

NEWS RELEASE

UOB Group Delivers Record Full Year 2013 Earnings of S\$3 billion

Core Income Streams Rose to New Highs Overseas Operating Profit Contribution Above 40%

SINGAPORE, 14 February 2014 – The UOB Group (“Group”) delivered yet another set of solid results with net earnings at S\$3.01 billion for 2013, an increase of 7.3% over last year. The record full-year performance was led by strong growth in core income streams as well as higher profits from associates. For the fourth quarter of 2013 (“4Q13”), the Group’s net earnings was S\$773 million, 11.1% higher over the same quarter last year (“4Q12”) and 5.9% over the third quarter of 2013 (“3Q13”).

Group operating profit rose to a new record of S\$3.82 billion in 2013, with overseas contributions exceeding 40%. The Group’s core income streams of net interest income and fee and commission income rose to new highs for the year, backed by the Group’s strong customer franchise and focused cross-selling efforts.

The Group’s liquidity and funding position remained sound with its loans-to-deposits ratio at 88.5% as at end December 2013. Asset quality stayed resilient with the non-performing loans (“NPL”) ratio lower at 1.1% compared with 1.5% a year ago.

The Board recommends a final one-tier tax-exempt dividend of 50 cents and a special one-tier tax-exempt dividend of 5 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 2013 will be 75 cents per ordinary share. The scrip dividend scheme will be applied to the final and special dividends for 2013.

Full year 2013 earnings

The Group reported an increase of 7.3% in net earnings to S\$3.01 billion for 2013, driven by strong contributions from net interest income and fee and commission income, as well as higher profits from associates.

Net interest income grew 5.2% to S\$4.12 billion in 2013 on robust loans growth across different industries and geographies, compensating the impact of compressed margins. The Group’s net interest margin was 1.72% in 2013, 15 basis points lower from a year ago due to competition in a sustained low interest rate environment.

Fee and commission income maintained its growth momentum, growing 14.8% to S\$1.73 billion, on the back of broad-based growth in corporate finance and capital markets, wealth management, fund management and loans-related businesses.

Trading and investment income decreased 19.2% to S\$544 million on lower gains from the sale of securities due to market volatility amid concerns over the US quantitative easing tapering.

Group operating expenses for the year grew in tandem with income to S\$2.90 billion. Staff costs grew 7.3% to S\$1.71 billion as the Group continued to invest in talent across Singapore and the region. Consequently, the expense-to-income ratio increased from 42.3% to 43.1% in 2013.

Total impairment charges declined to S\$429 million in 2013 mainly due to lower individual impairment. Collective impairment of S\$272 million was made in line with loans growth. The total loans charge off rate remained stable at 30 basis points.

The share of associates' profits increased from S\$87 million to S\$191 million in 2013, contributed by non-recurring gains on disposal of investment securities.

Fourth quarter 2013 earnings

The Group reported net earnings of S\$773 million in 4Q13, 11.1% higher over 4Q12, driven by strong growth from core income streams.

Net interest income rose 13.3% to S\$1.10 billion in 4Q13, largely contributed by expanded loans volume. Fee and commission income grew 12.2% to S\$435 million, benefitting from the strong demand in lending, corporate finance and wealth management businesses. Trading and investment income was 1.9% lower at S\$144 million due mainly to lower gains on the sale of available-for-sale securities.

Total operating expenses of S\$762 million for 4Q13 were 6.1% above 4Q12, with the expense-to-income ratio at 43.8%. The increase was due mainly to higher staff costs and business-related expenditure.

Total impairment charges for 4Q13 were S\$139 million, 7.3% lower from 4Q12 as individual impairment on loans reduced. Collective impairment set aside in line with loans growth was S\$50 million, with the total loans charge off rate remaining at 30 basis points.

Compared with 3Q13, the Group's net earnings grew 5.9% to S\$773 million.

Quarterly net interest income trended up consecutively in 2013, recording S\$1.10 billion in 4Q13. The increase was mainly contributed by the steady loans growth and improvement of 3 basis points in net interest margin to 1.74% in 4Q13. Fee and commission income grew 6.9% over 3Q13 to S\$435 million in 4Q13, driven by higher loan-related fee income. Trading and investment income for 4Q13 contributed the same level as the previous quarter at S\$144 million.

Total operating expenses of S\$762 million for 4Q13 were 6.7% higher quarter-on-quarter as staff costs and business-related expenses increased.

Individual impairment on loans was higher at S\$51 million when compared with 3Q13 due to recoveries in the previous quarter.

Share of associates' profits decreased to S\$14 million in 4Q13 from S\$52 million in 3Q13 due to reduced sale of investment securities.

Strong balance sheet and capital position

Gross customer loans grew by 16.8% during the year to reach S\$182 billion while customer deposits expanded by 11.0% to S\$202 billion. Loans from Singapore increased 17.7% to S\$119 billion while regional countries grew 16.8% to S\$52.7 billion (excluding currency impact).

The Group's liquidity position remained sound, with loans-to-deposits ratio at 88.5% as at 31 December 2013. The Group's funding base was further strengthened with the issuance of S\$9.73 billion commercial papers under the US\$10 billion US commercial paper programme in 2013.

Asset quality remained strong with non-performing loans declining 12.2% year-on-year to S\$2.07 billion as at end December 2013, while NPL ratio improved to 1.1% compared with 1.5% a year ago.

Shareholders' equity increased 5.2% year-on-year to S\$26.4 billion largely contributed by higher retained earnings. The Group's return on shareholders' equity was 12.3% for 2013.

The Group's capital position remained strong. Common Equity Tier 1 and Total capital adequacy ratios were 13.2% and 16.6% respectively as at 31 December 2013, well above the minimum requirements of the Monetary Authority of Singapore. Compared with 30 September 2013, the capital ratios improved mainly due to higher retained earnings and the issuance of Basel III-compliant capital of S\$500 million, partly offset by higher risk-weighted assets in line with loans growth.

CEO's statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We are pleased with the Group's performance last year, driven by strong momentum in our core businesses. We achieved record profits and fees; net interest income also reached new highs, backed by robust loans growth and stabilising net interest margins. Our balance sheet remains strong as we continue to diversify our funding base and pursue quality credit growth during the year. In strengthening our capital base, we were the first bank in Asia to issue successfully two tranches of Additional Tier 1 capital under the new Basel III banking framework.

"This positions us well as we enter a more moderate environment in 2014. The QE tapering in

the US signals a recovering economy which bodes well for this part of the world. The near-term impact of capital outflows should be manageable given the stronger balance sheets in Asia.

“Despite recent uncertainties in a few countries, we remain positive on Asia’s underlying economic fundamentals. We see our wealth management and wholesale banking businesses continue to grow as we help more customers take advantage of increasing intra-regional trade flows and rising wealth. The integration of our regional infrastructure will give further impetus to our franchise growth, through enabling seamless customer service. It also drives productivity - a key to sustainable growth in this industry and the wider economy.”

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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, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. In Asia, it operates through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

UOB plays an active role in the community, focusing on the arts, education and children. For three decades UOB has organised the prestigious UOB Painting of the Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council’s Distinguished Patron of the Arts Award for the ninth consecutive year in 2013. 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 Singapore, Malaysia, Indonesia, Thailand and mainland China.

For more information about UOB, visit UOBGroup.com.

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