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Announcement

UOB Group Reports Full Year 2016 Earnings at S$3.1 billion

Stable core earnings in a slowing operating environment

Singapore, 17 February 2017 – UOB Group ("Group") reported net earnings of S$3.10 billion for the full year of 2016, 3.5% lower than a year ago. Total income was stable at S$8.06 billion, reflecting the resilience of the Group's core businesses in a slowing economic environment.

For the fourth quarter of 2016 ("4Q16"), the Group registered net earnings of S$739 million, 6.6% lower than the third quarter of 2016 ("3Q16") and 6.2% lower than the fourth quarter of 2015 ("4Q15").

The Group's liquidity and funding position remained strong with the loan-to-deposit ratio at 86.8% as at 31 December 2016. Gross loans grew 8.8% over the year to S$226 billion, while deposits increased 6.1% to S$255 billion. The non-performing loans ("NPL") ratio rose marginally from 1.4% a year ago to 1.5%, while NPL coverage was high at 118.0%.

The Board recommends a final one-tier tax-exempt dividend of 35 cents per ordinary share. Together with the interim one-tier tax-exempt dividend of 35 cents, the total dividend for the financial year ended 31 December 2016 amounts to 70 cents per ordinary share. The scrip dividend scheme will be applied to the final dividend.

Full year 2016 earnings

Net interest income increased 1.3% to S$4.99 billion, led by healthy loan growth in the consumer and non-bank financial institution customer segments. Net interest margin decreased 6 basis points to 1.71%.

Non-interest income declined 1.6% to S$3.07 billion. Trading and investment income fell 8.1% to S$877 million due to lower gains from the sale of investment securities, partially offset by higher trading income. Fee and commission income increased 2.5% to S$1.93 billion, driven by higher credit card and fund management fees.

Total expenses rose 2.8% to S$3.70 billion from a year ago, largely from higher revenue and IT-related expenses. The Group was disciplined in managing total headcount and it continues to invest in technology and infrastructure to sharpen its capabilities. The expense-to-income ratio for the year was 45.9%.

Total credit costs on loans were maintained at 32 basis points for the year. Specific allowance on loans increased S$577 million to S$969 million primarily from NPL in oil and gas and shipping industries. Total allowance decreased 11.6% to S$594 million, due to lower specific allowance on other assets and a release in general allowance. The Group's general allowance remained strong at S$2.7 billion at the end of the year. The ratio of general allowance to gross loans stood at 1.2%.

Fourth quarter 2016 earnings

4Q16 versus 4Q15

The Group reported net earnings of S$739 million in 4Q16, 6.2% lower than 4Q15.

Net interest income remained stable at S$1.28 billion as the strong loan growth was offset by a 10 basis point decrease in net interest margin to 1.69%.

Non-interest income decreased 6.3% to S$753 million in 4Q16, driven by lower trading and investment income. However, fee and commission income grew 10.6% to S$531 million, contributed by higher credit card and wealth management fees.

Total expenses for 4Q16 were S$957 million, largely flat compared with a year ago.

Specific allowance on loans increased S$313 million to S$428 million due to NPL in the oil and gas and shipping industries. Total allowance decreased 31.4% to S$131 million in 4Q16, due to lower specific allowance on other assets and a release in general allowance.

4Q16 versus 3Q16

Net interest income increased 3.7% to S$1.28 billion, largely driven by loan growth of 3.8%. Net interest margin was 1.69%, flat from last quarter.

Non-interest income dropped 7.1% to S$753 million quarter-on-quarter. Trading and investment income declined 32.6% to S$169 million due to lower trading gains. However, fee and commission income increased 7.8% on higher credit card and loan-related fees.

Total expenses increased 4.2% to S$957 million mainly on higher revenue-related expenses.

Total allowance decreased 29.5% to S$131 million, as higher specific allowance on loans was offset by a release in general allowance.

Strong balance sheet and capital position

The Group continued to maintain a strong funding and capital position. Gross loans amounted to S$226 billion at end of the year, an increase of 8.8% year-on-year and 3.8% compared to the previous quarter.

Year-on-year, customer deposits grew 6.1% to S$255 billion. As compared with 3Q16, deposits increased by 1.7%, led mainly by growth in Singapore dollar and US dollar deposits. The Group's loan-to-deposit ratio remained healthy at 86.8%. While staying predominantly deposit-funded, the Group has also tapped alternative sources of funding to diversify funding mix and to optimise overall funding costs. In 2016, the Group issued S$3.9 billion in debt and capital securities.

The average Singapore dollar and all-currency liquidity coverage ratios during the fourth quarter were 275% and 162% respectively, well above the corresponding regulatory requirements of 100% and 70%.

NPL ratio was 1.5% as at 31 December 2016, improving by 0.1 percentage point over the previous quarter. NPL coverage remained strong at 118.0%, or 262.4% after taking collateral into account.

Shareholders' equity increased by 6.8% from a year ago to S$32.9 billion as at 31 December 2016 due to retained earnings and strong shareholder take-up from the scrip dividend scheme. Compared with 3Q16, shareholders' equity rose 1.4% due to higher retained earnings. Return on equity eased slightly to 10.2% at the end of the year.

As at 31 December 2016, the Group's Common Equity Tier 1 and Total Capital Adequacy Ratio (CAR) remained strong at 13.0% and 16.2% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 12.1%. The Group's leverage ratio was 7.4%, well above Basel's minimum requirement of 3%.

CEO's statement

Mr Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Against the subdued growth environment of 2016, we delivered a steady income stream, supported by our diverse fee and lending businesses. Our balance sheet remains strong, as we managed asset quality and diversified our funding base.

"Global uncertainty, slow growth and rapid digital transformation will continue in 2017. However, Asia with its increasing integration and consumer affluence presents opportunities for long-term players such as UOB. We will continue to draw upon our strengths and deep knowledge of the region, while staying committed to investing in our capabilities to meet our customers' needs and to deliver value to our shareholders."

– 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 twelfth consecutive year in 2016. 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.

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