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News Release

UOB Group Reports First Half 2016 Earnings at S$1.6 billion

Steady performance and resilient balance sheet amid volatile markets

Singapore, 28 July 2016 – The UOB Group ("Group") reported net earnings of S$1.57 billion for the first half of 2016 ("1H16"), flat from a year ago. Total income rose 2.8% to S$3.99 billion mainly supported by higher net interest and trading income.

For the second quarter of 2016 ("2Q16"), the Group registered net earnings of S$801 million, an increase of 4.6% over the first quarter of 2016 ("1Q16") and 5.1% higher than the second quarter of 2015 ("2Q15"). The increase was largely contributed by non-interest income growth.

The Group's capital and funding positions remained sound. Gross loans increased 4.9% year-on-year to S$212 billion while deposits were 2.8% higher at S$248 billion as at 30 June 2016. The loan-to-deposit ratio stayed healthy at 84.0%. Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio (CAR) continued to be strong at 12.2%.

The Board has declared an interim dividend of 35 cents per ordinary share. The scrip dividend scheme will be applied to the interim dividend.

First half 2016 earnings

Net interest income rose 3.0% from a year ago to S$2.49 billion, led by healthy loan growth. Net interest margin decreased 3 basis points to 1.73%.

Non-interest income grew 2.7% year-on-year to S$1.51 billion in 1H16, mainly from higher trading income. Net fee income declined by 1.2% to S$907 million on lower wealth management fees particularly in 1Q16 as customer investment activity reduced amid an uncertain economic environment.

Total expenses increased 5.3% to S$1.82 billion mainly due to higher IT-related expenses as the Group continued to invest in technology to strengthen the Group's franchise.

Total allowances for 1H16 were S$278 million, a decrease of 13.5% year-on-year. Specific allowances for loans increased by S$33 million to S$253 million primarily arising from Singapore but total credit costs remained at 32 basis points.

Contribution from associated companies decreased to S$2 million in 1H16 due to investment losses in an associated company.

Second quarter 2016 earnings

2Q16 versus 2Q15

The Group reported higher net earnings of S$801 million in 2Q16, an increase of 5.1% as compared with 2Q15.

Net interest income was flat from a year ago at S$1.21 billion as the effects of loan growth were offset by a 9 basis point decrease in net interest margin to 1.68%.

Non-interest income grew 13.9% to S$813 million driven by higher net trading income on improved performance from trading activities.

Total expenses increased 5.7% from a year ago to S$927 million in 2Q16 due to higher revenue and IT-related expenses.

Total allowances were S$161 million in 2Q16, a slight increase compared with S$152 million a year ago on a larger loan base.

2Q16 versus 1Q16

Compared with the previous quarter, net earnings were 4.6% higher at S$801 million.

Net interest income decreased 5.0% quarter-on-quarter to S$1.21 billion in 2Q16. This was driven by a 10 basis point decrease in net interest margin to 1.68% on the back of a declining interest rate environment.

Fee and commission income grew 9.6% to S$475 million in 2Q16 with higher wealth management and credit card fees. Trading and investment income rose 27.0% to S$256 million on higher trading gains.

Total expenses increased 3.6% to S$927 million mainly on continued investment in capabilities and infrastructure. Expense-to-income ratio was largely stable at 45.8%.

Total allowances were 37.3% higher this quarter at S$161 million due to a write-back of general allowances on debt securities made in 1Q16. Specific allowances on loans decreased from S$133 million to S$121 million largely due to NPL recoveries.

Contribution from associated companies reported a gain of S$32 million as compared with a loss in 1Q16 due to investment losses in an associated company.

Strong balance sheet and capital position

The Group continued to maintain a strong funding and capital position. Gross loans grew 4.9% year-on-year and 1.4% from the previous quarter to S$212 billion as at 30 June 2016. In constant currency terms, the underlying loan growth was 6.2% from a year ago.

Customer deposits increased 2.8% from a year ago to S$248 billion. As compared with 1Q16, deposits declined by 2.6% on the back of proactive liquidity management. The Group's loan-to-deposit ratio remained healthy at 84.0%.

The average Singapore dollar and all-currency liquidity coverage ratios during the second quarter were 224% and 167% respectively, well above the corresponding regulatory requirements of 100% and 70%.

Asset quality remained stable with the non-performing loans (NPL) ratio at 1.4% and NPL coverage was strong at 125.6%, or 332.5% after taking collateral into account.

Shareholders' equity increased by 2.4% from a year ago to S$31.3 billion as at 30 June 2016 due to the higher retained earnings partially offset by lower available-for-sale reserves. Compared with 1Q16, shareholders' equity was 2.1% higher due to higher profits and the issuance of S$750 million Additional Tier 1 capital securities. Return on equity improved to 10.7% in 2Q16.

As at 30 June 2016, the Group's Common Equity Tier 1 and Total CAR remained strong at 13.1% and 15.9% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR improved to 12.2% quarter-on-quarter. The Group's leverage ratio was 7.4%, 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 our performance reflects the effects of a cyclical slowdown, with softer revenue growth and rising NPLs, we kept our balance sheet strong. This was evidenced by our well-subscribed Additional Tier 1 capital securities and the upgrade of our standalone rating by Standard & Poor's.

"Even as growth in the region is on a modest trajectory, the economies are well-positioned to fend off shocks from the global financial market turmoil. We will stay vigilant and nimble, while setting our sights on the region's long-term prospects. Continued investments in furthering our capabilities and productivity will help to strengthen our franchise and to sustain our growth through economic cycles."

– 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 twelfth consecutive year in 2016. 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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