strong balance sheet position supported by ample liquidity and robust capital position in view of uncertainties ahead



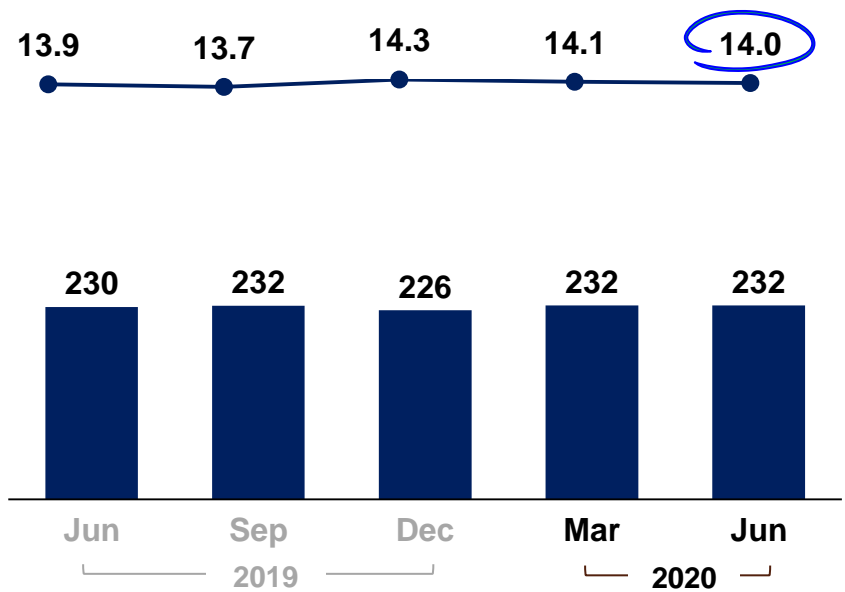
LDR, LCR and NSFR



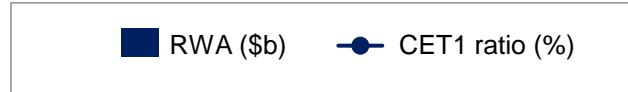
USD LDR (%)	70.1	72.2	61.2	62.7	59.6
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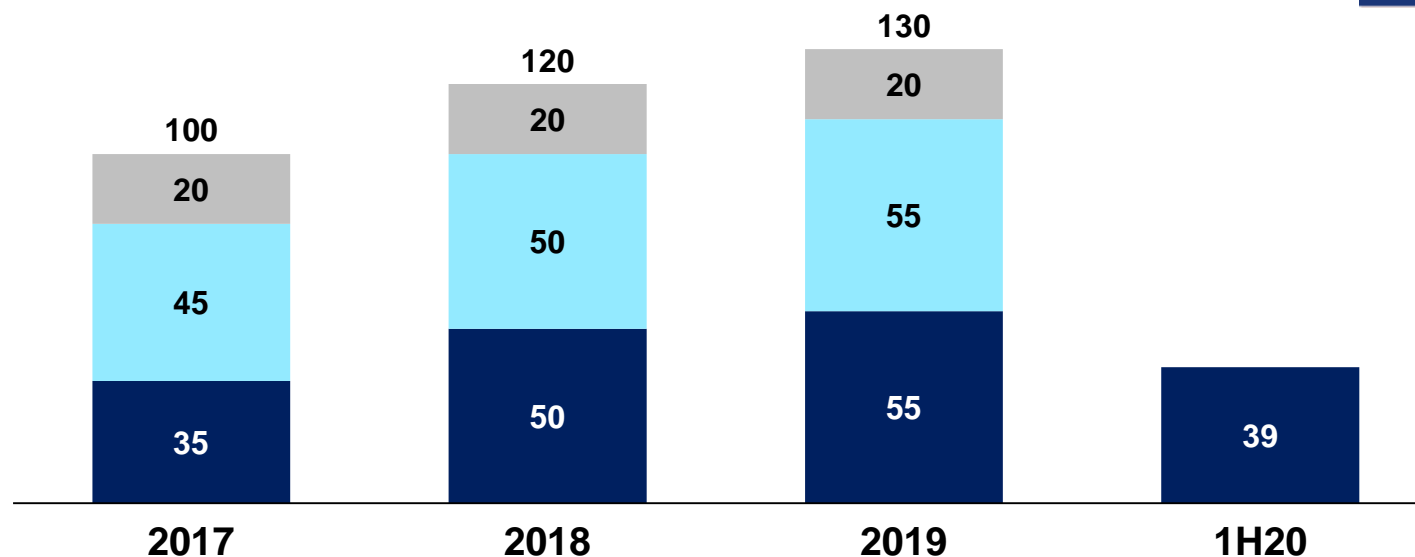
CET1, Leverage and RWA



Leverage ratio (%)	7.5	7.6	7.7	7.4	7.3
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Dividends in line with MAS guidance



Net dividend per ordinary share (¢)	2017	2018	2019	1H20
	35	50	55	39
	45	50	55	0
	20	20	20	0
	100	120	130	39

	2017	2018	2019	1H20
Payout amount (\$m)	1,660	2,000	2,170	651
Payout ratio (%)	49	50	50	NM [^]
Payout ratio (%) (excluding special/one-off dividends (%))	39	42	42	NM [^]

[^] Not meaningful as payout in line with Monetary Authority of Singapore's call for banks to cap the total dividends per share (DPS) at 60% of the prior year's DPS.

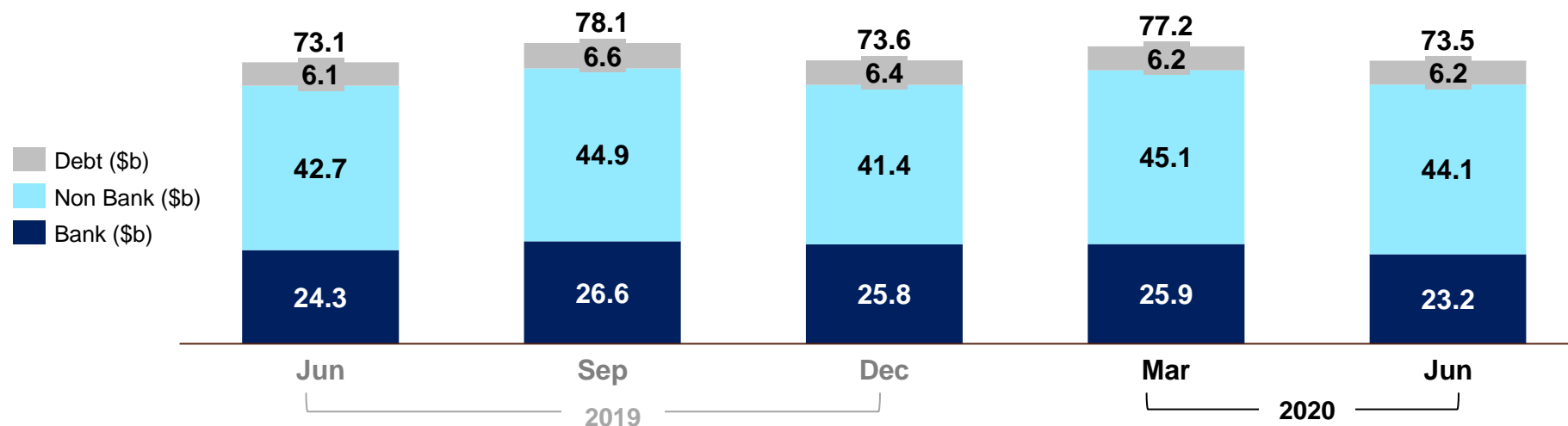


Appendix :

Exposure to Greater China

Exposure to Oil & Gas sector

Exposure to Greater China



As at 30 Jun 2020:

Mainland China exposure (\$29b or 7% of total assets)

Bank exposure (\$15b)

- Accounted for ~50% of total exposure to Mainland China, with top 5 domestic banks and 3 policy banks accounting for ~70% of total bank exposure
- 99% with <1 year tenor
- Trade exposures comprise ~30% of total bank exposure

Non-bank exposure (\$12b)

- Target customers include top-tier state-owned enterprises, large local corporates and foreign investment enterprises
- ~50% denominated in RMB
- ~50% with <1 year tenor
- NPL ratio at 0.6%

Hong Kong SAR exposure (\$35b or 8% of total assets)

Bank exposure (\$3b)

- Majority of exposure are to foreign banks

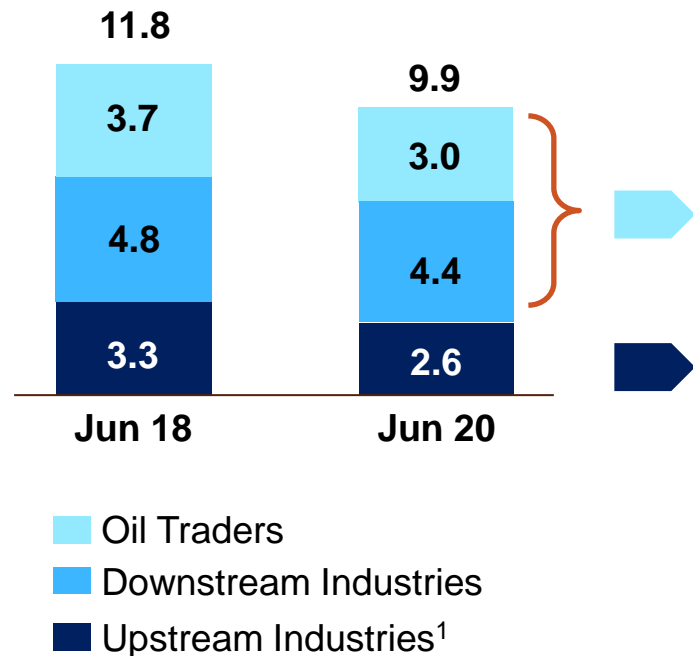
Non-bank exposure (\$29b)

- Exposure mainly to wholesale corporates
- Real estate loans accounted for \$12b (~4% of total loans); loans are well-collateralised and predominantly to network clients or clients with strong financial sponsors
- Other potential vulnerable industries (hospitality, consumer discretionary, transportation and oil & gas) amounted to \$7.5b
- ~50% with <1 year tenor
- NPL ratio at 0.65%

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.

Exposure to Oil and Gas (O&G) Sector

Total Outstanding O&G Loans (\$b)



As of 30 June 2020, outstanding O&G loans represented 3.5% of total loans as compared with 4.7% at 30 June 2018

Approximately 75% of O&G exposure is to downstream players and traders, of which around two thirds are to national oil companies (NOCs) and global firms, while short-term structured loans account for a significant share of the remainder

A significant portion of upstream exposure is to NOCs and international oil companies, while vulnerable accounts were already classified and their collateral value marked down (by as much as 90%) by end-2017

Note: (1) O&G upstream industries include offshore service companies.