United Overseas Bank Limited
HEAD OFFICE
80 Raffles Place UOB Plaza
Singapore 048624
Tel (65) 6533 9898 Fax (65) 6534 2334
uobgroup.com
Co. Reg. No. 193500026Z

Announcement

UOB Group Reports Nine Months 2017 Earnings at S$2.54 billion

Steady growth in client franchise income, supported by strong balance sheet

Singapore, 3 November 2017 – UOB Group ("Group") reported net earnings of S$2.54 billion for the nine months of 2017 ("9M17"), 8% higher from a year ago ("9M16"). Total income rose 8% to S$6.54 billion, contributed by increases in both net interest income and fee and commission income.

For the third quarter of 2017 ("3Q17"), the Group registered net earnings of S$883 million, an increase of 5% over the second quarter of 2017 ("2Q17") and 12% over the third quarter of 2016 ("3Q16"). The growth was largely due to stronger net interest income and fee and commission income.

The Group maintained a strong capital and funding position as at 30 September 2017. Deposits were 7% higher year-on-year at S$268 billion while gross loans increased 8% to S$234 billion. The loan-to-deposit ratio stayed healthy at 85.8%. Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio (CAR) rose to 13.8% on higher retained earnings and optimisation of risk-weighted assets.

Nine months 2017 earnings

The Group registered net earnings of S$2.54 billion, 8% higher than a year ago.

Net interest income grew 9% to S$4.07 billion on higher net interest margin and healthy loan growth of 8%. Net interest margin improved four basis points to 1.76%, largely attributed to active balance sheet management and higher yields from interbank balances and securities on the back of a rising interest rate environment.

Fee and commission income rose 13% to S$1.58 billion led by double digit growth in the wealth management, fund management and credit card businesses. Wealth management fees grew 39% to S$405 million on higher sales of treasury products and unit trusts while fund management income increased by 27% to S$173 million due to conducive market conditions. Credit card fees also grew 10% to S$292 million from higher transaction volume in Singapore.

Other non-interest income declined 2% to S$900 million mainly due to lower net trading income.

From a business segment perspective, Group Retail income rose 10% to S$2.97 billion driven by strong loan volumes and fee income growth from the wealth management and credit card businesses. Group Wholesale Banking income was stable, as volume growth was offset by tighter margins. Global Markets income fell 16% to S$371 million largely due to lower trading income.

Total expenses were higher at S$2.93 billion, an increase of 7% year-on-year as the Group continued to invest in talent, technology and infrastructure to enhance its service and product capabilities. The expense-to-income ratio improved slightly to 44.7% on the back of stronger income.

For 9M17, total allowances increased 27% to S$587 million. Specific allowance on loans grew 22% to S$663 million largely due to non-performing loans from the oil and gas sector. Total credit costs on loans were unchanged at 32 basis points due to a corresponding release of general allowance on loans.

Other than the oil and gas-related portfolio, the asset quality on the rest of the Group's loan portfolio stayed resilient. The Group remains comfortable given the prudent levels of general allowance on loans, which at S$2.60 billion as at 30 September 2017, is above the expected credit loss requirements under the new Financial Reporting Standard 109 Financial Instruments effective 1 January 2018.

Contribution from associated companies rose from S$27 million to S$88 million, mainly due to investment losses in an associated company in the prior year.

Third quarter 2017 earnings

3Q17 versus 3Q16

Earnings from 3Q17 rose 12% from a year ago to S$883 million, as a result of the growth in net interest income and fee and commission income. The increase was partly offset by lower trading income and higher operating expenses and allowances.

Net interest income increased 15% to S$1.41 billion, driven by higher net interest margin and loan growth. Net interest margin improved ten basis points to 1.79%, contributed by active balance sheet management and a rising interest rate environment.

Non-interest income increased 2% to S$830 million. Fee and commission income grew 12% to S$551 million from wealth management, fund management and credit card businesses. This was partly offset by lower net trading income.

Total expenses rose 6% from a year ago to S$973 million mainly due to higher staff and IT-related expenses.

Compared with a year ago, specific allowances on loans and other assets for the quarter decreased by S$51 million to S$247 million. Total allowances increased by S$36 million to S$221 million as the Group continued to maintain total credit costs on loans at 32 basis points.

3Q17 versus 2Q17

Compared with the previous quarter, net earnings were 5% higher at S$883 million.

Net interest income increased 4% to S$1.41 billion, driven by loan growth of 3% coupled with a net interest margin increase of four basis points to 1.79%.

Non-interest income was stable at S$830 million. Fee and commission income grew 7% to S$551 million mainly on higher loan-related and wealth management fees. This was partly offset by lower net gains from investment securities.

Total expenses declined 2% to S$973 million due to lower staff costs, IT-related expenses and professional fees. The reduction in expenses, coupled with higher income, resulted in an improvement in the expense-to-income ratio from 45.6% to 43.5% this quarter.

Total allowances were 23% higher this quarter at S$221 million. Specific allowances on loans and other assets increased 47% to S$247 million largely from non-performing assets in the oil and gas sector.

Strong balance sheet and capital position

As at 30 September 2017, the amount of non-performing loans (NPL) grew 7% year-on-year and 8% from the previous quarter to S$3.75 billion. However, new formation of NPL was mainly driven by a large account in the oil and gas sector, which remained under stress. Though the NPL ratio moved up to 1.6%, NPL coverage remained strong at 108%, or 236% after taking collateral into account.

The Group continued to maintain a strong funding position with a healthy loan-to-deposit ratio at 85.8%. Customer deposits increased 7% from a year ago to S$268 billion, led mainly by growth in US dollar (USD) deposits. Gross loans also rose to S$234 billion at 30 September 2017, with a year-on-year increase of 8% that was broad-based across most territories and industries.

In the first nine months of 2017, the Group had issued S$2.55 billion in debt and capital securities to diversify its funding mix and to refinance debts due for redemption this year. In addition, the inaugural USD-denominated perpetual capital securities issued in October 2017 received overwhelming demand from diverse investors, a testament of the confidence in the Group's strong balance sheet and financial standing.

The average Singapore dollar and all-currency liquidity coverage ratios during 3Q17 were 196% and 142% respectively, well above the corresponding regulatory requirements of 100% and 80%.

Shareholders' equity increased by 8% from a year ago and 1% quarter-on-quarter to S$35.1 billion due to higher retained earnings and shareholders' participation in the scrip dividend scheme. Return on equity improved to 10.5% in 3Q17 from 10.3% in 2Q17 from a stronger performance this quarter.

As at 30 September 2017, the Group's Common Equity Tier 1 and Total CAR remained strong at 14.3% and 17.8% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 13.8%. The Group's leverage ratio was 7.7%, well above Basel's minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said,
"Amid signs of pick-up in the global economy and driven by higher revenues from our diversified banking franchise, we have achieved our strongest quarter yet. The asset quality of our overall portfolio was stable, apart from a couple of oil and gas-related issues, and our reserves buffer and capitalisation remained high. Our recent debut of perpetual capital securities in the US dollar market was well received by investors, reflecting their confidence in the Group's strong financial standing.

Despite ongoing uncertainties in the external environment, we believe in Asia's long-term prospects which are backed by its favourable growth drivers. We continue to invest in capabilities to support our customers' regionalisation ambitions and rising wealth needs."

– 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 across the region.

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 13th consecutive year in 2017. UOB also encourages its employees across the region to be involved in its regular volunteer activities. This includes the annual UOB Heartbeat Run/Walk which is held in China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand.

For media queries, please contact:
Name: Kelyn Tan Siang Wei
Group Strategic Communications and Customer Advocacy
Email: Kelyn.TanSW@UOBgroup.com
Tel: 6539 3967 / 9796 7748

For investor/analyst queries, please contact:
Name: Stephen Lin Shih Tung
Investor Relations
Email: Stephen.LinST@UOBgroup.com
Tel: 6539 2523

United Overseas Bank Limited Co. Reg. No. 193500026Z