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 First Quarter 2018 Earnings of S$978 million

Strong business performance and balance sheet position

Singapore, 3 May 2018 – UOB Group ("Group") achieved record net earnings of S$978 million for the first quarter of 2018 ("1Q18"), up 21% from a year ago. Total income reached S$2.23 billion, led by strong growth in both net interest income and net fee and commission income. Total expected credit loss ("ECL") decreased substantially due to a benign credit environment and reduced residual risks from the oil and gas and shipping sectors.

Compared with the fourth quarter of 2017 ("4Q17"), net earnings rose 14% mainly from lower ECL allowances and operating expenses.

Balance sheet strength remained healthy, supported by a strong funding position and capital base. Deposits and gross loans grew 5% year on year to S$274 billion and S$241 billion respectively, with the loan-to-deposit ratio at a healthy level of 86.7%. Higher earnings, coupled with ongoing efforts to optimise risk-weighted assets, resulted in an improved return on average risk-weighted assets of 1.95% from 1.51% for the same period last year. Correspondingly, the Common Equity Tier 1 Capital Adequacy Ratio ("CAR") rose to 14.9% from 12.8% a year ago.

First quarter 2018 earnings
1Q18 vs 1Q17

The Group reported net earnings of S$978 million, 21% higher than a year ago.

A higher net interest margin coupled with healthy loan growth of 5% lifted the net interest income to a new high of S$1.47 billion, up 13% from a year ago. Loan growth was broad-based across most territories and industries on the back of the improved operating environment over the year before. Net interest margin increased 11 basis points to 1.84%, mainly attributable to higher loan margin and interbank yields amid a rising interest rate environment and the Group's proactive balance sheet management.

Net fee and commission income registered strong growth of 18% to S$517 million. Strong momentum in wealth management and fund management continued to support the uplift in fee income. Loan-related fee income increased 24% while credit card fees rose 11% year on year. Other non-interest income decreased 22% to S$244 million, mainly from lower net trading income due to fair value changes on hedges of structural positions.

All business segments delivered good performance year on year. Group Retail reported income growth of 6% to S$963 million mainly from wealth management and fee-based products. Group Wholesale Banking income grew 4% to S$928 million supported by higher cash management, trade and investment banking activities. Global Markets also reported double-digit income growth of 20% to S$142 million, driven by favourable foreign exchange movements.

Total expenses increased 11% over the same quarter last year, due to higher performance-related staff costs and IT-related expenses, as the Group continued to invest in talent, technology and infrastructure to enhance its connectivity, digitalisation, product capabilities and services. The expense-to-income ratio increased one percentage point year on year to 44.2%.

Total ECL and other allowances more than halved to S$80 million, due to a benign credit environment and reduced residual risks from the oil and gas and shipping sectors. Specifically, credit costs on non-performing loans ("NPL") reduced substantially from 49 basis points to 12 basis points.

Total ECL allowance for performing assets remained relatively unchanged from year-end 2017 at S$1.98 billion as at 31 March 2018. This amount exceeds the 1% general allowance requirement under the revised MAS Notice 612 Credit Files, Grading and Provisioning.

1Q18 versus 4Q17

The Group reported net earnings of S$978 million in 1Q18, 14% higher than the previous quarter. The increase was led by healthy growth in net interest income and net fee and commission income, coupled with lower ECL allowance and operating expenses.

Net interest income increased to S$1.47 billion, from continued loan growth and a net interest margin increase of three basis points to 1.84%.

Net fee and commission income increased 2% quarter on quarter to S$517 million, led by higher wealth, fund management and loan-related fees. This was offset by lower net trading income and resulted in the slight decrease in total non-interest income to S$761 million.

Total expenses reduced 4% from the previous quarter to S$987 million due to higher year-end seasonal revenue-related and professional fee expenses in 4Q17. The expense-to-income ratio improved 180 basis points quarter on quarter to 44.2%.

Total ECL and other allowances were lower at S$80 million mainly due to a benign credit environment and reduced lingering risks from the oil and gas and shipping sectors.

Strong balance sheet and capital position

The Group continues to maintain a strong funding position with a healthy loan-to-deposit ratio of 86.7%. Customer deposits grew in tandem with loan growth to S$274 billion as at 31 March 2018.

Total ECL allowances as at 31 March 2018 decreased 5% year on year to S$3.91 billion. The quarter-on-quarter decrease of 2% was due to lower ECL allowance on NPL. The NPL ratio declined to 1.7% as at 31 March 2018, while coverage for non-performing assets remained adequate at 91%, or 190% after taking collateral into account.

The average Singapore dollar and all-currency liquidity coverage ratios during 1Q18 were 174% and 128% respectively, well above the corresponding regulatory requirements of 100% and 90%.

The net stable funding ratio was 111% as at 31 March 2018, above the minimum requirement of 100%.

Shareholders' equity increased 12% from a year ago to S$37.9 billion from higher retained earnings and the issuance of US$650 million perpetual capital securities. Compared with the previous quarter, shareholders' equity increased 3% due to higher retained earnings.

As at 31 March 2018, the Group's Common Equity Tier 1 stood at 14.9% from an increase in retained earnings for the quarter. The Group's leverage ratio of 8.2% was more than double the regulatory minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Against a backdrop of an improving operating environment and a pick-up in customers' activities, we achieved our strongest quarter ever, with double-digit percentage earnings growth.

"With the more benign environment and issues in the oil and gas segment largely addressed, our NPL ratio and credit costs improved. Our balance sheet remained strong, backed by healthy capital and liquidity positions. Our recent maiden issuances of a covered bond in sterling, onshore Chinese yuan financial bond – both firsts by a Singapore bank – and US dollar-denominated senior notes were well-received and reflected investor confidence in the Bank.

"We continue to invest in our core franchise, riding on the growing digital connectivity in the region to enhance the customer experience for consumers and businesses. For example, we are the first regional bank to establish a joint venture to provide a next-generation digital credit assessment solution to make it smarter and faster for companies to extend credit to underserved customers across ASEAN.

"Despite ongoing trade tensions and financial market volatilities, we are confident of Asia's economic fundamentals and growth potential which continue to present immense opportunities given rising urbanisation, affluence and business flows. As a long-term player with an extensive footprint and connectivity in the region, UOB is well-placed to meet our customers' growth 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.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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