

NEWS RELEASE

UOB Group First Half 2014 Earnings Rose 6% to S\$1.60 billion

Record Profits Driven by Strong Loan Growth; Robust Capital and Funding Position

SINGAPORE, 31 July 2014 – The UOB Group (“Group”) delivered strong net earnings of S\$1.60 billion for the first half of 2014 (“1H14”), an increase of 6.1% from the first half of 2013 (“1H13”). Operating profit rose 10.6% to S\$2.09 billion, led by strong loan growth and higher investment gains.

For the second quarter of 2014 (“2Q14”), the Group reported net earnings of S\$808 million. This was 3.2% higher than the second quarter of 2013 (“2Q13”) and an increase of 2.5% over the first quarter of 2014 (“1Q14”).

The Group grew its loan base by 2.4% in 2Q14 and 11.7% year-on-year to reach S\$193 billion as at 30 June 2014. Asset quality continued to stay healthy with a low non-performing loan (“NPL”) ratio of 1.2% and strong impairment coverage of 149%. The Group’s liquidity and funding positions remained sound through prudent balance sheet management.

The Board has declared an interim cash dividend of 20 cents per ordinary share. The scrip dividend scheme will not be applied to the interim dividend.

First half 2014 earnings

Total income grew 9.7% year-on-year to a new high of S\$3.64 billion in 1H14, contributed by double-digit growth in net interest income and higher investment income.

Net interest income increased 12.9% to S\$2.23 billion in 1H14, mainly supported by strong loan growth across territories and industries. Net interest margin improved one basis point to 1.72%.

Non-interest income was S\$1.40 billion, 5.0% higher than a year ago. The increase was contributed mainly by higher gains from investment securities due to a combination of improving market sentiment post the initial concerns over US QE tapering in 1H13, and a one-off gain from investments and revaluation. Fee and commission income of S\$824 million was 7.3% lower year-on-year due to lower corporate finance, fund management and loan-related fees when compared with 1H13 which had some large deals.

Total operating expenses increased 8.5% year-on-year to S\$1.54 billion as the Group continued to invest in its business franchise. The Group's expense-to-income ratio improved to 42.4% in 1H14.

Total impairment charges of S\$307 million in 1H14 were 49.7% higher than the same period last year due to higher individual impairment as well as collective impairment set aside for loan growth.

The share of associates' profits of S\$69 million was lower from a year ago as some associate companies realised higher gains on investments in 1H13.

Second quarter 2014 earnings

2Q14 versus 2Q13

The Group delivered net earnings of S\$808 million in 2Q14. This was 3.2% higher than 2Q13 and was on the back of stronger contribution from net interest income and investment gains.

Net interest income increased 10.7% from 2Q13 to S\$1.12 billion in 2Q14, contributed by a higher loan base. The Group's net interest margin remained unchanged at 1.71% in 2Q14.

Non-interest income grew 21.1% from 2Q13 to S\$760 million with increased gains from investment securities. Fee and commission income however, was 6.0% lower at S\$410 million due to lower wealth management, fund management and loan-related fees.

The Group's operating expenses increased 8.4% over 2Q13 to S\$787 million on higher staff and revenue-related expenses. The Group's expense-to-income ratio improved, recording 41.7% in 2Q14 compared to 44.2% in 2Q13.

Total impairment charges increased to S\$150 million as individual impairment rose from a low level in 2Q13. This was due to a few non-performing accounts in Thailand and Singapore. Collective impairment charges of S\$59 million were set aside in line with the Group's larger loan portfolio. The total loan charge off rate was maintained at 32 basis points.

2Q14 versus 1Q14

Compared with 1Q14, net earnings increased 2.5% to S\$808 million with total income growing 7.6% quarter-on-quarter to S\$1.88 billion. Net interest income grew 1.3%, while investment income increased to S\$118 million largely due to a one-off gain.

Total expenses were 4.2% higher than 1Q14 due mainly to increased revenue-related expenses, while total impairment charges declined 4.7% to S\$150 million. Taxes normalised to S\$161 million due to a write-back of prior years' provision in 1Q14.

Strong balance sheet and capital position

Gross customer loans grew 11.7% year-on-year and 2.4% over the previous quarter to S\$193 billion as at 30 June 2014. The steady loan growth was broad-based across territories and industries.

The Group's non-performing loans registered an increase of 7.3% from a year ago and 11.2% higher over the 1Q14 to S\$2.31 billion. Nonetheless, the NPL ratio was stable at 1.2% in 2Q14 with a strong NPL coverage of 149.2%.

To strengthen the Group's liquidity position, focus was placed on growing customer deposits. As a result, customer deposits at 30 June 2014 was S\$216 billion, up 8.5% from a year ago across a broad base of current and savings accounts and fixed deposits. The Group's loan-to-deposit ratio at 30 June 2014 was 87.8%.

During the quarter, the Group issued S\$500 million 3.50% fixed rate subordinated notes under its Euro Medium Term Note programme to supplement its funding position.

Shareholders' equity was 3.1% higher than 1Q14, reaching S\$28.1 billion as at 30 June 2014 due to net profit for the quarter and higher available-for-sale reserves arising mainly from the recognition of the fair value gain on equity investments previously carried at cost.

The Group's capital position remained strong and well above the regulatory minimum requirements with Common Equity Tier 1 and Total Capital Adequacy Ratios at 13.9% and 17.8% respectively as at 30 June 2014.

CEO's statement

Mr Wee Ee Cheong, UOB Group's Deputy Chairman and Chief Executive Officer, said, "We are pleased with the Group's healthy results, with our second quarter building on the strong performance achieved in the first quarter. This demonstrates our continued focus on generating steady growth backed by disciplined risk management and a strong balance sheet.

"We continued to strengthen our capital position and to diversify funding sources during the quarter. Our S\$500 million Basel III Tier 2 bond was well received by investors. We also increased our US commercial paper programme limit from US\$10 billion to US\$15 billion and successfully raised more than S\$12 billion of short-term funds as at end-June.

"Despite the moderating growth in Asia in the near term, we believe in the region's long-term potential. We continue to invest in our regional capabilities for our customers as they seize opportunities in the region."

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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, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. In Asia, it operates through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

UOB plays an active role in the community, focusing on the arts, education and children. For three decades UOB has organised the prestigious UOB Painting of the Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council's Distinguished Patron of the Arts Award for the ninth consecutive year in 2013. 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 Singapore, Malaysia, Indonesia, Thailand and mainland China.

For more information about UOB, visit UOBGroup.com.

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