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UOB Corporate Loans Growth Surges on the Back of Chinese Overseas Direct Investment

Singapore, 25 May 2012 – United Overseas Bank Limited (UOB) has reported a six-fold increase in loans over the last six months to Chinese companies operating outside of China.

The growth was enabled by UOB's decision to set up a dedicated Foreign Direct Investment (FDI) Advisory Unit in October 2011 to cater to foreign companies expanding into Singapore and further into Asia. The six-fold loans growth was largely booked within UOB's Southeast Asia network.

Chinese companies are playing an increasingly central role in trade activities in Southeast Asia according to Eric Tham, Managing Director, Group Commercial Banking, UOB.

"Five years ago, the first wave of mid-sized Chinese companies was focused on natural resources such as coal, iron ore and minerals that Southeast Asia offers. More recently, we noticed a diversification in the types of companies setting up in Singapore and beyond," Mr Tham said.

"Chinese companies such as commodity conglomerates, heavy industrial equipment distributors and engineering firms, as well as white goods manufacturers now have a stronger presence in Southeast Asia. They are tapping into the consumer demand generated from the rising middle class of the region. They are also playing key roles in providing much sought after services and knowledge to emerging markets which are pursuing rapid urban infrastructure development."

With China's economy generally expected to grow at a slower pace this year, Chinese companies are looking more to Southeast Asia to fuel their next stage of development. Investment outflows from China are projected to grow at a compound annual growth rate (CAGR) of 17 percent¹ and are expected to reach an accumulated volume of approximately US\$560billion by 2015.

UOB key to Chinese companies' Southeast Asian expansion plans

UOB's FDI Advisory Unit provides companies access to UOB's full suite of corporate and personal banking products and services and helps them to accelerate their regionalisation plans. This is essential for companies as they build their presence in Singapore.

¹ Source – Ministry of Commerce, People's Republic Of China

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China Railway Construction Corporation, the world's sixth largest and China's largest construction contractor, is one such company expanding into Singapore. It is using Singapore as its Project Management Center of Excellence base as it springboards into the rest of the region. It chose UOB as its banking partner when it wanted to establish its presence in Southeast Asia.

Deng Xue Song, General Manager, China Railway 11 Bureau Group Co., Ltd (Singapore branch) said, "UOB has a regional operational capability that allowed us to meet our diverse business and financial requirements. All we had to do was speak to our team of bankers at UOB and they ensured that we were connected to the relevant business networks and services to facilitate our ASEAN expansion."

Strategic partnerships with key industry players

FDI inflows into Singapore were approximately US\$41billion in 2011². One of the key responsibilities of the FDI Advisory Unit is the forging of strategic partnerships with industry bodies such as the Singapore Economic Development Board.

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About United Overseas Bank

United Overseas Bank Limited (UOB) is one of the premier banks in the region. It provides a wide range of financial services through its global network of over 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and China. UOB plays an active role in the community, focusing on children, education and the arts. Its staff volunteerism programme was initiated in 2007. Through the UOB Heartbeat Run/Walk, UOB has raised funds for its named beneficiaries. UOB has also organised the prestigious Painting Of The Year Competition and Exhibition since 1982. 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.

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² Preliminary estimates by United Nations Conference on Trade and Development (UNCTAD)