Maintaining strong balance sheet amid challenging economic conditions

Strengthened coverage with S$546 million allowance increase

UOB Group ("Group") reported net earnings of S$855 million for the first quarter of 2020 ("1Q20"), 15% and 19% lower than the fourth quarter of 2019 ("4Q19") and the first quarter of 2019 ("1Q19") respectively, impacted by declining margins and higher credit costs.

Total income was stable at S$2.41 billion despite a lower interest rate environment and slowing business momentum towards the end of the quarter due to the effects of the global pandemic. Cost-to-income ratio improved on prudent cost management.

The Group's balance sheet position remained strong. An additional S$546 million of allowance was made to strengthen coverage this quarter. Together with Common Equity Tier 1 (CET1) ratio at 14.1% and ample liquidity support, the Group is well positioned to navigate the greater uncertainties ahead.

Key financial indicators

Income	S$2.41b	- 1% QoQ no change YoY
Net profit after tax	S$855m	- 15% QoQ - 19% YoY
Cost/Income ratio	45.1%	- 0.8%pt QoQ + 0.5%pt YoY
Credit costs	36bps	+ 12bps QoQ + 17bps YoY
NPL ratio	1.6%	+ 0.1%pt QoQ + 0.1%pt YoY
Unsecured NPA coverage ratio	206%	+ 4%pt QoQ + 2%pt YoY
Customer loans	S$278b	+ 4% QoQ + 3% YoY
CET 1 ratio	14.1%	- 0.2%pt QoQ + 0.2%pt YoY

Steadfastly supporting our stakeholders

Mr Wee Ee Cheong,
Deputy Chairman and
Chief Executive Officer, UOB

"We are in a period of unmatched challenges and disruption brought on by the rapid contagion of COVID-19 across the world. But the first quarter of 2020 has also revealed the capacity and resolve of governments, industries and individuals to contain and to cushion the impact of the pandemic.

As a trusted financial steward in the region, we have been working closely with government agencies and central banks to provide liquidity support to individuals and businesses. We have also seen our digital banking services such as UOB Mighty and UOB Business Internet Banking Plus become essential tools as more of our customers stay home to stay safe.

As we balance our role of providing our essential banking services with the need to keep our own people safe, like many businesses, we have adjusted the way we work. In Singapore, currently more than three quarters of our colleagues are working from home, connected by our full suite of digital tools. Across the region, we have extended our hand to the vulnerable, donating care packs for underprivileged families and medical equipment for healthcare workers as they work to save the lives of others in our communities.

In times such as these, we ensure our balance sheet remains strong and our capital and liquidity positions robust, so we can continue to support our customers through the roughest of cycles and crises, just as we have done so over the past eight decades. Coupled with our strengthened allowance coverage and through our collective efforts with all our stakeholders, we are confident that we will ride through these extraordinarily difficult times and emerge stronger."

Financial performance

	1Q20	4Q19	QoQ +/(-)	1Q19	YoY +/(-)
	S$m	S$m	%	S$m	%
Net interest income	1,593	1,635	(3)	1,587	0
Non-interest income	813	796	2	819	(1)
Total expenses	(1,086)	(1,116)	(3)	(1,073)	1
Operating profit	**1,320**	**1,316**	**0**	**1,333**	**(1)**
Impairment charge	(286)	(146)	96	(93)	>100
Net profit	**855**	**1,006**	**(15)**	**1,052**	**(19)**

1Q20 versus 4Q19

- Net interest income decreased 3% to S$1.59 billion in a lower interest rate environment despite healthy loan growth of 4%.
- Non-interest income was 2% higher at S$813 million, due to growth in loan-related and wealth management fees. Treasury and investment income was relatively flat.
- With disciplined cost management, total operating expenses decreased 3%.
- Total impairment charge increased to S$286 million resulting from the challenging macro environment this quarter.

1Q20 versus 1Q19

- Net interest income was flat as asset growth was offset by margin compression.
- Fee income grew 8% to S$515 million largely from wealth management, while trading and investment income decreased 17% to S$224 million amid increased market volatility.
- Total impairment charge was higher compared with a more credit benign environment in the prior year.

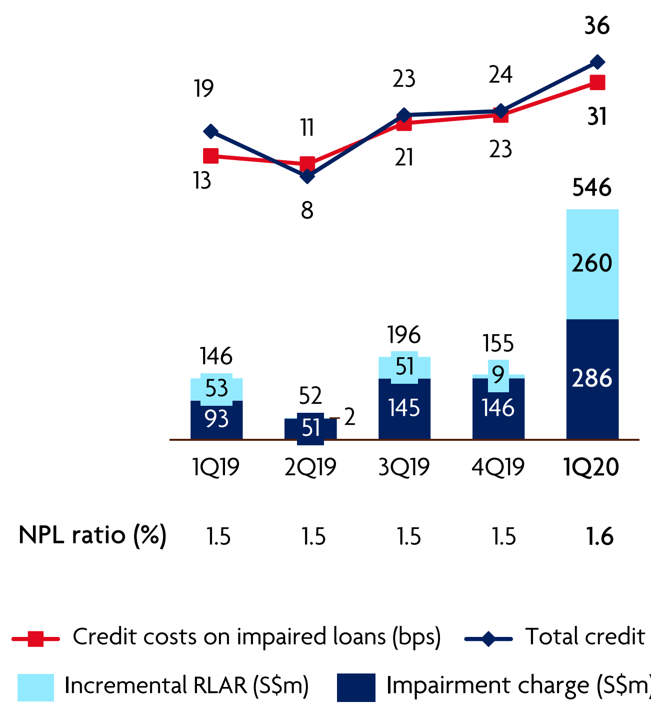
Business segment performance

Operating Profit	1Q20	1Q19	YoY +/(-)
	S$m	S$m	%
Group Retail	556	509	9
Group Wholesale Banking	740	780	(5)
Global Markets	110	84	31
Others	(86)	(40)	>100
Total	**1,320**	**1,333**	**(1)**

- Group Retail's operating profit was higher largely driven by strong contribution from wealth management, which mitigated the impact from declining interest rate. Income from high affluent customers increased 14% year on year, while assets under management expanded by 8% to S$124 billion, of which 61% was from overseas customers served by the Group's network of wealth management centres in Southeast Asia.
- Group Wholesale Banking's operating profit declined from lower loan-related and investment banking fees, but partly moderated by franchise loan growth. Cross-border income fell by 5% in line with slower business activity across the region, accounting for 27% of Group Wholesale Banking's income.
- Global Markets' better performance was supported by higher net interest income, offset by decline in trading and investment income.

Asset quality

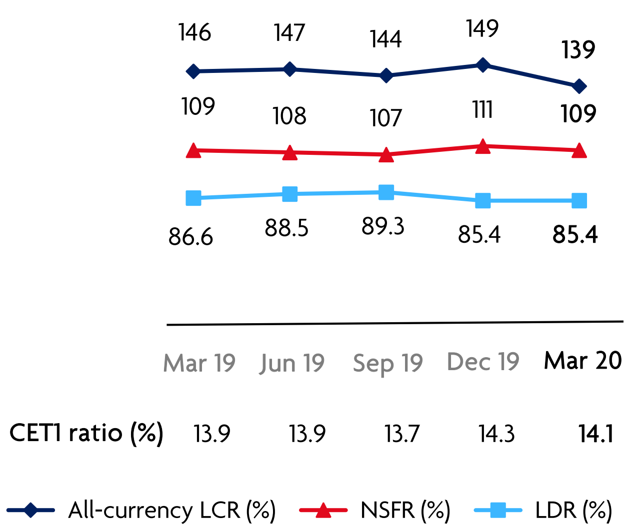
Impairment charge and RLAR



- Total credit costs on loans increased to 36 bps while non-performing loans (NPL) ratio rose to 1.6% due to a few significant accounts.
- To strengthen allowance coverage amid the global pandemic and weak macro conditions, an additional S$546 million was set aside this quarter through impairment charge and Regulatory Loss Allowance Reserve (RLAR). As a result, non-performing assets (NPA) coverage rose to 88% or 206% after taking collaterals into account.
- Out of the S$2 billion allowance on non-impaired assets, a management overlay of S$300 million was earmarked to reflect deteriorating macroeconomic conditions. The remaining overlay of S$400 million is available to absorb further credit migration.

Capital, funding and liquidity positions

Liquidity and capital ratios



- The Group's liquidity and funding position remained robust with this quarter's average all-currency liquidity coverage ratio (LCR) at 139% and net stable funding ratio (NSFR) at 109%, well above the minimum regulatory requirements. Loan-to-deposit ratio (LDR) was stable at 85.4%.
- Together with strong CET1 ratio of 14.1%, the Group is well-prepared to steer through the macro uncertainties ahead.

For more information about UOB, please visit www.UOBGroup.com.