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Announcement

UOB Group Reports Full Year 2018 Earnings at New High of S$4.01 Billion

Full year profit crosses the $4 billion mark, supported by strong balance sheet

Singapore, 22 February 2019 – UOB Group ("Group") achieved record net earnings of S$4.01 billion for the full year of 2018, up 18% from a year ago. Total income rose 6% to S$9.12 billion, led by strong growth in both net interest and fee and commission income.

For the fourth quarter of 2018 ("4Q18"), net earnings of S$916 million was 7% higher than the fourth quarter of 2017 ("4Q17"), but was 12% lower than the third quarter of 2018 ("3Q18") as market uncertainties became more entrenched.

Despite market volatility, the Group's funding position and capital base stayed strong. Gross loans and deposits grew 11% and 7% year on year to S$262 billion and S$293 billion respectively, with a healthy loan-to-deposit ratio of 88.2% as at 31 December 2018. The Group's Common Equity Tier 1 capital adequacy ratio (CAR) remained robust at 13.9%. Record earnings underpinned the improvement in return on risk-weighted assets to 1.93% from 1.63% a year ago as well as return on equity to 11.3% from 10.2% last year.

As a reflection of the Group's earnings performance and strong capital position, the Board recommends a final dividend of 50 cents per ordinary share, and a special dividend of 20 cents, in appreciation of the support from our shareholders. Together with the interim dividend of 50 cents, the total dividend for the financial year ended 31 December 2018 amounts to S$1.20 cents per ordinary share, an increase of 20% over last year. Inclusive of the special dividend, this represents a payout ratio of approximately 50%.

Full year 2018 earnings

Net earnings for the year rose to a new high of S$4.01 billion, up 18% from a year ago.

Net interest income grew 13% to S$6.22 billion, driven by broad-based loan growth and higher net interest margin. Net interest margin increased five basis points to 1.82%, in line with the rising interest rate environment.

Net fee and commission income increased 5% to S$1.97 billion, driven by the strong performance in loan-related, credit card, trade-related and fund management fees. Other non-interest income declined 20% to S$930 million mainly due to unrealised mark-to-market on investment securities and lower gains from sale of investment securities.

Business segments continued to deliver strong income growth. Total income for Group Retail rose 4% to S$3.95 billion, supported by healthy volume growth and deposit margin improvement. Group Wholesale Banking reported an income growth of 11% to S$3.94 billion, led by double-digit loan growth and broad-based increase in fee and customer treasury income. Total income for Global Markets grew 6% to S$465 million, driven by favourable movements in foreign exchange and rates.

Total expenses increased 7% to S$4.00 billion, largely driven by higher performance-related staff costs and IT-related expenses. This reflects the Group's continued commitment towards investing in talent and technology to improve product capabilities and customer experience and to reap benefits from digitalisation. The cost-to-income ratio for the year rose marginally to 43.9%.

Total allowances decreased 46% to S$393 million with credit costs on impaired loans easing to 15 basis points. This reflected the fairly benign credit environment for most of 2018 as well as lower residual risks from the oil and gas and shipping sectors from the preceding years.

Fourth quarter 2018 earnings
4Q18 versus 4Q17

The Group reported net earnings of S$916 million in 4Q18, 7% higher from a year ago.

Net interest income rose 10% to S$1.61 billion led by 11% growth in loans while net interest margin dipped slightly to 1.80%.

Net fee and commission income declined 8% to S$467 million as higher fees from credit cards were offset by lower wealth management and loan-related fees amid market uncertainties. While growth in customer-related flows remained stable this quarter, other non-interest income fell 46% to S$140 million mainly due to unrealised mark-to-market on investment securities arising from market volatility.

Total expenses reduced 4% to S$984 million driven by lower revenue-related and staff costs. The cost-to-income ratio improved to 44.4% as compared with 46.0% a year ago.

Total allowances declined 9% to S$128 million as the provision for higher allowances on the oil and gas and shipping sectors was made in the same quarter last year. The credit costs on impaired loans stood at 22 basis points for the quarter.

4Q18 versus 3Q18

Compared with last quarter, net earnings decreased 12% to S$916 million.

Net interest income was S$1.61 billion, in line with the previous quarter. Incremental interest income from quarter-on-quarter loan growth of 3% was moderated by a one-basis point drop in net interest margin to 1.80%.

Net fee and commission income fell 4% to S$467 million, due to lower wealth management and loan-related fees on the back of subdued market sentiment. Other non-interest income fell 42%, driven by lower trading and investment income, which offset growth in customer-related flows.

Total expenses declined 3% in tandem with lower operating income, largely stemming from lower performance-related staff costs and IT-related expenses.

Total allowances increased 34% to S$128 million mainly due to higher allowances on impaired assets in Singapore and Indonesia.

Contribution from associated companies declined by S$25 million for the quarter, mainly due to unrealised mark-to-market recognised by the associated company.

Strong balance sheet and capital position

The Group's funding position remained strong with a healthy loan-to-deposit ratio at 88.2%. Against the last quarter, gross loans grew 3% to S$262 billion while deposits was stable at S$293 billion.

The full-year average Singapore dollar and all-currency liquidity coverage ratios were 209% and 135% respectively, well above the corresponding regulatory requirements of 100% and 90%. The net stable funding ratio was 107% as at 31 December 2018.

The non-performing loan ratio improved further to 1.5% from 1.6% in the last quarter. The coverage for non-performing assets remained stable at 87%, or 202% after taking collateral into account. Total allowances for non-impaired assets remained adequate at S$1.98 billion as at 31 December 2018.

Compared with the last quarter, shareholders' equity increased 2% to S$37.6 billion mainly driven by higher retained earnings.

As at 31 December 2018, the Group's Common Equity Tier 1 CAR remained strong at 13.9%. The Group's leverage ratio of 7.6% was more than double the regulatory minimum requirement of 3%. The Group remains well capitalised to navigate the macro uncertainties ahead.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Healthy growth across our core franchise has enabled us to deliver record profits in 2018. With our strong balance sheet and robust capital positions, we are pleased to reward our shareholders with an increased total core dividend of S$1.00 per ordinary share and a special dividend of 20 cents for 2018.

As global uncertainties persist in 2019, we will stay disciplined in pursuing sustainable growth, while maintaining a risk-focused approach and equipping our people for the future. As a long-term player with deep knowledge of and an extensive presence that connects Southeast Asia, we are best positioned to ride on the region's immense growth potential.

For our customers across the region, we will continue to invest in our omni-channel capabilities and to forge ecosystem partnerships, such as our recent ones with Prudential and Grab, in providing innovative and relevant solutions. Starting in Thailand, we will also deepen engagement with ASEAN's massive base of 'mobile first' and 'mobile only' customers through our Digital Bank."

– Ends –

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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