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News Release

UOB Group remains resilient amid the pandemic with fourth quarter profit rebounding 3% against previous quarter to S$688 million

Full-year net profit 33% lower at $2.91 billion;
the Group remains focused on regional strategy and customer centricity

Singapore, 25 February 2021 – ASEAN-focused UOB Group has reported total income of S$9.18 billion and net profit of S$2.91 billion for the financial year ended 31 December 2020 (FY20). Amid improving economic and business activity across the region, net profit for the fourth quarter of 2020 (4Q20) at S$688 million was 3% better than the previous quarter (3Q20) on higher margins and fee income, as well as lower credit allowances.

Throughout the year and through the pandemic, the Group was steadfast in supporting customers across the region, providing various relief assistance programmes in addition to governments' relief measures. As loan moratoria around the region unwound and relief tapered, the Group's dedicated restructuring taskforce proactively engaged customers and conducted account-specific reviews to extend comprehensive support to viable borrowers. These reviews showed a resilient and well-collateralised portfolio and as such, the Group expects credit cost to moderate downwards in 2021.

Against the backdrop of a low interest rate environment, net interest margin (NIM) in FY20 was lower on a year-on-year basis. However, it began to recover in the second half of the year, with a four-basis point quarter-on-quarter improvement to 1.57% in 4Q20. This reflects the Group's proactive liability management in a declining interest rate environment, which resulted in deposits in current and savings accounts (CASA) rising 23% year on year and a higher CASA mix of 53.5% for the year. The Group expects its NIM to stabilise in 2021 even as interest rates are likely to stay low in the near future.

Over the last few years, the Group has been enhancing its digital capabilities, from mobile and online banking channels such as UOB Mighty, TMRW and UOB Infinity to digital products and services including cash management, treasury and wealth solutions. These enhancements were critical in FY20 when customers were required to isolate at home as part of safe distancing measures. Ongoing customer engagement during the pandemic partly contributed to assets under management from high affluent customers growing 6% to S$134 billion, of which around 60% was from overseas customers.

The Group also remained focused on developing specialised sectoral solutions to help business customers tap opportunities from ASEAN's long-term growth potential and its connectivity with Greater China. With a strong regional and diversified franchise, the Group's cross-border income for FY20 reported a 1% growth despite the challenging environment. In addition, operating profit contribution from its overseas operations was higher at 48%, mainly due to the improved performance from its ASEAN franchise. This compared with 41% a year ago (FY19).

In line with the Monetary Authority of Singapore's guidance for local banks to moderate dividends for FY20, the Board recommends the payment of a final dividend of 39 cents per ordinary share with an option for scrip dividend. Together with the interim dividend of 39 cents per ordinary share, the total dividend for FY20 will be 78 cents per ordinary share, representing a payout ratio of approximately 45%.

CEO Statement

Mr. Wee Ee Cheong, UOB's Deputy Chairman and Chief Executive Officer, said, "Amid the challenges of the global pandemic, we deployed our strong balance sheet to help our business and consumer customers in their time of greatest need. We have ample provisions and capital to continue to support our customers and to remain resilient.

"In the coming 12 to 18 months, macroeconomic conditions are likely to improve, albeit gradually. ASEAN's connectivity with Greater China and the region's growing affluence continue to be drivers of growth. Our established network, deep sectoral insights and strong local expertise ensure that we remain well-positioned to help our customers seize these growth opportunities.

"To ensure sustainable growth, we will continue to sharpen our regional strategy, while upholding asset quality and maintaining cost discipline and efficiencies. With net interest margin expected to stay low, we are rebalancing our business with an emphasis on wealth and connectivity-related products and services that bring greater value to our customers and also drive higher fee income. This is in keeping with our omni-channel approach to serving our customers as they shift to digital banking solutions. We believe that we will emerge stronger from the crisis and can return to pre-COVID-19 profit levels in the next few years, driven by topline growth and lower credit costs, and in turn deliver better return on equity to our shareholders."

Financial Performance

	2020 $m	2019 $m	YoY +/(-)%	4Q20 $m	3Q20 $m	QoQ +/(-)%	4Q19 $m	YoY +/(-)%
Net interest income	6,035	6,563	(8)	1,512	1,474	3	1,635	(8)
Net fee income	1,997	2,032	(2)	522	514	2	476	10
Others	1,144	1,435	(20)	214	272	(21)	321	(33)
Total income	**9,176**	**10,030**	**(9)**	**2,249**	**2,261**	**(1)**	**2,432**	**(8)**
Less: Total expenses	4,184	4,472	(6)	1,049	1,009	4	1,116	(6)
Operating profit	**4,992**	**5,558**	**(10)**	**1,200**	**1,252**	**(4)**	**1,316**	**(9)**
Less: Impairment charge	1,554	435	>100	396	477	(17)	146	>100
Add: Assoc & JV	98	51	91	34	24	40	20	69
Net profit	**2,915**	**4,343**	**(33)**	**688**	**668**	**3**	**1,006**	**(32)**

FY20 versus FY19

The Group reported net profit of S$2.91 billion, 33% lower than a year ago as economies contracted amid the global pandemic with lower margins from benchmark rate cuts and reduced customer activities. In addition, pre-emptive credit allowance of S$916 million was built up during the year to strengthen the balance sheet.

Net interest income decreased 8% against last year to S$6.04 billion, as policy makers across regional markets reduced interest rates to support the economy and market liquidity. Net fee and commission income was 2% lower at S$2 billion, as consumers spent less on their credit cards and business activities reduced with movement restrictions and social distancing measures in place. On the other hand, wealth management fees did better and fund management fees improved.

Other non-interest income dropped 20% to S$1.14 billion due to lower net trading income on the back of a volatile market in 2020, partially offset by higher gains from investment securities.

Total expenses decreased 6% to S$4.18 billion on the back of the Group's efforts to balance continued strategic investments in people and technology while reducing discretionary spend. The cost-to-income ratio for the year was 45.6%.

Total allowance increased to S$1.55 billion from S$435 million a year ago, as the Group pre-emptively set aside additional allowance for non-impaired assets of S$916 million to ensure adequate coverage even as the impact of the pandemic on credit remains uncertain. Allowance for impaired loans increased 45% to S$679 million on a few secured corporate accounts. Total credit costs on loans increased 39 basis points to 57 basis points.

4Q20 versus 3Q20

Net interest income increased 3% to S$1.51 billion, lifted by a four-basis point increase in net interest margin to 1.57% in 4Q20. Net fee and commission income was 2% higher at S$522 million, led by an increase in fund management and credit cards fees. Trading and investment income declined 28% to S$152 million as the last quarter benefitted from higher gains on investments.

Total operating expenses increased 4% to S$1.05 billion, largely due to higher staff costs. Total allowance dropped 17% to S$396 million with lower allowance for non-impaired assets while allowances for impaired assets increased from a few secured corporate accounts.

4Q20 versus 4Q19

Net interest income decreased 8% from lower interest rates. Net fee and commission income rose 10% driven by strong growth in wealth management, fund management and loan-related fees. Other non-interest income declined 33% to S$214 million, mainly from lower net trading income. Total operating expenses fell alongside income. Total allowance was higher due to the increase in allowance on non-impaired assets.

Capital, funding and liquidity positions

The Group's liquidity and funding positions remained robust with 4Q20's average all-currency liquidity coverage ratio at 139% and net stable funding ratio at 125%, well above the minimum regulatory requirements. The loan-to-deposit ratio was stable at 85.4%.

As at 31 December 2020, the Group's Common Equity Tier 1 CAR remained strong at 14.7%. Leverage ratio of 7.4% was more than two times above the regulatory requirement.

– Ends –

About UOB

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 Investors Service and AA- by both S&P Global Ratings 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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