

## NEWS RELEASE

### **UOB Group First Quarter Net Earnings Up 23% Quarter-on-Quarter to S\$688 million**

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#### **Strong Performance in All Core Businesses**

#### **Interest Margin Continued To Trend Up Asset Quality Stable**

**SINGAPORE, 9 May 2012** – The UOB Group (“Group”) recorded a net profit of S\$688 million for the first quarter of 2012 (“1Q12”), up 23.3% from the previous quarter and 12.4% from the same quarter last year.

The strong performance was underpinned by higher contributions from all core businesses. Net interest income, fee and commission income, as well as trading and investment income increased while expenses remained under control. Net interest margin continued to improve, reaching 1.98%. Impairment charges were lower, non-performing loans (“NPL”) ratio was 1.4% while loans charge off stayed at 30 basis points.

#### **First quarter 2012 earnings versus fourth quarter 2011**

The 1Q12 results delivered a consecutive quarter of improvement in net interest margin, which rose another 3 basis points to 1.98% mainly due to loans yield increasing faster than the increase in the cost of funds. Coupled with higher loans volume, net interest income increased 2.1% to a new quarter high of S\$998 million.

Strong non-interest income was sustained in 1Q12 with an increase of 26.1% to reach S\$630 million for the quarter. Fee income registered the strongest quarter since the 2008 global financial crisis, up 10.8% to reach S\$362 million as the Group continued to focus on total customer profitability and cross-selling initiatives. Higher fees were recorded from loan-related activities, wealth management products and corporate

finance activities. Trading and investment income rebounded strongly to S\$203 million mainly on investment gains.

Expenses rose 8.2% to S\$676 million. Staff expenses were higher due to increased investment in talent across Singapore and the regional countries. Revenue-related expenses were also higher, attributed to increased business volumes. Expense-to-income ratio improved 0.8% point to 41.5% with stronger income growth.

Asset quality continued to be sound. Total impairment charges for 1Q12 were S\$104 million mainly for individual impairment on loans. Impairment charges for 4Q11 were higher at S\$225 million as impairment charges were built up ahead in view of the concerns on the US and Eurozone financial situations. For 1Q12, total loans charge off rate was kept at 30 basis points. NPL coverage improved to 136.6% while NPL ratio stayed at 1.4%.

Loans growth for 1Q12 was subdued as the Group continued to focus on a quality loans book balanced with risk-adjusted returns. Loans increased 2.6% to reach S\$148 billion and were booked across most industries. Singapore and Malaysia were the largest contributors to this growth.

The Group's funding position remained intact on the back of a strong credit rating, coupled with the capabilities entrenched in the Group's regional franchise. Deposits were sustained at S\$169 billion, while the loans-to-deposits ratio was healthy at 86.0%. During the quarter, US\$750 million fixed rate senior notes were raised to reinforce the Group's funding position.

Capital remained strong with core Tier 1, Tier 1 and total capital adequacy ratios at 12.3%, 13.9% and 17.1% respectively as at 31 March 2012, well above the minimum required by the Monetary Authority of Singapore.

#### **First quarter 2012 versus first quarter 2011**

Net interest income rose 14.6% to a quarterly record of S\$998 million, driven mainly by robust loans growth. Net interest margin improved 8 basis points to 1.98% with improved assets mix geared towards higher-yielding loans.

Non-interest income increased 14.3% to S\$630 million. Fee and commission income rose 9.5% to S\$362 million, with increases registered across most business areas in

Singapore and the regional countries. Trading and investment income increased to S\$203 million from S\$165 million in 1Q11.

Expenses rose 15.9% mainly on increased staff costs as well as higher revenue-related expenses. Expense-to-income ratio was up marginally by 0.5% point to 41.5%.

Total impairment charges and total loans charge off rate were little changed from 1Q11 while NPL coverage improved to 136.6%.

Loans registered a significant increase of 20.2% across geographies and industries. Loans growth from the regional countries was a hefty 27.8% while Singapore was also strong at 18.8%.

The Group's funding position continued to be sound. Customer deposits grew 15.0% across territories while loans-to-deposits ratio was 86.0%.

### **CEO's statement**

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Our first quarter results show we have started the year on the right foot. We are executing to plan and we are harnessing our regional footprint and expertise to pursue growth opportunities that are right for our business.

We achieved another record quarter of net interest income, led by continued growth in loans and an improvement in net interest margins. We also posted our strongest quarter in terms of fee income since the global financial crisis, with trading and investment income rebounding as market conditions improved. Nevertheless, given that fundamental issues in the West are yet to be resolved, we are ever mindful of the impact on Asia and the global economy.

Our success has been built on putting our customers at the centre of all that we do. We remain committed to enhancing shareholder returns and to ensuring continued strength in our balance sheet. This approach has stood us in good stead in the past and continues to position us for long-term sustainable growth."

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## **About United Overseas Bank**

United Overseas Bank Limited (UOB) is a leading bank in Asia. It provides a wide range of financial services through its global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

In Singapore, UOB is a market leader in the credit and debit cards business, and the private residential home loans business. It is also a key player in loans to small and medium enterprises. Its fund management arm, UOB Asset Management, is one of Singapore's most awarded fund managers.

UOB is rated among the world's top banks, with a rating of Aa1 from Moody's and AA- from Standard & Poor's respectively.

UOB also plays an active role in the community, focusing on children, education and the arts. It has organised the prestigious Painting Of The Year Competition and Exhibition since 1982, and supports Very Special Arts Singapore which provides art programmes for the disabled. In recognition of its contributions to the arts, UOB has been conferred the National Arts Council's Distinguished Patron of the Arts Award for the seventh consecutive year. UOB has also established the annual UOB Heartbeat Run to raise funds for charity.

For more information about UOB, visit [uobgroup.com](http://uobgroup.com).

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