

NEWS RELEASE

UOB Group Reports First Quarter 2014 Earnings of S\$788 million

Record Quarterly Profits Driven by Strong Loan Growth

SINGAPORE, 30 April 2014 – The UOB Group (“Group”) recorded net earnings of S\$788 million for the first quarter of 2014 (“1Q14”), an increase of 9.2% over the first quarter of 2013 (“1Q13”) and 2.0% higher than the fourth quarter of 2013 (“4Q13”). Overseas profit before tax contribution for 1Q14 was 46.2% and this was higher than the comparative quarters.

The Group’s loans grew 12.7% year-on-year and 3.6% over 4Q13 to S\$189 billion with growth observed across all regions. Asset quality continued to be strong with the non-performing loan (“NPL”) ratio of 1.1% stabilising from 4Q13 and compared favourably with 1.3% a year ago. The Group’s liquidity and funding positions remained sound, supported by steady growth in customer deposits.

First quarter 2014 earnings

Compared with 1Q13, the Group’s net earnings rose 9.2% to S\$788 million in 1Q14. The increase was driven by strong net interest income, coupled with lower taxes from the write-back of prior years’ income tax.

Total income increased 4.8% year-on-year to S\$1.75 billion, supported by solid net interest income growth of 15.2% to S\$1.11 billion. Net interest margin improved 3 basis points to 1.73% in 1Q14.

Fee and commission income for 1Q14 was S\$414 million, 8.6% lower than a year ago. The decline came mainly from lower loan processing fees and fund management fees. However, the decline was partly offset by higher wealth management distribution fees. Trading and investment income was 5.5% lower at S\$149 million, attributable mainly to lower gains from the sale of securities.

The Group’s operating expenses grew 8.6% to S\$755 million in 1Q14, driven largely by staff and business-related expenses. Consequently, the Group’s expense-to-income ratio increased from 41.6% in 1Q13 to 43.1% in 1Q14.

Total impairment charges increased 20.5% to S\$157 million as collective impairment charges were set aside in line with loan growth while individual impairment charges declined 16.7% to S\$32.8 million in 1Q14. The Group’s total loan charge off rate was relatively stable at 32 basis points.

Compared with 4Q13, net earnings recorded a 2.0% increase to reach S\$788 million.

Total income rose 0.6% in the quarter to S\$1.75 billion in 1Q14, led mainly by a 1.3% increase in net interest income on loan growth with net interest margin flat at 1.73%. Trading and investment income increased 3.5% to S\$149 million mainly from higher customer demand for treasury products. Fee and commission income declined 4.8% to S\$414 million for 1Q14 due to lower loan processing fees, credit card income and fund management fees but was offset by higher wealth management distribution fees.

Total expenses declined marginally by 0.9% to S\$755 million.

Total impairment charges rose 13.4% to S\$157 million as collective impairment was made in line with loan growth while individual impairment decreased 62.9% to S\$32.8 million.

Strong balance sheet and capital position

Gross customer loans rose 12.7% year-on-year and 3.6% from 4Q13 to S\$189 billion as at 31 March 2014. The strong loan growth was broad-based across territories and industries.

The Group continued to strengthen its liquidity and funding capabilities. Customer deposits grew 9.7% year-on-year and 1.0% over 4Q13 to S\$217 billion as at 31 March 2014 on higher deposits from current and savings accounts. The Group's loan-to-deposit ratio as at 31 March 2014 stood at 85.5%.

In addition, the Group diversified its funding pool through a combination of subordinated note and US dollar commercial paper issuances. During the quarter, a US\$800 million 3.75% fixed rate subordinated note was issued under the Euro Medium Term Note Programme.

Asset quality remained strong. NPL decreased 7.2% over a year ago to S\$2.08 billion, while NPL ratio improved from 1.3% to 1.1% in 1Q14 but was little changed as compared with 4Q13.

The Group's CET1, Tier 1 and Total capital adequacy ratios as at 31 March 2014 were well above the regulatory minimum requirements at 14.0%, 14.0% and 17.7% respectively. The capital ratios improved quarter-on-quarter mainly on higher retained earnings, coupled with lower risk-weighted assets. Compared with 31 March 2013, the capital ratios were lower as risk-weighted assets increased as a result of asset growth.

CEO's statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said, "The Group has made a positive start to 2014 with another quarter of record profits. Net interest income continued its uptrend, fuelled by steady growth in loans across all markets and customer segments. The results reinforce our ongoing efforts to strengthen our regional platform, broaden product capabilities and enhance our customer franchise.

"We continue to monitor developments in key regional markets as they adjust to gradual QE tapering in the US and as Asian economic conditions moderate. On the capital front, we remain proactive, issuing Southeast Asia's first US dollar Basel III Tier 2 bond in March,

following our successful Basel III Additional Tier 1 capital issuances last year. Our robust balance sheet and disciplined approach to growth position us well to drive long-term sustainable value for shareholders as we seize regional wholesale and wealth management opportunities.”

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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, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. In Asia, it operates through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

UOB plays an active role in the community, focusing on the arts, education and children. For three decades UOB has organised the prestigious UOB Painting of the Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council’s Distinguished Patron of the Arts Award for the ninth consecutive year in 2013. 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 Singapore, Malaysia, Indonesia, Thailand and mainland China.

For more information about UOB, visit UOBGroup.com.

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