

## NEWS RELEASE

### **UOB Group FY2012 Earnings Up 20.5% to a Record S\$2.80 billion**

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***Key Regional Markets Profits Surpassed S\$1 billion for the First Time***

***Fee Income at Record High***

**SINGAPORE, 27 February 2013** – The UOB Group (“Group”) net earnings for the financial year of 2012 (“FY12”) rose 20.5% year on year to a record high of S\$2.80 billion. Net profit for fourth quarter of 2012 (“4Q12”) was S\$696 million, 24.7% higher from the same quarter last year (“4Q11”) while marginally lower by 1.5% when compared with the third quarter of 2012 (“3Q12”).

Group operating profit reached a new milestone at S\$3.75 billion. In FY12, operating profits in the regional countries increased 26% to S\$1.22 billion while Singapore grew 11.7% to S\$2.24 billion.

During the year, total income for the Group rose 14.0% to a record of S\$6.50 billion. The robust results were underpinned by a strong customer franchise, coupled with focused cross-selling initiatives to capture intra-regional opportunities. The Group’s established distribution network enables it to provide customised solutions to meet customers’ intra-regional banking needs. Consequently, fee and commission income for the year propelled to a new high of S\$1.51 billion as business across all activities including lending, capital markets, wealth management and fund management performed well. The record fee and commission income mitigated the effects of interest margin pressure amid the low interest rate environment.

On balance sheet management, the Group stayed disciplined. The Group’s liquidity and funding position remained stable with a loans-to-deposits ratio of 84.0% for the year. Reliance on interbank funding was reduced and the funding base was diversified with debt instruments. Asset quality continued to be strong with the non-performing loans (“NPL”) ratio steady at 1.5% and NPL coverage at 123.8%.

The Board recommends a final one-tier tax-exempt dividend of 40 cents and a special dividend of 10 cents per ordinary share. Together with the interim one-tier tax-exempt dividend of 20 cents, total dividend for the financial year ended 31 December 2012 will be 70 cents per ordinary share.

### **Full year 2012 earnings**

Net interest income rose 6.5% to S\$3.92 billion as the higher loans volume outweighed the compression in net interest margin. Net interest margin was 1.87%, 5 basis points lower due to the rising cost of funds.

Non-interest income grew 27.6% to S\$2.58 billion. Fee and commission income increased 14.4%, crossing the S\$1.51 billion mark for the first time. Double-digit increases in fee income growth were recorded from capital markets, wealth management and fund management activities, while loan-related fee income reached an all-time high of S\$389 million for the year. Trading and investment income also rose 71.6% to S\$673 million supported by gains from the sale of securities.

Expenses increased 12.1% to S\$2.75 billion mainly due to staff costs and revenue-related costs to support business growth. The Group's expense-to-income ratio improved 0.7% points to 42.3% on higher income growth.

Total impairment charges for 2012 were lower at S\$476 million. Individual impairment on loans was S\$454 million mainly due to a specific account outside of Singapore. As the Group had more than adequate collective impairment set aside at the portfolio level, it was able to keep the total loans charge off rate constant at 30 basis points. Credit quality on the overall loan portfolio stayed healthy while the NPL ratio remained low at 1.5%. Overall, NPL coverage stayed at a comfortable level of 123.8%.

Gross customer loans grew 8.3% to S\$156 billion as at 31 December 2012 mainly in Singapore and Malaysia. Customer deposits rose 7.4% to reach S\$182 billion across all products and mainly from Singapore and the regional countries.

During the year, S\$1.2 billion 3.15% fixed rate subordinated notes and US\$845 million in senior notes were issued under the euro-medium term note programme to augment further the Group's funding sources.

Shareholders' equity rose 9.2% to S\$25.1 billion, largely contributed by higher retained earnings as well as improved valuation on the investment portfolio. Return on shareholders' equity grew 1.3% points to 12.4% for 2012.

The Group remained well capitalised with core Tier 1, Tier 1 and total capital adequacy ratios ("CAR") of 13.1%, 14.7% and 19.1% as at 31 December 2012 respectively. The Group is well positioned to meet Basel III requirements which came into effect in Singapore on 1 January 2013.

#### **Fourth quarter 2012 earnings**

Net interest income in 4Q12 was S\$967 million, close to 3Q12 as the effects of interest margin compression were mitigated by higher volumes. Net interest margin decreased 8 basis points to 1.76% as yields declined faster than the cost of funds in a highly liquid and competitive environment.

Fee and commission income set another record high at S\$388 million in 4Q12. The increase was driven by higher fund management, credit card and capital market activities. Trading and investment income was lower at S\$147 million on lower gains from the sale of securities.

Total operating expenses increased 4.6% to S\$719 million mainly due to higher staff costs. The Group's expense-to-income ratio increased 3.8% points to 45.1%.

Total impairment charges for 4Q12 were S\$150 million mainly due to an individual impairment for a specific account outside of Singapore. As the Group had more than adequate collective impairment set aside at the portfolio level, the Group was able to keep the total loans charge off rate constant at 30 basis points.

Gross customer loans grew 2.2% for the quarter to reach S\$156 billion as at 31 December 2012. Loans growth was registered in Singapore and the regional countries, and came mainly from housing loans and other consumer loans. US dollar loans declined 2.3% to S\$18.1 billion. Consequently, the US dollar loans-to-deposits ratio improved to 81.6% as at 31 December 2012.

Customer deposits grew 4.7%, at a pace faster than loans growth, to reach S\$182 billion as at end December 2012. The increase was mostly in Singapore dollars and the currencies of the regional countries. Fixed deposits grew 4.9% while current account and savings account balances rose 5.0%, providing the Group with cheaper funds. Loans-to-deposits ratio improved to 84.0% in 4Q12.

Shareholders' equity increased 3.4% to S\$25.1 billion in 4Q12, mainly due to profit for the period and improved valuation on the available-for-sale investment portfolio.

The improvement in CAR quarter-on-quarter was contributed by higher retained earnings and issuance of the US\$500 million subordinated debts in the quarter, partially offset by higher risk-weighted assets in line with loans growth.

Compared with 4Q11, Group NPAT rose 24.7% to S\$696 million on the back of strong non-interest income growth. Net interest income was 1.2% lower at S\$967 million as the higher asset volumes were more than offset by margin compression. Net interest margin was lower at 1.76%. Total non-interest income rose 25.2% to S\$626 million with double-digit growth registered in fee and commission income as well as trading and investment income. Total operating expenses were 15.0% higher at S\$719 million. The Group's expense-to-income ratio increased 2.8% points to 45.1%. Staff costs were higher as the Group continued to invest in talent. Total impairment charges decreased S\$76 million to S\$150 million in 4Q12.

### **CEO's statement**

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "This set of results represents a very positive end to 2012. We achieved record profits, record fees and record contribution from our key regional markets.

"To keep this momentum going, we will continue to sharpen our focus on our key drivers - balance sheet strength, people and infrastructure.

"Amid global uncertainties, while Asia is slowing down it is expected to stay resilient. Southeast Asia especially is expected to see stronger growth.

"Our customer franchise, distribution network and integrated platform, especially across Southeast Asia, places us in a prime position to seize opportunities that come with increasing intra-Asian business flows. We are well on track to realising our long-term growth targets."

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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 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).

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