Operating profit improved 3% QoQ as economic activity gradually resumes

Proactively shored up credit reserves with an additional allowance of S$339 million

UOB Group ("Group") reported 3% quarter-on-quarter ("QoQ") improvement in operating profit for the third quarter of 2020 ("3Q20") as margins and fees recovered. Net earnings for 3Q20 was S$668 million, 5% lower than the second quarter of 2020 ("2Q20") and 40% lower than the third quarter of 2019 ("3Q19"), due to the pre-emptive build-up of credit allowance of S$339 million this quarter.

Net earnings for the first nine months of 2020 ("9M20") stood at S$2.23 billion, 33% lower than a year ago. The softer performance was a result of declining margins, slower customer activities and pre-emptive credit provisioning in view of the uncertainties from the COVID-19 pandemic.

The Group's balance sheet remains robust with ample liquidity and strong Common Equity Tier 1 (CET1) ratio at 14.0%. Together with a credit reserve of S$2.71 billion built-up for non-impaired assets, the Group is well positioned to navigate through this difficult time.

3Q20 key financial indicators

Operating profit	S$1.25b	+ 3% QoQ	- 14% YoY
Net profit after tax	S$668m	- 5% QoQ	- 40% YoY
Cost/Income ratio	44.6%	- 1.4%pt QoQ	+ 0.4%pt YoY
Credit costs	68bps	+ 1bp QoQ	+ 45bps YoY
NPL ratio	1.5%	- 0.1%pt QoQ	no change YoY
Customer loans	S$281b	no change QoQ	+ 2% YoY
NSFR ratio	122%	+ 3%pt QoQ	+ 15%pt YoY
CET 1 ratio	14.0%	no change QoQ	+ 0.3%pt YoY

Steadfastly supporting our stakeholders

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

" While there are early signs of recovery across the global economy, the trajectory remains uneven and unclear. Given the evolving geopolitical and pandemic situation, we remain vigilant, especially in our key regional markets. However, our asset quality is manageable and we are adequately provisioned even with the expiry of moratorium programmes across the region. Our healthy balance sheet, fortified with additional allowance and backed by robust capital and liquidity positions, ensures we are well-placed to help our customers to weather this crisis.

COVID-19 has presented an opportunity for us to accelerate our omni-channel approach and to open up new customer service models. Our digital services such as UOB Mighty and TMRW have seen a rise in engagement and transactions. We also recently launched UOB Infinity, our enhanced digital service for corporate customers. We are also forging a sustainable future with our customers by helping businesses to advance responsibly, steering wealth to sustainable investments, and fostering social inclusiveness and environmental well-being.

With the ever-changing operating landscape, the need for upskilling, improving staff productivity and adopting a flexible approach to work is essential. As a long-term player with deep customer insights, regional expertise and integrated network across Asia, we are well positioned to ride on these emerging trends in a post-COVID-19 future. "

Financial performance

	3Q20	2Q20	QoQ +/(-)	3Q19	YoY +/(-)	9M20	9M19	YoY +/(-)
	S$m	S$m	%	S$m	%	S$m	S$m	%
Net interest income	1,474	1,456	1	1,687	(13)	4,524	4,927	(8)
Non-interest income	786	804	(2)	922	(15)	2,404	2,671	(10)
Total expenses	(1,009)	(1,040)	(3)	(1,154)	(13)	(3,135)	(3,356)	(7)
Operating profit	**1,252**	**1,220**	**3**	**1,455**	**(14)**	**3,792**	**4,242**	**(11)**
Impairment charge	(477)	(396)	20	(145)	>100	(1,158)	(289)	>100
Net profit after tax	**668**	**703**	**(5)**	**1,118**	**(40)**	**2,226**	**3,338**	**(33)**

3Q20 versus 2Q20

Operating profit improved 3% to S$1.25 billion as margins improved and fees were higher as economic activity gradually resumed. Net profit for the quarter fell 5% to S$668 million on continued pre-emptive build-up of credit allowance.

Against 2Q20, net interest income was 1% higher, led by an improvement in net interest margin of 5 basis points to 1.53% as liquidity buffers eased in line with a stabilising funding environment. Fee income grew 15% to S$514 million, as business activities resumed across the region with the gradual easing of movement controls. Trading and investment income was lower as there was a larger recovery from market volatility last quarter.

Total operating expenses decreased by 3%, largely from lower staff costs. Cost-to-income ratio improved 1.4% point to 44.6%. An additional S$339m allowance for non-impaired assets was pre-emptively set aside to strengthen provision coverage, bringing total credit costs on loans to 68 basis points this quarter.

3Q20 versus 3Q19

Net interest income decreased 13% to S$1.47 billion as effects from margin compression offset loan growth of 2%. Non-interest income was 15% lower at S$786 million, as business activities across corporate and retail customers declined. Trading and investment income fell 32% to S$210 million, largely due to lower net trading income.

Total operating expenses decreased 13% to S$1.01 billion on disciplined cost management. Total impairment charge increased to S$477 million as additional allowance was set aside for non-impaired assets amid uncertainties from the global pandemic.

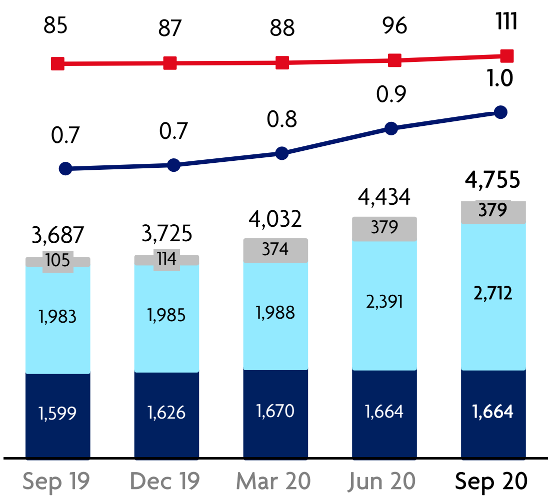
9M20 versus 9M19

Net interest income decreased 8% to S$4.52 billion, led by sharp interest rate declines across the region to cushion against the severe macroeconomic headwinds. Non-interest income dropped 10% to S$2.40 billion with lower credit card spending and loan disbursements, while wealth management and fund management businesses performed better. Markets were volatile during this period, driving trading and investment income 18% lower to S$728 million.

Total operating expenses decreased 7% to S$3.14 billion from lower staff costs and reduced discretionary spend. The cost-to-income ratio for 9M20 was higher at 45.3% on the back of declining operating revenue. Total impairment charge increased to S$1.16 billion, mainly from additional allowance for non-impaired assets.

Asset quality

Allowance coverage



	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20
NPL ratio (%)	1.5	1.5	1.6	1.6	**1.5**
Total credit costs on loans (bps)	23	24	36	67	**68**

Allowance for impaired assets ($m) | Allowance for non-impaired assets ($m) | RLAR ($m) | NPA coverage (%)

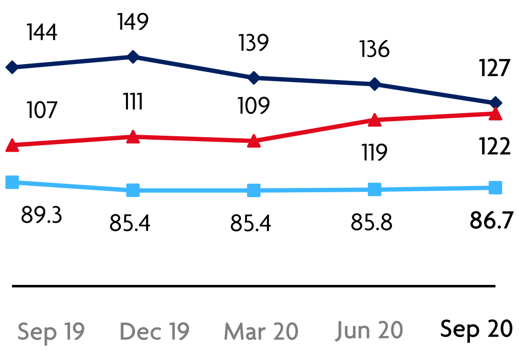
Allowance on non-impaired loans incl RLAR / performing loans (%)

The non-performing loan (NPL) ratio improved to 1.5% from 1.6%, as NPL formation stayed low coupled with more recoveries in the quarter.

The Group took in S$339 million in allowance this quarter, further strengthening the non-performing assets (NPA) coverage to 111% or 264% after taking collateral into account. Similarly, total allowance for non-impaired loans, including regulatory loss allowance reserves (RLAR), rose to 1.0% of performing loans.

Capital, funding and liquidity positions

Liquidity and capital ratios



	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20
CET1 ratio (%)	13.7	14.3	14.1	14.0	**14.0**

All-currency LCR (%) | NSFR (%) | LDR (%)

The Group's liquidity and funding positions remained robust with this quarter's average all-currency liquidity coverage ratio (LCR) at 127% and net stable funding ratio (NSFR) at 122%, well above the minimum regulatory requirements. Loan-to-deposit ratio (LDR) was healthy at 86.7%.

Together with CET1 ratio at 14.0%, the Group is well positioned to navigate through uncertainties ahead and to drive growth when market sentiment improves.

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

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Third Quarter 2020 Performance Highlights
4 November 2020

	3Q20	2Q20	+/(-)	3Q19	+/(-)	9M20	9M19	+/(-)
Selected income statement items (S$m)								
Net interest income	**1,474**	1,456	1	1,687	(13)	**4,524**	4,927	(8)
Net fee and commission income	**514**	445	15	551	(7)	**1,475**	1,557	(5)
Other non-interest income	**272**	359	(24)	371	(27)	**929**	1,114	(17)
Total income	**2,261**	2,260	0	2,609	(13)	**6,927**	7,598	(9)
Less: Operating expenses	**1,009**	1,040	(3)	1,154	(13)	**3,135**	3,356	(7)
Operating profit	**1,252**	1,220	3	1,455	(14)	**3,792**	4,242	(11)
Less: Allowances for credit and other losses	**477**	396	20	145	>100	**1,158**	289	>100
Add: Share of profit of associates and joint ventures	**24**	22	10	14	71	**64**	31	>100
Net profit before tax	**800**	846	(6)	1,324	(40)	**2,698**	3,984	(32)
Less: Tax and non-controlling interests	**132**	143	(8)	206	(36)	**472**	646	(27)
Net profit after tax [1]	**668**	703	(5)	1,118	(40)	**2,226**	3,338	(33)
Selected balance sheet items (S$m)								
Gross customer loans	**280,682**	280,693	(0)	275,072	2	**280,682**	275,072	2
Customer deposits	**319,114**	322,688	(1)	304,423	5	**319,114**	304,423	5
Total assets	**422,079**	429,614	(2)	408,383	3	**422,079**	408,383	3
Shareholders' equity [1]	**39,986**	40,081	(0)	39,484	1	**39,986**	39,484	1
Risk-weighted assets	**230,595**	232,037	(1)	231,610	(0)	**230,595**	231,610	(0)
Key financial ratios (%)								
Net interest margin [2]	**1.53**	1.48		1.77		**1.57**	1.79	
Cost/Income ratio	**44.6**	46.0		44.2		**45.3**	44.2	
Credit costs on loans (bp) [2]								
Non-impaired	**49**	54		2		**36**	1	
Impaired	**19**	13		21		**21**	15	
Total	**68**	67		23		**57**	17	
NPA coverage ratio	**111**	96		85		**111**	85	
NPL ratio [3]	**1.5**	1.6		1.5		**1.5**	1.5	
Return on average ordinary shareholders' equity [2,4]	**6.9**	7.1		11.8		**7.6**	11.9	
Return on average total assets [2]	**0.63**	0.65		1.09		**0.70**	1.11	
Loan/Deposit ratio [5]	**86.7**	85.8		89.3		**86.7**	89.3	
Liquidity coverage ratios ("LCR") [6]								
All-currency	**127**	136		144		**134**	146	
Singapore Dollar	**301**	305		342		**312**	302	
Net stable funding ratio ("NSFR") [7]	**122**	119		107		**122**	107	
Capital adequacy ratios								
Common Equity Tier 1	**14.0**	14.0		13.7		**14.0**	13.7	
Tier 1	**15.0**	15.0		15.0		**15.0**	15.0	
Total	**17.6**	17.1		16.9		**17.6**	16.9	
Leverage ratio [8]	**7.4**	7.3		7.6		**7.4**	7.6	
Earnings per ordinary share ($) [2,4]								
Basic	**1.55**	1.63		2.62		**1.72**	2.61	
Diluted	**1.54**	1.62		2.61		**1.72**	2.60	
Net asset value ("NAV") per ordinary share ($) [9]	**22.53**	22.59		21.94		**22.53**	21.94	

Notes:
1 Relate to amount attributable to equity holders of the Bank.
2 Computed on an annualised basis.
3 Refer to non-performing loans as a percentage of gross customer loans.
4 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.
5 Refer to net customer loans and customer deposits.
6 Figures reported are based on average LCR for the respective periods. A minimum requirement of Singapore Dollar LCR of 100% and all-currency LCR of 100% shall be maintained at all times. Public disclosure required under MAS Notice 651 is available in the UOB website at www.UOBgroup.com/investor-relations/financial/index.html.
7 NSFR is calculated based on MAS Notice 652 which requires a minimum of 100% to be maintained. Public disclosure required under MAS Notice 653 is available in the UOB website at www.UOBgroup.com/investor-relations/financial/index.html.
8 Leverage ratio is calculated based on MAS Notice 637 which requires a minimum ratio of 3%.
9 Perpetual capital securities are excluded from the computation.

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