
NEWS RELEASE

UOB Group Posts Operating Profit Growth of 9.4% to S\$893 million for the First Quarter of 2009

Group remains focused on strengthening long-term capabilities to prepare for the upturn

SINGAPORE, 6 May 2009 – The United Overseas Bank Group recorded an operating profit of S\$893 million, an increase of 9.4% quarter-on-quarter and 16.0% year-on-year. On a post-tax basis, the Group recorded a 23.3% increase to S\$409 million for the quarter but showed a 22.7% decrease year-on-year as higher operating income is offset by higher impairment charges.

For the quarter, the Group's net interest income decreased marginally to S\$949 million mainly due to a shorter quarter, while net interest margin decreased four basis points to 2.41% due to lower average loan spread from some overseas centres. Year-on-year, the Group's net interest income increased 11.4% on the back of loan growth and lower funding costs, and net interest margin was up 21 basis points. The Group's non-interest income increased 11.1% to S\$434 million compared to the last quarter, driven by higher investment income and fee and commission income. Year-on-year, non-interest income was up 4.9%, due mainly to higher investment income and trading profit; this was partly offset by lower fee and commission income.

Total operating expenses decreased 7.7% to S\$491 million for the first quarter. Staff costs decreased 5.6% to S\$259 million mainly due to lower headcount and a grant received under the Jobs Credit Scheme. With disciplined cost control, other operating expenses declined 9.9% to S\$232 million. Expense-to-income ratio improved 3.9% points to 35.5%.

For the quarter, a higher collective impairment of S\$174 million was set aside for loans and investments in view of the prolonged global economic uncertainties. Total impairment charges of S\$378 million remained relatively unchanged as compared to the last quarter.

The Group's net customer loans were flat at S\$99.7 billion from end-December 2008, due to prudent loan growth. However, net customer loans grew 5.6% over 31 March 2008, largely contributed by higher housing loans and loans to professionals and private individuals.

The Group's customer deposits were S\$119.4 billion, an increase of 1.0% and 8.9% from 31 December 2008 and 31 March 2008, respectively. Loans to deposits ratio improved to 83.5% as at 31 March 2009.

As at 31 March 2009, the Group's non-performing assets of S\$2,449 million constituted 1.3% of total assets. Non-performing loan ratio increased marginally to 2.1% from 2.0% as at 31 December 2008 and 1.6% as at 31 March 2008. There are no major signs of deterioration and the Group remains comfortable with its overall portfolio.

The Group's Tier 1 and total capital adequacy ratios (CAR) of 12.3% and 17.3% respectively as at 31 March 2009, are well above the minimum of 6% and 10% required by the Monetary Authority of Singapore. The higher CAR was due mainly to lower risk-weighted assets and higher retained earnings. The issuance of the S\$1.32 billion Class E non-cumulative non-convertible preference shares in September 2008 also contributed to the improved CAR compared to a year ago.

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Despite the extraordinary environment, we have achieved a decent set of results for the first quarter, benefiting from the industry's move towards 'back to basics'. There is much talk about 'green shoots' and a growing sense of optimism about the economy. The banking world is adjusting to new realities, and is undergoing a major overhaul so that confidence can be re-established. While policy measures are in the right direction, distressed balance sheets in the global banking system can only be restored over time."

“The journey ahead remains tough, but we are confident that we will come out of the crisis stronger. The Bank will stay disciplined and ensure our balance sheet and core franchise remain strong. We will also further strengthen our operating capability and infrastructure to better prepare ourselves for the upturn,” Mr Wee added.

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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 over 500 offices in 18 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 loan 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 fourth 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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