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NEWS RELEASE

UOB Group Reports First Half 2015 Earnings at S$1.6 billion

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Core income growth continued; net interest margin trended up

SINGAPORE, 31 July 2015 – The UOB Group ("Group") delivered net earnings of S$1.56 billion for the first half of 2015 ("1H15"), 2.1% lower than a year ago. Total income rose 6.8% to S$3.88 billion led by strong net interest income and fee income.

For the second quarter of 2015 ("2Q15"), the Group registered net earnings of S$762 million, a decrease of 4.9% over the first quarter of 2015 ("1Q15") and 5.7% lower than a year ago. The decline was largely due to lower treasury and investment income while client franchise income continued to show healthy growth.

The Group's liquidity and funding position remained sound. Gross loans increased 4.8% year-on-year to S$202 billion while deposits were 11.7% higher at S$241 billion as at 30 June 2015. Loan-to-deposit ratio improved to 82.3% as compared with 87.8% a year ago.

The Board has declared an interim cash dividend of 35 cents per ordinary share. The scrip dividend scheme will not be applied to the interim dividend.

First half 2015 earnings

The Group's operating profit increased 2.8% over the prior year to S$2.15 billion in 1H15, driven mainly by robust net interest income and fee income across wholesale and retail segments. Net earnings were 2.1% lower from a year ago at S$1.56 billion, as tax expenses normalised from a higher write-back of the prior years' provisions in 1H14.

Net interest income rose 8.1% from a year ago to S$2.41 billion, led by healthy loan growth and higher net interest margin. Net interest margin increased 4 basis points to 1.76% benefiting largely from improved loan yields on the back of rising SIBOR.

Non-interest income grew 4.7% year-on-year to S$1.47 billion in 1H15. Fee and commission income saw a broad-based increase of 11.5% to S$919 million across most fee categories. Trading and investment income declined 4.7% to S$381 million due to a one-off gain from investments and revaluation recognised in the same period last year, partly offset by healthy growth in treasury customer income.

Total expenses increased 12.1% to S$1.73 billion mainly due to higher staff costs, revenue and IT-related expenses as the Group continued to invest in talent and technology infrastructure to support its growing franchise. Expense-to-income ratio was higher at 44.5% in 1H15 as compared with 42.4% a year ago.

Total allowances for 1H15 were S$321 million, an increase of 4.7% year-on-year, while the total loan charge-off rate remained at 32 basis points. Specific allowances on loans increased to S$221 million mainly from Singapore, Indonesia and Greater China.

Second quarter 2015 earnings

2Q15 versus 2Q14

The Group reported lower net earnings of S$762 million in 2Q15, a decrease of 5.7% when compared with 2Q14.

Net interest income strengthened 7.9% from a year ago to S$1.21 billion in 2Q15 on higher loan growth and net interest margin. Net interest margin increased 6 basis points to 1.77%, contributed mainly by higher loan yields as the loan portfolio re-priced on SIBOR increases.

Fee and commission income grew 13.4% to S$465 million in 2Q15 with double-digit growth registered in wealth management, credit card and fund management income. Trading and investment income was lower at S$156 million mainly due to a one-off gain from investments and revaluation recognised in 2Q14. Consequently, non-interest income for 2Q15 decreased 6.1% to S$714 million.

Total expenses increased 11.4% from a year ago to S$877 million in 2Q15 due to higher staff costs and IT-related expenses to support franchise growth.

Total allowances of S$152 million in 2Q15 were little changed from a year ago.

2Q15 versus 1Q15

Compared with the previous quarter, net earnings were 4.9% lower at S$762 million.

Net interest income increased 1.0% quarter-on-quarter to S$1.21 billion in 2Q15. Net interest margin increased 1 basis point to 1.77% mainly due to higher loan yield.

Fee and commission income grew 2.6% to S$465 million in 2Q15, contributed mainly by higher fee income from fund management and credit cards. Trading and investment income decreased 30.5% to S$156 million in 2Q15 amid market volatility.

Total expenses increased 2.8% to S$877 million mainly due to continued investment in people capabilities.

Total allowances were 10.0% lower quarter-on-quarter at S$152 million due to the write-back of general allowances relating to debt securities. Specific allowances on loans increased from S$61 million to S$160 million as additional allowances were provided mainly for legacy non-performing loans (“NPL”) in Singapore, Indonesia and Greater China.

Contribution from associates' profits increased to S$40 million from S$4 million in 1Q15.

Tax expense was S$173 million in 2Q15, an increase of 30.3% over the previous quarter due to a tax write-back in 1Q15.

Strong balance sheet and capital position

Gross loans grew 4.8% year-on-year to S$202 billion as at 30 June 2015. Loan growth was broad-based across most territories and industries. Compared with 1Q15, loans declined 0.5% due to currency effects. In constant currency terms, the underlying loan growth was 1%.

The Group continued to maintain a strong funding position with customer deposits increasing by 11.7% from a year ago to S$241 billion as at 30 June 2015. Compared with the previous quarter, customer deposits grew by 0.9%, mainly led by Singapore and US dollar deposits. The Group's loan-to-deposit ratio improved from 87.8% a year ago to 82.3% as at 30 June 2015. The Singapore dollar and all-currency liquidity coverage ratios were 166% and 142% respectively, well above the regulatory requirements of 100% and 60%.

Asset quality remained sound. Group NPL ratio remained stable at 1.2% as at 30 June 2015, with strong NPL coverage of 144.1%.

Shareholders' equity was S$30.5 billion as at 30 June 2015, 8.7% higher from a year ago largely contributed by net profit and improved valuations on available-for-sale investments. Compared with 1Q15, shareholders' equity was 0.9% lower due to final dividends paid. Return on equity was 10.8% for 1H15.

As at 30 June 2015, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 14.0% and 16.8% respectively. The Group's leverage ratio stood at 7.6% as at 30 June 2015, well above the minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB Group's Deputy Chairman and Chief Executive Officer, said, "Our core business continued to deliver with growth in net interest income and fee income. Our balance sheet remains strong. Even as growth is expected to moderate in the regional markets, we are comfortable with the resilience of our portfolio and adequate level of provisions.

"We continue to invest in capabilities to tap the growing opportunities arising from increased regional connectivity. Our recently opened Myanmar branch will strengthen our ability to support our clients as they expand regionally. We are also investing in areas including digitalisation to enhance connectivity and customer experience across delivery channels.

"By tapping on our core strengths – an integrated network, deep customer insights, regional expertise and strong balance sheet – coupled with new digital capabilities, we are confident of continuing to deliver value to our customers and shareholders in the long run."

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, Western 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 the Philippines, 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 tenth consecutive year in 2014. 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.

For more information about UOB, visit UOBGroup.com.

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