

## NEWS RELEASE

### **UOB Group Nine Months Net Earnings Rose 19% to S\$2.1 billion**

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#### **Strong Growth YoY Across All Income Streams in Singapore and the Region; Prudent Balance Sheet Management**

**SINGAPORE, 7 November 2012** – The UOB Group (“Group”) net earnings for the nine months of 2012 (“9M12”) rose 19.1% year on year to S\$2.11 billion. Net earnings for the third quarter of 2012 (“3Q12”) was S\$707 million, up 35.5% from the same quarter last year and marginally lower by 0.8% when compared with the second quarter of 2012 (“2Q12”).

The Group’s regionalisation strategy continues to deliver results with strong growth registered across all income streams in Singapore and the region. Total income increased 16.1% to S\$4.90 billion. Revenue from the regional countries rose 20.4% while Singapore’s grew 13.8%. Amid the uncertainty in the global economy, the Group continued to exercise balance sheet discipline, pacing its growth and focusing on risk-adjusted returns while maintaining strong funding and liquidity position.

#### **Nine months 2012 earnings**

Net interest income rose 9.3% year on year to S\$2.95 billion driven by higher loans volume. Total gross loans grew 8.6% to reach S\$152 billion with loans from the regional markets expanding by 11.0%, outpacing loans growth in Singapore. Net interest margin for 9M12 was 1.91%, one basis point higher compared with a year ago.

Fee and commission income increased 13.0% to S\$1.12 billion in 9M12. The growth was registered across all businesses in Singapore and the region. Trading and investment income rose 73.7% to S\$526 million as the Group benefited from improved market conditions. Increased profits were made from the sale of investment securities.

Expenses increased 11.1% to S\$2.03 billion in 9M12 in tandem with the growth in business volume. The Group’s expense-to-income ratio improved 1.9 percentage points to 41.4%, due

partly to higher income growth. Staff costs were higher as the Group continued to invest in talent across Singapore and the region.

Total impairment charges for 9M12 were S\$327 million, mainly due to individual impairment on a few accounts. Credit quality on the loans portfolio remained healthy with the total loans charge off rate unchanged at 30 basis points. Non-performing loans (“NPL”) coverage remained adequate at 116.9%, while the NPL ratio was 0.1 percentage point higher at 1.6%.

With a strong deposits franchise, the Group attracted new deposits at a faster pace than its loans growth. Deposits rose 9.7% to S\$174 billion in 9M12 across all territories and in all products. Consequently, the Group’s overall loans-to-deposits ratio improved to 86.0% while its US dollar loans-to-deposits ratio strengthened to 88.1%. To diversify the Group’s funding mix further, more than US\$800 million in senior notes and S\$1.2 billion subordinated notes under the Euro Medium Term Note Programme were raised in 9M12 as the Group reduced reliance on short-term wholesale funding.

Shareholders’ equity grew 8.8% to S\$24.2 billion, underpinned by higher retained earnings as well as improved valuation on the investment portfolio. Return on shareholders’ equity grew 1.2 percentage points to 12.5% for 9M12.

The Group remained well capitalised with core Tier 1, Tier 1 and total capital adequacy ratios at 12.6%, 14.3% and 18.3% respectively as at 30 September 2012. The capital adequacy ratios were higher, due to higher retained earnings and issuance of S\$1.2 billion subordinated notes, partly offset by higher risk-weighted assets.

### **Third quarter 2012 earnings**

Net interest income for 3Q12 was S\$971 million, marginally lower by 1.0% compared with 2Q12. Net interest margin declined eight basis points to 1.84% as assets yields came under pressure with excess liquidity and tighter competition in the region. The cost of funds was kept at the last quarter’s level.

Total non-interest income grew 10.2% to S\$693 million compared with 2Q12. Trading and investment income improved 14.2% to S\$173 million. Fee and commission income continued to be strong at S\$372 million, close to the record high of S\$386 million recorded in the preceding quarter. Loan-related fee income normalised to S\$90 million in 3Q12 as the first two quarters of the year benefited from a few large corporate accounts. Income from investment-related and fund management activities rose strongly from last quarter.

Expenses increased 3.3% quarter on quarter to S\$687 million mainly due to higher staff costs. The expense-to-income ratio remained unchanged at 41.3%.

Gross customer loans grew 1.7% to reach S\$152 billion as at 30 September 2012. Loans growth in 3Q12 was paced as the Group continued to focus on risk-adjusted returns amid the uncertainty in the global economy. The increase was mainly in Singapore for housing and other consumer loans. In 3Q12, US dollar loans trended down 3.3% to S\$18.6 billion. The Group remained prudent and managed the exposure to US dollar loans. As a result, the US dollar loans-to-deposits ratio improved 7.1 percentage points to 88.1% as at 30 September 2012.

Customer deposits grew S\$5.0 billion in 3Q12 to reach S\$174 billion, an increase of 3.0%, almost double the rate of loans growth. The growth was recorded mostly in Singapore, and in fixed deposits as well as current accounts balances, as the Group leveraged its strong credit ratings.

Compared with the third quarter of 2011 ("3Q11"), Group net profit rose 35.5% to S\$707 million mainly on higher total income which increased 22.2% to S\$1.66 billion. Net interest income grew 6.1% on increased loans volume. Total non-interest income grew 55.4%, supported by strong fee and commission income and higher trading and investment income. Total operating expenses increased 8.9% while the expense-to-income ratio improved 5.1 percentage points to 41.3% as income growth outpaced expenses. Total impairment charges increased S\$19 million compared with 3Q11, mainly due to higher individual impairment on loans.

### **CEO's statement**

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Our sharpened focus on the fundamentals of banking has enabled us to continue our strong earnings momentum from the last quarter, with non-interest income again driving profitability, supported by disciplined cost management and our prudent approach to credit. Our regional platform enables us to capture a larger slice of the intra-Asian business flows and to deliver cross-border financing solutions that are right for our customers.

"Our regionalisation strategy is on track as we continue investing in capabilities and service, while standardising operating and risk management practices across a diverse operating landscape. We remain well-positioned to support our customers through the global market uncertainty and to help them take advantage of opportunities which Asia continues to offer."

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## **About United Overseas Bank**

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network 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 through a series of strategic acquisitions and organic growth and today operates major banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

UOB provides a wide range of financial services including personal financial services, wealth management, private banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stockbroking services. UOB also has diversified interests in travel and property management.

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 its corporate responsibility efforts on the arts, promoting education and helping children. For three decades UOB has organised the prestigious Painting Of The Year Competition and Exhibition. 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 also encourages its employees across the region to be involved in its corporate responsibility programme through 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](http://UOBGroup.com).

For media queries, please contact:

Jean Khong Lye Yee

Group Communications

Email: [Jean.KhongLY@UOBgroup.com](mailto:Jean.KhongLY@UOBgroup.com)

Tel: 6539 3981 / 9791-2300

For investor/analyst queries, please contact:

Kelly Kang

Investor Relations

Email: [Kelly.KangWL@UOBgroup.com](mailto:Kelly.KangWL@UOBgroup.com)

Tel: 6539 3940