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Announcement

UOB Group Reports Nine Months 2018 Earnings Up 22% to S$3.09 Billion

Resilient earnings supported by strong balance sheet

Singapore, 26 October 2018 – UOB Group ("Group") achieved record net earnings of S$3.09 billion for the nine months of 2018 ("9M18"), up 22% from a year ago. Total income rose 9% to S$6.90 billion, led by strong growth in both net interest income and net fee and commission income, while asset quality remained stable.

For the third quarter of 2018 ("3Q18"), the Group registered net earnings of S$1.04 billion, 17% higher than the third quarter of 2017 ("3Q17"), albeit 4% lower than the second quarter of 2018 ("2Q18").

The Group's funding position and capital base stayed strong. Deposits and gross loans both grew 9% year on year to S$294 billion and S$255 billion respectively, with a healthy loan-to-deposit ratio of 85.7% as at 30 September 2018. The return on average risk-weighted assets moved in tandem with record performance to 2.02% from 1.60% a year ago. Similarly, return on equity for 9M18 rose to 11.6% from 10.3% over the same period last year.

Nine months 2018 earnings

Net earnings for 9M18 of S$3.09 billion was 22% higher than a year ago.

Net interest income expanded 13% to S$4.61 billion, lifted by higher net interest margin and healthy loan growth of 9%. Net interest margin improved seven basis points to 1.83%, mainly from an increase in net loan margin by six basis points due to the favourable interest rate environment.

Net fee and commission income rose 10% to S$1.50 billion due to broad-based growth across loan-related, fund management, credit card and wealth management fees. Other non-interest income declined 12% to S$789 million, mainly due to lower net gains from investment securities and trading income.

Business segments continued to register strong income growth in 9M18 against last year. Group Retail income grew 5% to S$2.94 billion, led by healthy volume growth and increased contribution from wealth management and credit cards. Total income for Group Wholesale Banking rose 12% to S$2.93 billion, mainly driven by net interest income from double-digit volume growth and deposit margin improvement, coupled with higher fee income. Global Markets income increased 8% to S$362 million, supported by higher trading income and favourable foreign exchange movements.

Total expenses increased 11% year on year to S$3.02 billion. This was mainly due to higher performance-related staff costs and IT-related expenses as the Group continued to invest in talent, technology and infrastructure to enhance productivity, product capabilities and customer experience. Cost-to-income ratio increased marginally to 43.8%.

Year on year, total allowances decreased 55% to S$265 million, attributed to the benign credit environment with lower residual risks from the oil and gas and shipping sectors and continued resilience in the broader portfolio. Credit costs on impaired loans for 9M18 eased to 12 basis points.

Third quarter 2018 earnings
3Q18 versus 3Q17

The Group reported net earnings of S$1.04 billion in 3Q18, 17% higher than the same quarter last year, driven by double-digit growth in net interest income and lower allowances.

Net interest income rose 14% to S$1.60 billion, from healthy loan growth and a net interest margin uplift of two basis points to 1.81%.

Net fee and commission income increased 2% to S$484 million due to higher loan-related, credit card and trade-related fees. Other non-interest income was lower at S$244 million as 3Q17 recorded stronger gains from investment securities.

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Total expenses for the quarter increased 12% from a year ago to S$1.01 billion, mainly from higher staff costs and IT-related expenses. The cost-to-income ratio for the quarter was 43.4%.

Total allowances more than halved to S$95 million, largely due to high allowances provided for impaired loans from the oil and gas and shipping sectors in 3Q17.

3Q18 versus 2Q18

Compared with the previous quarter, net earnings for the quarter were 4% lower at S$1.04 billion, as credit costs rose marginally, while total income and expenses were stable despite intensifying macro headwinds.

Net interest income grew 4% to S$1.60 billion. With the expectation of further interest rate increases, the Group built up deposits during the quarter to ensure that its funding position remains well placed to meet projected business growth. This resulted in a slight dip in net interest margin to 1.81% for the quarter.

Net fee and commission income decreased 3% to S$484 million on the back of lower loan-related and fund management fees. Other non-interest income declined 19% quarter on quarter, mainly due to lower gains from structural foreign exchange positions.

Total expenses declined 1% to S$1.01 billion in line with lower operating income, resulting in a slight improvement in cost-to-income ratio to 43.4% for the quarter.

Total allowances increased by S$5 million to S$95 million, with credit costs on impaired loans rising to 15 basis points for the quarter.

Strong balance sheet and capital position

As at 30 September 2018, the Group's funding position remained strong with stable loan-to-deposit ratio at 85.7% as customer deposits and gross loans both grew 2% from last quarter to S$294 billion and S$255 billion respectively.

The non-performing loan ratio improved to 1.6% from 1.7% in the last quarter. The coverage for non-performing assets remained stable at 90%, or 189% after taking collateral into account. Total allowances for non-impaired assets remained adequate at S$1.99 billion as at 30 September 2018.

The average Singapore dollar and all-currency liquidity coverage ratios for 3Q18 were 235% and 142% respectively, well above the corresponding regulatory requirements of 100% and 90%. The net stable funding ratio was 110% as at 30 September 2018.

Shareholders' equity increased 5% from a year ago to S$36.8 billion mainly from higher retained earnings. Compared with last quarter, shareholders' equity decreased 2% mainly due to the redemption of the S$850 million perpetual capital securities.

As at 30 September 2018, the Group's Common Equity Tier 1 CAR remained strong at 14.1%. The Group's leverage ratio of 7.4% was more than double the regulatory minimum requirement of 3%. The Group remains well capitalised against growing macro uncertainties ahead.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Amid headwinds posed by escalating trade tensions and cautious business sentiment, we sustained stable performance in the third quarter. Our overall balance sheet remained healthy with robust capital and liquidity positions. Our disciplined management of capital and diversified funding base enable us to navigate near-term uncertainties.

"Backed by our confidence in the medium- to long-term prospects of Asia, combined with our considered risk-focused approach, we continue to invest in regional connectivity and digital capabilities to serve business and to turn ideas into distinctive experiences that matter to our customers. This includes collaborating with ecosystem partners to create financial solutions our customers need and to help enterprises grow."

– Ends –

About United Overseas Bank Limited

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, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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