
NEWS RELEASE

UOB Group Posts Year-on-Year Operating Profit Growth of 14.6% to S\$812 Million for the Third Quarter of 2009

*Disciplined management of risks resulted in a
stronger balance sheet and higher capital position*

SINGAPORE, 30 October 2009 – The UOB Group (the Group) reported an operating profit of S\$812 million in the third quarter of 2009, a 14.6% growth as compared to the same period last year. The Group's core business remained strong with expenses under control and individual impairment well within expectation.

For the first nine months of 2009, the Group's operating profit grew 10.9% to S\$2,643 million. The strong operating performance was largely due to an increase in net interest income, and income from trading and non-trading activities. This was offset by higher individual impairment for loans of S\$477 million (as compared to S\$142 million last year-to-date) and a significant collective impairment of S\$565 million (as compared to S\$184 million last year-to-date) as the Group continued to provide prudently in view of the uncertain economic environment.

The Group's balance sheet strengthened, with AFS reserves registering an improvement of S\$2.1 billion during the nine months as credit and equity markets recovered. The capital position also continued to improve with Tier 1 and total capital adequacy ratios (CAR) reaching 13.5% and 18.5% respectively as at 30 September 2009. The higher CAR over 30 September 2008 were due primarily to lower risk-weighted assets and higher retained earnings.

Third Quarter 2009 (3Q09) versus Third Quarter 2008 (3Q08)

On a profit after tax basis, the Group posted a 5.3% increase year-on-year to S\$500 million. Net interest income rose 3.6% to S\$925 million, while net interest margin was up 18 basis points to 2.39%. Non-interest income grew 24.1% to S\$396 million, primarily attributed to net gain from investment activities.

Expenses remained relatively flat at S\$510 million reflecting the Group's continued focus on cost containment.

In view of the difficult environment, total impairment charges increased 49.0% to S\$235 million, mainly due to higher individual impairment on loans, but these were well within the Group's expectation.

Third Quarter 2009 (3Q09) versus Second Quarter 2009 (2Q09)

3Q09 saw signs of market recovery with the credit crisis easing and market sentiments improving.

Net profit after tax grew 6.3% to S\$500 million in 3Q09. Impairment charges declined 49.5% to S\$235 million, largely attributed to the previous quarter's collective impairment provision for investments and foreclosed assets.

Sustained growth in its core business boosted revenues. Net interest income increased 2.0% to S\$925 million, while widening interbank spreads lifted net interest margin by 4 basis points to 2.39%. With improved macro conditions, contributions from fee and commission income streams were revived and registered increase of 17.4% to S\$264 million. This was driven by higher revenues from investment banking and fund management activities due to improved capital markets, as well as higher fees from lending business. Lower trading and investment income, however, reduced the total operating income by 9.4% to S\$1,322 million.

The Group maintained its cost discipline and total operating expenses declined 2.0% to S\$510 million.

Loans

The Group's net customer loans of S\$98.3 billion as at 30 September 2009 was 2.1% lower than a year ago, but rose 0.6% when compared to the previous quarter. UOB remained selective and focused in growing target segments. In Singapore, UOB continued to be a key player in the mortgage market, with the overall housing loan portfolio growing 4.8% during the quarter.

Non-Performing Loans

While non-performing loans (NPL) ratio expectedly increased to 2.4% from 1.5% a year ago, it remained unchanged during the quarter, reflecting a more stable operating environment. Overall, the Group was comfortable with its portfolio and asset quality remained sound.

Shareholders' Equity

The Group's shareholders' equity increased 6.2% from 30 September 2008 and 4.5% during the quarter to S\$18.2 billion. The continued improvement in AFS reserves, coupled with higher retained earnings contributed to the strong equity position.

CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Three months back, we indicated that 'maximum fear' is behind us. Now, it appears that the worst for the economy is behind us as well.

Looking back, it was remarkable that the damage on Asian economies was relatively muted. Besides swift policy responses, one crucial factor is the strong balance sheet of Asian corporates and individuals as we entered the crisis. Essentially, we had an 'economic shock' but not a 'banking crisis' in this part of the world.

At UOB, our unwavering focus on the core fundamentals, and vigilance in managing our balance sheet and risks, have helped us stay in good health. Beyond the crisis, we will continue to selectively seize growth opportunities and work towards achieving greater synergies across our regional network."

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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 third 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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