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News Release

UOB Group Reports Nine Months 2016 Earnings at S$2.4 billion

Steady performance with resilient balance sheet amid slower economic growth

Singapore, 28 October 2016 – The UOB Group ("Group") reported net earnings of S$2.36 billion for the nine months of 2016 ("9M16"), 2.6% lower than a year ago. Total income rose 1.1% to reach S$6.03 billion, largely driven by higher net interest and trading income.

For the third quarter of 2016 ("3Q16"), the Group registered net earnings of S$791 million, 1.2% lower than the second quarter of 2016 ("2Q16"). It was 7.8% lower than the third quarter of 2015 ("3Q15") as the prior year's results included one-off gains from sale of investment securities.

The higher specific allowance on loans for the quarter was largely due to the oil and gas and shipping industries, reflecting market developments and in line with the Group's expectations. However, the broader loan portfolio remains of sound quality. Together with strong general allowance buffer, total credit costs were maintained at 32 basis points.

The Group's capital and funding positions remain strong. Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio (CAR) improved to 12.4% due to disciplined growth coupled with a strong take-up rate for scrip dividend.

Nine months 2016 earnings

Net interest income increased 1.8% from a year ago to S$3.72 billion, led by an expanded loan base. Net interest margin decreased 5 basis points to 1.72% as the interest rate environment eased.

Non-interest income was largely flat at S$2.32 billion as compared with a year ago, with fee and commission income stable at S$1.40 billion. Trading and investment income grew 2.4% to S$708 million, on the back of improved trading results.

Total expenses rose 4.0% to S$2.74 billion due to higher revenue and IT-related expenses as the Group continued to invest in technology capabilities and infrastructure. Expense-to-income ratio was 45.4%.

Total allowance decreased 3.8% to S$463 million, due mainly to lower specific allowance on other assets and a release in general allowance. Specific allowance for loans increased S$265 million to S$542 million mainly from non-performing accounts in the oil and gas and shipping industries. The Group's loan provisioning methodology is countercyclical and builds reserves during periods when specific allowance is low. This has resulted in robust loan coverage of 1.5% thus allowing the Group to release some general allowance to offset the increase in specific allowance.

Contribution from associated companies decreased to S$27 million due to investment losses in an associated company.

Third quarter 2016 earnings

3Q16 versus 3Q15

The Group reported net earnings of S$791 million in 3Q16, 7.8% lower due to a one-off gain last year.

Net interest income was stable at S$1.23 billion as the decrease in net interest margin of 8 basis points to 1.69% was offset by a healthy year-on-year loan growth of 7%.

Non-interest income decreased 4.7% to S$810 million. Fee and commission income grew 1.6% to S$492 million on higher contributions from credit card and fund management income. Trading and investment income declined 19.3% to S$251 million, as 3Q15 included one-off gains from sale of investment securities, partly offset by higher net trading income.

Total expenses increased 1.6% from a year ago to S$918 million due to higher revenue and IT-related expenses. Expense-to-income ratio was 45.0%.

Total allowance was S$185 million in 3Q16, 15.7% higher than S$160 million a year ago. The increase in specific allowance in loans in the quarter came largely from the oil and gas industry. Total credit costs were maintained at 32 basis points with general allowance strong at S$3 billion as at the end of the quarter.

3Q16 versus 2Q16

Net interest income rose 1.6% quarter-on-quarter to S$1.23 billion, driven by loan growth of 2.4% coupled with a net interest margin increase of 1 basis point to 1.69%.

Non-interest income was flat at S$810 million as compared with the previous quarter. Fee and commission income grew 3.8% to S$492 million on higher fund management and loan-related fees.

Total expenses declined marginally to S$918 million mainly from lower staff-related costs. Expense-to-income ratio improved to 45.0% from 45.8%.

Total allowance increased 15.0% to S$185 million in 3Q16, as specific allowance on loans and other assets were higher; offset by releases in general allowance.

Strong balance sheet and capital position

The Group continued to maintain a strong funding and capital position. Gross loans grew 7.0% year-on-year, and 2.4% from the previous quarter to S$217 billion as at 30 September 2016.

Customer deposits grew 2.6% from a year ago to S$251 billion. Compared with 2Q16, deposits increased by 1.1%, led mainly by growth in Singapore dollar deposits. The Group's loan-to-deposit ratio remained healthy at 85.0%. While staying mainly deposit-funded, the Group has tapped alternative sources of funding to diversify funding mix and optimise funding costs. The September 2016 issuance of US$600 million subordinated notes was met with good demand from investors.

The average Singapore dollar and all-currency liquidity coverage ratios during the third quarter were 213% and 148% respectively, well above the corresponding regulatory requirements of 100% and 70%.

Non-performing loans (NPL) ratio was 1.6% as at 30 September 2016, the increase over the previous quarter was mainly from oil and gas industry. NPL coverage remained strong at 112.4%, or 266.0% after taking collateral into account.

Shareholders' equity increased by 7.3% from a year ago to S$32.4 billion as at 30 September 2016 due to the higher retained earnings and an increase in share capital arising from a strong take-up rate for scrip dividend. Compared with 2Q16, shareholders' equity rose 3.6% due to higher share capital, AFS reserves and retained earnings. Return on equity eased slightly to 10.4% in 3Q16.

As at 30 September 2016, the Group's Common Equity Tier 1 and Total CAR remained strong at 13.4% and 16.6% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR improved to

12.4% quarter-on-quarter. The Group's leverage ratio was 7.5%, well above Basel's minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Against a slower environment, our core earnings demonstrated resilience with selective expansion in lending and fee businesses while asset quality remains manageable. We are well-positioned to ride through the cycle with our strong capital and reserves as well as stable funding. Our recent successful issuances of subordinated notes reflect the continued confidence investors have in us.

"We expect subdued global economic growth and volatile market conditions in the months ahead. But ASEAN's fundamentals remain sound, with fiscal flexibility to support domestic growth. As a long-term player, we see pockets of opportunities and will continue to support our customers with our strong balance sheet and regional network. We will continue to invest in our capabilities, backed by our belief in the region's underlying prospects and our ability to deliver sustainable value for shareholders."

– 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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