

## Announcement

### UOB Group Reports Full Year 2019 Earnings at New High of S\$4.34 Billion

*Strong client franchise, solid balance sheet position*

**Singapore, 21 February 2020** – UOB Group (“Group”) achieved record net earnings of S\$4.34 billion for the full year of 2019, up 8% compared with a year ago. Total income rose 10% to cross the S\$10 billion mark, led by healthy growth in client franchise as well as an improvement in trading and investment income. Return on equity increased to 11.6%.

For the fourth quarter of 2019 (“4Q19”), net earnings was 10% higher than the fourth quarter of 2018 (“4Q18”), driven by the growth in net interest income and trading and investment income. Net earnings was 10% lower than the third quarter of 2019 (“3Q19”), given the seasonally slower fourth quarter.

The Group maintained its strong capitalisation, a well-diversified funding base and solid balance sheet position. The loan-to-deposit ratio was stable at 85.4% and the Common Equity Tier 1 ratio was robust at 14.3%.

With the Group’s strong earnings and capital position, the Board recommends a final dividend of 55 cents and a special dividend of 20 cents per ordinary share, in appreciation of the continued support from shareholders. Together with the interim dividend of 55 cents, the total dividend for the financial year ended 31 December 2019 amounts to S\$1.30 cents per ordinary share. This represents a payout ratio of approximately 50%.

#### Full year 2019 earnings

The Group achieved record net earnings of S\$4.34 billion, up 8% from a year ago.

Net interest income grew 6% to S\$6.56 billion, as the average gross loans for the year was 9% higher but was moderated by a 4-basis point drop in net interest margin arising from lower interest rates and increased competition.

Net fee and commission income increased 3% to S\$2.03 billion, led by double-digit growth in wealth management and credit cards, moderated by lower fund management fees.

Other non-interest income rose 54% to S\$1.44 billion, with trading and investment income rising 72% to S\$1.12 billion from improved customer flows and higher gains from investment securities.

All business segments continued to deliver strong income growth. Group Retail income grew 9% to S\$4.30 billion, driven by higher net interest income from volume growth and improvement in deposit margin, coupled with strong contribution from the wealth management business. Income from high affluent customers increased 14% year on year, while assets under management of this segment expanded by 14% to S\$127 billion, of which 61% was from overseas customers served by the Group's network of wealth management centres in Southeast Asia. Group Wholesale Banking income grew 6% to S\$4.10 billion, benefitting from cash management, treasury and loan-related activities. Cross-border income increased 10% from last year and accounted for 28% of Group Wholesale Banking's income. Global Markets income increased 28% to S\$595 million, largely from higher trading and investment income.

Total expenses increased 12% to S\$4.47 billion as the Group prioritised strategic investments in talent and technology to serve customers better. The cost-to-income ratio for the year was higher at 44.6%.

Total allowances increased 11% to S\$435 million, mainly due to higher allowances on impaired assets. Asset quality remained sound with total credit costs for the full year at 18 basis points, 2 basis points higher than 2018.

Contribution from associated companies declined to S\$51 million, mainly due to reduced shareholdings.

## **Fourth quarter 2019 earnings**

### **4Q19 versus 4Q18**

4Q19 net earnings at S\$1.01 billion was 10% higher than the same quarter last year.

Net interest income increased 2% to S\$1.64 billion led by loan growth of 3%. Net fee and commission income increased 2% to S\$476 million, driven by healthy momentum in wealth management and higher credit cards fees. Trading and investment income rose to S\$224 million from S\$59 million a year ago, led by improved gains from investment securities on market recovery and stronger customer flows.

Total expenses increased 13% to S\$1.12 billion with the cost-to-income ratio at 45.9%.

#### **4Q19 versus 3Q19**

Compared with the previous quarter, net profit was 10% lower due to a seasonally slower 4Q19.

Net interest income decreased 3% to S\$1.64 billion on lower loan volume and slightly lower net interest margin. Net fee and commission income fell 14% to S\$476 million, due to lower loan-related fees when disbursements slowed alongside looming macro uncertainties and wealth management fees fell as the holiday season set in. Other non-interest income decreased 14% to S\$321 million, mainly from lower trading and investment income.

Total operating expenses decreased 3% in tandem with lower operating income, mainly from lower performance-related staff costs.

#### **Strong balance sheet and capital position**

Towards the end of 2019, the Group moderated loan origination in light of macro uncertainties. As a result, loans grew modestly by 3% year on year. The Group's funding position remained stable in 4Q19 with the average Singapore dollar and all-currency liquidity coverage ratios at 315% and 149% respectively, while the net stable funding ratio was 111% at 31 December 2019. The loan-to-deposit ratio was healthy at 85.4%.

The non-performing loan ratio remained at 1.5% as at 31 December 2019. Total allowances for non-impaired assets stood at S\$1.98 billion with a coverage for non-performing assets at 87%, or 202% after taking collateral into account.

With the Group's Common Equity Tier 1 ratio at 14.3% and with ample liquidity available, the Group is well-positioned to steer through macro uncertainties ahead and to drive growth when market sentiment improves.

### **CEO's statement**

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "We started 2020 on a strong footing having achieved record earnings last year on the back of broad-based growth across our business segments. Our strong balance sheet and robust capital and liquidity positions enable us to reward our shareholders with an increased total core dividend of S\$1.10 and a special dividend of 20 cents per ordinary share for 2019.

"Many signs point to more challenging times ahead including the unfolding impact of the COVID-19 epidemic. To help cushion its impact on our customers, we have implemented a range of relief assistance measures for affected companies, especially small- and medium-sized enterprises, and mortgage relief for homeowners.

We believe the region will weather this storm and are confident of ASEAN's long-term potential. We will continue to invest in our capabilities, including digital, and seize the opportunities arising from the shifting economic environment. It will enable us to emerge stronger from these trying times and to scale up our franchise across the region. We are committed to serving our customers better through our product innovation, our omni-channel approach and the ecosystem partnerships we forge and remain steadfast in support of our customers as their financial steward, adviser and partner. Our values of honour, enterprise, unity and commitment will continue to steer us through what lies ahead as we balance opportunity with responsibility."

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### **About United Overseas Bank Limited**

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 both Standard & Poor's and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, 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.

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