
NEWS RELEASE

UOB Group Fourth Quarter Net Profit at S\$558 million, Up 7% Quarter-on-Quarter

Full Year 2011 Net Profit at S\$2.33 billion

Strong Funding Capabilities, Loans Growth and Assets Quality Underpinned Performance

Core Business Resilient

SINGAPORE, 23 February 2012 – The UOB Group (Group) recorded a quarterly net profit of S\$558 million, an increase of 7.0% as compared with the last quarter. Operating profit was strong and rose 16.8% to S\$853 million as core businesses continued to grow.

For the year ended 31 December 2011 (FY11), core net profit after tax was S\$2.33 billion, 4.1% lower compared with last year.

The Board recommends a final one-tier tax-exempt dividend of 40 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 2011 will be 60 cents per ordinary share.

Great emphasis was placed on strengthening the Group's funding capabilities during the year. Total customer deposits rose 19.1% year-on-year to S\$169 billion. The loans-to-deposits ratio improved to 83.3%. The regional franchise grew 38.1% in deposits, showing the strength and capability of the Group's network. Its strong credit rating is also attracting deposits as the Group grew its deposits base in the rest of the world by 20.6%.

In addition, the Group further diversified its funding base by tapping on institutional demands. Longer-term funds were raised in Singapore dollar subordinated notes, Australian dollar senior unsecured funding and US dollar commercial papers. As a result,

less reliance was placed on interbank funding which dropped 38.0% for the year to S\$19.8 billion.

During the year, the Group deployed its balance sheet towards growing its franchise business. Emphasis was on growing customer loans which rose by 25.0% to S\$144 billion from a year ago. The increase was broad based across geographies and industries as the Group's regionalisation strategy and cross-selling efforts continued to deliver results. Loans from the regional countries grew 35.2% while that from Singapore was also strong at 22.2%, crossing S\$90 billion as at 31 December 2011.

The Group's assets quality remained sound. Investments in securities were reduced with European bank debt securities pared down considerably. In 4Q11, the non-performing loans ratio improved to 1.4% and the loans charge off rate was maintained at 30 basis points, the same as last quarter. For FY11, the non-performing loans ratio improved 40 basis points to 1.4% and the loans charge off rate improved 5 basis points to 30 basis points.

The Group's capital adequacy ratios (CAR) continued to be strong with core Tier 1, Tier 1 and total CAR at 11.9%, 13.5% and 16.7% respectively. In June 2011, the Monetary Authority of Singapore announced the new Basel III requirements will take effect from 2013. The core Tier 1 ratio would be even higher at 13.5% if the Group were to adopt the phased-in deduction against common equity of 0% for 2013.

Net Interest Income

Net interest income rose 6.9% to reach a new quarterly high of S\$978 million in 4Q11 and 4.1% for FY11 to S\$3.68 billion. The increase was supported by robust loans growth. Net interest margin improved 6 basis points to 1.95% in 4Q11 while FY11 was at 1.92%. Against the same quarter last year, net interest income was higher by 13.1%.

Fee and Commission Income

Fee and commission income for 4Q11 rose 1.0% to S\$327 million over the last quarter while for FY11, the increase was 13.3% to S\$1.32 billion. With focused efforts on cross-selling and leveraging on a pan-regional franchise, growth was registered across geographies and products. Loan-related activities delivered a significant increase in fee income of 29.9%, reaching a new yearly high of S\$370 million for FY11. Higher fee income was also received from trade-related, credit card and investment-related businesses. Compared with the same quarter last year, fee and commission income rose 5.4%.

Trading and Investment Income

Trading and investment income in 4Q11 improved 58.0% to S\$89 million, despite the loss incurred in trimming down the debt investment securities portfolio. FY11 was lower at S\$392 million from a year ago in view of weaker market sentiments in the second half of the year. In the same quarter last year, trading and investment income was S\$144 million due to better market conditions.

Expenses

Expenses declined 1.0% to S\$625 million quarter-on-quarter as the Group continued to contain costs against a backdrop of market volatility and an uncertain global outlook. For FY11, expenses increased 8.5% to S\$2.45 billion due to higher staff costs, occupancy and revenue-related expenses. Staff costs rose 13.0% with an increase in headcount to support business growth. The expense-to-income ratio stood at 43.0%. Compared with the same quarter last year, expenses crept up 0.8%.

CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Our core business remains strong and we are well-positioned to capture new opportunities across Asia. We have the right resources in the right markets and continue to invest in capabilities to ride on the rising intra-regional flows and growing consumer affluence in the region.

In the last quarter, we achieved a record high net interest income and a rebound in our net interest margin. Our fee income continued to improve as cross-selling efforts intensified. Our regionalisation strategy is delivering as planned, with fees, loans and deposits from our regional markets outpacing those of Singapore.

Balance sheet management, which has always been of utmost importance to us, is more so against today's volatile backdrop. We believe the global banking landscape is undergoing a fundamental shift towards the Asian commercial banking model – which is funded by non-bank deposits. Asia continues to show resilience in the face of ongoing uncertainty from the West. And we remain optimistic this resilience will continue."

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia. It provides a wide range of financial services through its global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

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 by Moody's Investors Service, receiving B for financial strength, and Aa1 and Prime-1 for long-term and short-term bank deposits respectively.

UOB also plays an active role in the community, focusing on children, education and the arts. It has organised the prestigious Painting Of The Year Competition and Exhibition since 1982, and supports Very Special Arts Singapore which provides art programmes for the disabled. 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 has also established the annual UOB Heartbeat Run to raise funds for charity.

For more information about UOB, visit uobgroup.com.

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