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Announcement

UOB Group Reports First Half 2017 Earnings at S$1.7 billion

Sound operating performance, supported by healthy balance sheet

Singapore, 28 July 2017 – UOB Group ("Group") reported net earnings of S$1.65 billion for the first half of 2017 ("1H17"), 5.5% higher from a year ago ("1H16"). Total income rose 7.8% to S$4.31 billion contributed by broad-based increases in net interest income, fee and commission and net trading income.

For the second quarter of 2017 ("2Q17"), the Group registered net earnings of S$845 million, an increase of 4.6% over the first quarter of 2017 ("1Q17") and 5.5% higher than the second quarter of 2016 ("2Q16"). The increase was largely due to growth in net interest income and fee and commission income.

The Group's capital and funding positions remained sound. Gross loans increased 7.3% year-on-year to S$228 billion while deposits were 4.7% higher at S$260 billion as at 30 June 2017. The loan-to-deposit ratio stayed healthy at 86.1%. Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio (CAR) rose to 13.3%.

The Board has declared an interim dividend of 35 cents per ordinary share. The scrip dividend scheme will be applied to the interim dividend.

First half 2017 earnings

The Group registered net earnings of S$1.65 billion, 5.5% higher than a year ago.

Net interest income grew 7.0% to S$2.66 billion, led by loan growth across most territories and industries. Net interest margin increased one basis point to 1.74%.

Non-interest income increased 9.3% to S$1.65 billion. Fee and commission income rose 13% to S$1.03 billion, driven by stronger performance from credit card, fund and wealth management products. Other non-interest income increased 3.5% to S$621 million from higher net trading income.

Total expenses at S$1.95 billion were 7.2% higher than a year ago, attributed mainly to increases in staff, revenue-related and IT-related expenses as the Group continues to invest in technology and infrastructure to enhance its capabilities. The expense-to-income ratio remained stable at 45.3%.

Total allowances for loans and other assets at S$366 million were 32% higher than a year ago. This was mainly due to higher specific allowance on loans and a release of general allowances in 1H16 that were no longer required on other assets relating to debt securities. Specific allowance on loans increased S$196 million to S$449 million, largely from the oil and gas and shipping industries. Together with a release in general allowance on loans, total credit costs on loans were maintained at 32 basis points. Total general allowance remained robust at S$2.62 billion and the ratio of general allowance to gross loans was 1.2% as at 30 June 2017. While the environment has improved over the past year, the Group is monitoring and managing specific oil and gas related exposures closely amid a backdrop of muted oil prices. Given the prudent levels of coverage, the Group remains comfortable that sufficient buffers are in place to navigate through continued challenges in the industry.

Contribution from associated companies in the period rose from S$2 million to S$59 million, mainly due to investment losses in an associated company in 1H16.

Second quarter 2017 earnings

2Q17 versus 2Q16

The Group reported net earnings of S$845 million in 2Q17, 5.5% higher as compared with 2Q16.

Net interest income increased 12% to S$1.36 billion, driven by gross loan growth of 7.3% and an improvement in net interest margin of seven basis points to 1.75%.

Non-interest income increased 1.8% to S$828 million. Fee and commission income grew 9.0% to S$517 million on higher credit card, fund and wealth management fees. Other non-interest income declined 8.3% driven mainly by lower net trading income.

Total expenses rose 7.3% from a year ago to S$995 million due to higher staff and IT-related expenses.

Total allowances increased 12% to S$180 million. Specific allowance on loans increased 42% to S$172 million mainly due to NPL recoveries last year.

2Q17 versus 1Q17

Compared with the previous quarter, net earnings were 4.6% higher at S$845 million.

Net interest income increased 4.0% to S$1.36 billion on higher net interest margin, increasing two basis points to 1.75%.

Non-interest income was stable at S$828 million. Fee and commission income increased 1.7% to S$517 million on higher credit card, fund and wealth management fees. Other non-interest income was relatively flat from a quarter ago.

Total expenses increased 4.0% to S$995 million mainly on higher staff and IT-related expenses as the Group continues to invest in technology and infrastructure to enhance its capabilities. Expense-to-income ratio was stable at 45.6%.

Total allowances were 3.4% lower this quarter at S$180 million. Specific allowance on loans decreased 38% to S$172 million which translated to 30 basis points. Total credit costs on loans were maintained at 32 basis points given the Group's approach in building up reserves during periods when specific allowance is low.

Strong balance sheet and capital position

The Group continues to maintain a strong funding position. The loan-to-deposit ratio stayed healthy at 86.1%. Customer deposits increased 4.7% from a year ago to S$260 billion, led by growth in Singapore dollar and US dollar deposits. Gross loans also rose to S$228 billion at 1H17, with a year-on-year increase of 7.3% that was broad-based across most territories and industries.

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In the first half of this year, the Group had issued S$2.54 billion in debt and capital securities to diversify its funding mix and to refinance debts due for redemption this year.

The average Singapore dollar and all-currency liquidity coverage ratios during the second quarter were 203% and 157% respectively, well above the corresponding regulatory requirements of 100% and 80%. NPL ratio was stable at 1.5% as at 30 June 2017. NPL coverage remained strong at 113.9%, or 241.1% after taking collateral into account.

Shareholders' equity increased by 11% from a year ago and 2.7% quarter-on-quarter to S$34.7 billion due to higher retained earnings and strong scrip dividend participation. Return on equity improved to 10.3% in 2Q17 from 10.0% in 1Q17.

As at 30 June 2017, the Group's Common Equity Tier 1 and Total CAR remained strong at 13.8% and 17.8% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 13.3%. The Group's leverage ratio was 7.8%, well above Basel's minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Amid the moderate environment, we have achieved healthy performance with broad-based growth in revenue streams. Our asset quality was stable and core capitalisation remained high, reflecting our discipline in keeping a strong balance sheet through economic cycles."

"Asia continues to hold much promise and UOB's presence and expertise enable us to connect our customers with the opportunities across the region arising from burgeoning consumer affluence and growing intra-regional trade and investment. The recent signing of two Memoranda of Understanding in China are further examples of how we facilitate cross-border activities between China and Southeast Asia. We will continue to enhance our capabilities and productivity to strengthen our franchise further and to continue creating value for our shareholders."

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's and AA- by Standard & Poor's and Fitch Ratings respectively.

In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia and Thailand, as well as branches and representative offices.

UOB plays an active role in the community, focusing on art, children and education. It has, over more than three decades, held the longest-running art competition in Singapore, the UOB Painting of the Year, which has since been extended across Southeast Asia. In recognition of its contributions to the arts, UOB was conferred the Singapore National Arts Council's Distinguished Patron of the Arts Award for the thirteen consecutive year in 2017. UOB also encourages its employees across the region to be involved in its regular volunteer activities. This includes the annual UOB Heartbeat Run which is held in China, Indonesia, Malaysia, Singapore and Thailand.

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