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Announcement

UOB Group Reports Record First Half 2019 Earnings of S$2.22 Billion

Strong business momentum, solid balance sheet position

Singapore, 2 August 2019 – UOB Group ("Group") achieved net earnings of S$2.22 billion for the first half of 2019 ("1H19"), up 8% compared with a year ago. Total income rose 9% to a new high of S$4.99 billion, lifted by strong loan growth and higher trading and investment income. Return on equity rose to 12.0%, up 0.4% from a year ago.

Net earnings for the second quarter of 2019 ("2Q19") rose to S$1.17 billion, which was 11% and 8% higher than the first quarter of 2019 ("1Q19") and the second quarter of 2018 ("2Q18") respectively. The record second quarter earnings were driven by improvement in both interest and non-interest income.

The Group's funding position and capital base stayed strong. The loan-to-deposit ratio was stable at 88.5% as at 30 June 2019. Gross loans and deposits grew 9% and 6% year on year to S$273 billion and S$305 billion respectively. The Group's Common Equity Tier 1 capital adequacy ratio (CAR) remained robust at 13.9%.

On the back of the strong earnings performance, the Board declared an interim dividend of 55 cents per ordinary share. This reflects UOB's commitment to reward shareholders while retaining adequate resources for capital and growth needs.

First half 2019 earnings

The Group achieved net earnings of S$2.22 billion for 1H19, up 8% from a year ago.

Net interest income grew 8% to S$3.24 billion, led by strong loan growth of 9%.

Net fee and commission income was largely flat at S$1.01 billion, as higher fees from loan-related and credit cards were partly moderated by lower fund management fees. Other non-interest income rose 36% to S$743 million, with stronger gains in trading income and investments as the rebound in financial markets since the start of 2019 was largely sustained.

All business segments delivered healthy income growth compared with a year ago. Group Retail registered 7% income growth to S$2.07 billion. In particular, income from high affluent customers increased 9% year on year, while assets under management of this segment expanded by 9% to S$118 billion, of which close to 60% was from overseas customers across the Group's network of wealth management centres in Southeast Asia. Group Wholesale Banking's income rose 9% to S$2.06 billion, led by volume growth and stronger contribution from the investment banking and treasury businesses. Cross-border income increased 19% from last year and accounted for 27% of Group Wholesale Banking's income. Global Markets income grew 4% to S$283 million, mainly from higher trading and investment income.

Total expenses increased 10% to S$2.20 billion due to higher staff, revenue-related and IT-related expenses, in line with the Group's continued commitment to investing in talent and technology to enhance customer experience, product capabilities and productivity. Cost-to-income ratio increased marginally to 44.1%.

Total allowances decreased 15% to S$144 million from a year ago as allowances for non-impaired assets ended lower, reflecting the stabilising credit environment. Credit costs on impaired loans were stable at 12 basis points.

Contributions from associated companies declined to S$17 million, mainly due to the reduction of interest in associated companies.

Second quarter 2019 earnings

2Q19 versus 2Q18

The Group reported net earnings of S$1.17 billion in 2Q19, 8% higher than the same quarter last year.

Net interest income increased 7% to S$1.65 billion as gross loans grew 9% year on year.

Net fee and commission income increased 6% to S$527 million as wealth management saw strong flows, coupled with higher volume in credit cards and loan-related fees. Other non-interest income rose 33% to S$403 million, driven by higher trading income and gains from investment securities.

Total expenses increased 11% to S$1.13 billion in line with operating income growth, while cost-to-income ratio was maintained at 43.7%.

Total allowances decreased 44% to S$51 million, due to a write-back in allowances on non-impaired assets.

2Q19 versus 1Q19

Net earnings recorded strong momentum growth of 11%, compared with the previous quarter.

Net interest income increased 4% to S$1.65 billion, boosted by an improvement in net interest margin of two basis points to 1.81% on the back of loan repricing.

Net fee and commission income rose 10% to S$527 million, led by double-digit growth in wealth management, credit cards and fund management fees, coupled with higher loan-related fees. Other non-interest income grew 18% to S$403 million, due to higher dividend income and net gains from investment securities.

Total operating expenses increased 5%, slower than the 7% increase in total income, resulting in a 0.9 percentage point improvement to cost-to-income ratio.

Total allowances declined 45% from a write-back in allowances for non-impaired assets, coupled with recoveries from impaired assets.

Strong balance sheet and capital position

As at 30 June 2019, loan-to-deposit ratio was healthy at 88.5%. The Group's funding position remained stable in 2Q19 with the average Singapore dollar and all-currency liquidity coverage ratios at 312% and 147% respectively while the net stable funding ratio was 108%.

The non-performing loan ratio stayed at 1.5% with coverage for non-performing assets stable at 84%, or 191% after taking collateral into account. Total allowances for non-impaired assets stood at S$1.98 billion as at 30 June 2019.

As at 30 June 2019, the Group's Common Equity Tier 1 CAR remained strong at 13.9% and leverage ratio at 7.5% was well above the regulatory requirement. The Group remains well-capitalised to navigate the macro uncertainties ahead.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "The record set of results for the first half of 2019 was achieved against the increasingly challenging macro environment. Our balance sheet remained healthy with robust capital and liquidity positions, while asset quality stayed sound as we continue to grow our franchise selectively. Our recent perpetual capital securities issuance also saw overwhelming interest from investors, reflecting their confidence in the Group's strong financial standing.

"Our results reflect the relevance of our strategies in connecting our customers to opportunities across the region, deepening their engagement through our omni-channel approach and offering them the right solutions through our ecosystem partnerships. Investing in our people and capabilities also position us well to address emerging challenges and to capture growth opportunities that would deliver sustainable returns for our shareholders."

– 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 both Standard & Poor's and Fitch Ratings. 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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