

UOB Group Reports First Quarter 2016 Earnings at S\$766 million

Balance sheet strength intact amidst volatile markets

Singapore, 28 April 2016 – The UOB Group (“Group”) reported net earnings of S\$766 million for the first quarter of 2016 (“1Q16”), 4.4% lower from a year ago. Total income rose slightly to S\$1.97 billion mainly supported by higher net interest income. Compared with the fourth quarter of 2015 (“4Q15”), net earnings were 2.8% lower.

The Group’s strong liquidity and funding position was demonstrated by a healthy loan-to-deposit ratio of 80.7% as at 31 March 2016. Asset quality remained stable with the non-performing loans (“NPL”) ratio at 1.4%.

First quarter 2016 earnings

1Q16 vs 1Q15

Net interest income grew 6.1% to S\$1.27 billion, driven by improved net interest margin and an expanded loan base. Net interest margin increased 2 basis points to 1.78%, benefitting from higher interbank and swap offer rates in Singapore.

Non-interest income declined 8.0% to S\$695 million in 1Q16, mainly from lower wealth management fees and trading and investment income. This was attributable to softer investor appetite due to volatile market conditions.

Total expenses increased 4.9% from a year ago to S\$894 million, largely from higher staff costs, revenue and IT-related expenses as the Group continued to invest in capabilities and infrastructure to strengthen the customer franchise and to enhance technological competencies.

Total allowances decreased 30.7% from a year ago to S\$117 million. Specific allowances on loans increased S\$71 million to S\$133 million offset by a write-back of general allowances on debts. As the credit portfolio remained stable, the Group continued to maintain total credit costs at 32 basis points.

Contribution from associated companies recorded a loss of S\$30 million in 1Q16 due to investment losses recognised in an associated company.

Tax expense increased 19.0% to S\$158 million in 1Q16 due to lower write-back of prior years' tax provisions.

1Q16 versus 4Q15

Compared with 4Q15, the Group's net earnings was 2.8% lower at S\$766 million mainly due to lower non-interest income and investment losses recognised in an associated company, partly offset by lower expenses and allowances.

Net interest income was flat at S\$1.27 billion in 1Q16 as volume growth offset the marginal decline in net interest margin.

Non-interest income fell 13.5% to S\$695 million, as wealth management and loan-related fees eased, coupled with lower trading gains. This was on the back of weaker market sentiment and reduced investment activities.

Total expenses declined 7.2% to S\$894 million as the previous quarter included one-off expenses of S\$43 million incurred for the UOB80 commemorative events and brand campaign. Excluding these one-off expenses, total expenses would have decreased 2.9% from 4Q15.

Total allowances were S\$117 million in 1Q16, 38.4% lower when compared with the previous quarter. Specific allowances on loans increased 15.2% to S\$133 million mainly due to commodity-related NPLs. This was partially offset by lower specific allowances in Greater China and Singapore.

Strong balance sheet and capital position

Gross loans grew 3.0% year-on-year and 1.0% from the previous quarter to S\$209 billion as at 31 March 2016. In constant currency terms, the underlying loan growth was 5.0% from a year ago.

The Group's funding position remained strong. Customer deposits increased 6.4% from a year ago and 5.9% quarter-on-quarter to S\$255 billion as at 31 March 2016, mainly from growth in Singapore dollar and US dollar deposits. The Group's loan-to-deposit remained healthy at 80.7% as at 31 March 2016.

The average Singapore dollar and all-currency liquidity coverage ratios during the quarter were 169% and 139% respectively, well above the corresponding regulatory requirements of 100% and 70%.

Besides strengthening the deposit base, the Group tapped alternative sources of funding to diversify funding mix and to optimise funding costs. The March 2016 issuances of EUR500 million covered bonds and US\$700 million subordinated notes were met with good demand from investors.

Asset quality remained stable with the NPL ratio at 1.4% as at 31 March 2016 while NPL coverage was high at 133.2%, and 325.3% after taking collateral into account.

Shareholders' equity decreased by 0.7% from a year ago and 0.5% quarter-on-quarter to S\$30.6 billion as at 31 March 2016 due to the redemption of US\$500 million SPV-A Preference shares and lower valuation gains on available-for-sale securities offset by retained earnings. Return on equity was 10.2% for 1Q16.

As at 31 March 2016, the Group's Common Equity Tier 1 and Total CAR remained strong at 12.8% and 16.0% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR improved to 12.1% quarter-on-quarter. The Group's leverage ratio was 7.0%, well above Basel's minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "While revenue has moderated in line with the slower growth environment, we continue to maintain a healthy balance sheet, with stable asset quality and strong core capitalisation. Our recent successful issuances of covered bonds and subordinated notes reflect the confidence investors have in us.

"Even as the region faces macro headwinds in the near term, we believe its economic fundamentals are largely capable of coping with bouts of market volatility. Our resilient balance sheet puts us in good stead to support our customers through economic cycles. At the same time, we stay focused on building our core franchise for the long term."

– Ends –

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 eleventh consecutive year in 2015. 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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