UOB Group Reports First Quarter 2017 Earnings at S$807 million

Sound operating performance and balance sheet position

Singapore, 28 April 2017 – UOB Group (“Group”) reported net earnings of S$807 million for the first quarter of 2017 (“1Q17”), 5.4% higher than a year ago. Total income rose 7.8% to S$2.12 billion, led by growth in core income. Compared with the fourth quarter of 2016 (“4Q16”), net earnings increased 9.3%, contributed by higher net interest income and trading income.

Asset quality remained sound. The non-performing loans (“NPL”) ratio was stable at 1.5% as compared with the previous quarter, while NPL coverage stayed high at 118%.

The Group’s capital and funding positions continue to be robust. Gross loans increased 9.4% year-on-year to S$229 billion while deposits were 1.9% higher at S$260 billion as at 31 March 2017. The loan-to-deposit ratio remained healthy at 86.7%. Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio (CAR) rose to 12.8%.

First quarter 2017 earnings

1Q17 vs 1Q16
The Group registered net earnings of S$807 million, 5.4% higher than a year ago.

Net interest income grew 2.3% to S$1.30 billion, largely driven by broad-based loan growth. Net interest margin decreased 5 basis points to 1.73%.

Non-interest income increased 18.0% to S$819 million in 1Q17. Fees and commission income rose 17.5% to S$508 million, driven by higher fund management and wealth management income. Trading and investment income also registered an increase of 20.5% to S$243 million due to higher trading income.
Total expenses of S$957 million were 7% higher than a year ago, driven by higher base salaries and an increase in revenue-related expenses. The expense-to-income ratio was stable at 45.1%.

Total allowances for loans and other assets at S$186 million were 59% higher compared with a year ago. This was due to a release of general allowances that were no longer required on other assets relating to debt securities in 1Q16. Specific allowance on loans amounted to S$277 million, largely from the oil and gas and shipping industries. Combined with a release in the general allowance, total credit costs on loans were maintained at 32 basis points. The Group’s general allowance remained strong at S$2.6 billion and the ratio of general allowance to gross loans stood at 1.1% as at 31 March 2017.

Contribution from associated companies was S$34 million in 1Q17, as compared with a loss a year ago from investment losses in an associated company.

1Q17 versus 4Q16

Compared with 4Q16, the Group’s net earnings grew 9.3% to S$807 million.

Net interest income increased 2.2% to S$1.30 billion, driven by loan volume growth and an improvement in net interest margin from 1.69% to 1.73%.

Non-interest income rose 8.8% to S$819 million. Trading and investment income grew 43.7% to S$243 million. This was partially offset by lower fees and commission income, which declined 4.2% to S$508 million from loan-related and credit card fees.

Total expenses were flat at S$957 million as the Group remained disciplined in its cost management initiatives.

Total allowances increased 42.8% to S$186 million compared with last quarter. This was due to a release of general allowances that were no longer required on other assets including debt securities in 4Q16. Specific allowance on loans decreased S$151 million to S$277 million driven by a drop in allowance from exposures in the oil and gas and shipping industries this quarter.
Associated companies contributed a profit of S$34 million as compared with a loss in 4Q16.

**Strong balance sheet and capital position**

The Group maintains a strong funding position. The loan-to-deposit ratio remained healthy at 86.7%. Gross loans amounted to S$229 billion at the end of the quarter, an increase of 9.4% year-on-year and 1.5% compared with the previous quarter. Customer deposits increased 1.9% from a year ago and 1.7% quarter-on-quarter to S$260 billion as at 31 March 2017, mainly from growth in the Singapore dollar deposits.

Leveraging conducive market conditions, the Group issued S$2.2 billion in debt and capital securities to diversify its funding mix and with the intention to refinance debts that are due for redemption this year.

The average Singapore dollar and all-currency liquidity coverage ratios during the first quarter were 232% and 154% respectively, well above the corresponding regulatory requirements of 100% and 80%.

NPL ratio was stable at 1.5% as at 31 March 2017. NPL coverage stayed high at 118.1%, or 244.2% after taking collateral into account.

Shareholders’ equity increased by 10.2% from a year ago to S$33.7 billion due to higher retained earnings and strong shareholders’ participation in the scrip dividend scheme. Compared with 4Q16, shareholders’ equity rose 2.6% mainly due to higher retained earnings. Return on equity declined slightly to 10.0% from 10.2% a year ago.

As at 31 March 2017, the Group’s Common Equity Tier 1 and Total CAR remained strong at 13.2% and 17.3% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 12.8%. The Group’s leverage ratio was 7.6%, well above Basel’s minimum requirement of 3%.
CEOs statement

Mr Wee Ee Cheong, UOB’s Deputy Chairman and Chief Executive Officer, said, “We started the year on a bright note with a steady growth trajectory from our core businesses. Against an unpredictable and volatile macro backdrop, we have maintained a resilient portfolio and strong balance sheet. Our recent successful issuances of covered bonds, senior bonds and subordinated notes reflect the confidence investors have in us. In February, UOB was the first Asian issuer to print dual-currency covered bonds, which were well-subscribed.”

“We remain disciplined in pacing our growth, tapping the increasing connectivity and affluence in the region through targeted investments to build a sustainable franchise. The recently announced preliminary approval to establish a subsidiary bank in Vietnam will further strengthen our ability to participate in the growing intra-regional flows and to serve our customers' needs more comprehensively.”

– 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.

UOB plays an active role in the community, focusing on art, children and education. It has, over more than three decades, held the longest-running art competition in Singapore, the UOB Painting of the Year, which has since been extended across Southeast Asia. In recognition of its contributions to the arts, UOB was conferred the Singapore National Arts Council’s Distinguished Patron of the Arts Award for the thirteen consecutive year in 2017. 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 China, Indonesia, Malaysia, Singapore and Thailand.
For media queries, please contact:

Name: Jean Khong Lye Yee
Group Strategic Communications and Customer Advocacy
Email: Jean.KhongLY@UOBgroup.com
Tel: 6539 3981 / 9791 2300

For investor/analyst queries, please contact:

Name: Stephen Lin Shih Tung
Investor Relations
Email: Stephen.LinST@UOBgroup.com
Tel: 6539 2523